

# Water Sense

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## Water Authorities Can Handle Unique Needs

by P.J. Cameon  
NDWC Staff Writer

When a growing tourism industry began to strain an already deficient water supply, residents of a rural Pennsylvania area looked to forming a water authority to meet their drinking water needs.

The 6,000 or so residents of the affected area have relied on private wells and a patchwork of about 50 small water systems. The rugged terrain, mostly on Laurel Mountain in rural Fayette County, usually held just enough source water to meet the residents' needs—until recently.



In the past few years, the area has become a center for tourism activities, drawing visitors to an expanding golf and ski resort, white-water rafting, and historic attractions. The increased demand has, at times, taxed the local water supply beyond its capacity. Recent drought periods have underscored the problem with some low-yield wells temporarily running dry.

One concerned area resident started a petition drive in an effort to solve the water-supply problem, and a series of public meetings was held  
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*Tourism has brought economic opportunity to parts of Fayette County, Pennsylvania. Unfortunately, the growing tourism industry has also taxed the area's drinking water supply.*

“Exercise Your  
Blue Thumb”  
during Drinking  
Water Week,  
May 5–11, 1996  
(See page 2).

## CDBG Can Be Crucial to Funding Mix

by Laurie Klappauf  
Water Sense Editor

When seeking funding for small community drinking water and wastewater projects, one important source is the Community Development Block Grant (CDBG) program. Just ask people in the small New England mill town of Ashland, New Hampshire.

They're funding part of their drinking water project through the CDBG program and are now on their way to tapping a safe, new drinking water source.

And while getting through the maze of federal and state requirements was time-consuming, town officials feel the result was worth the effort.

“First and foremost, it's a grant program,” says Peter Binette, grants administrator for Ashland.

To be sure, the CDBG program provides everyone's favorite type of funding—“free” money in the form of grants. But the program is targeted primarily toward low- and moderate-income people. “And they make this very clear,” says Binette.

Funded by the U.S. Department of Housing and Urban Development (HUD), the CDBG program provides grants for housing, economic development, and public facilities. The latter includes water and sewer projects. HUD provides funds to the states, which then administer the program.

The CDBG program can rarely suffice as the only source of funds for water and sewer projects. More often, it is combined with grants and loans from state or other federal programs. Often, rate increases may be necessary to round out the needed funding.

### CDBG Is Part of Ashland's Solution

That's how it worked in Ashland. With state and federal compliance orders hanging over their heads for nearly a decade, town officials established a citizen committee to find an alternative to their long-time source of drinking water—untreated surface water from a local reservoir. The water received chlorination, but no filtration or other treatment that would be needed to meet state and  
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## Water Sense

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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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## New Farm Bill Includes RECD Name Change

The 1996 farm bill, signed by President Clinton in April, includes a name change for the Rural Economic and Community Development (RECD) mission area of the U.S. Department of Agriculture. Its new name is Rural Development.

The three organizations within this mission area remain the same: Rural Utilities Service (RUS), Rural Housing Service, and Rural Business-Cooperative Service. RUS is a major source of water and wastewater loans and grants for small communities.

Known as RECD state and local offices for the last 18 months, field offices are now called Rural Development offices. Many rural Americans,

however, still refer to them as the Farmers Home Administration, even though that agency was abolished in October 1994 when the U.S. Department of Agriculture was reorganized. The Rural Development field offices administer the funding and technical assistance programs for RUS and the housing and business organizations noted above.

The bill also earmarks \$300 million over three years for a "Fund for Rural America." This fund will provide money for research and for rural development, which would include water and wastewater projects, as well as rural housing. We'll have more on this in the next *Water Sense*. \$

## Drinking Water Week Is May 5-11

### But Education Can Be Year-Round

Drinking Water Week is an excellent time to help your neighbors and customers learn the importance of protecting and conserving our valuable water resources. And after all, saving water saves money!

To encourage water awareness and education during Drinking Water Week and throughout the year, the Blue Thumb Alliance—a group of 20 nonprofit organizations—has developed a packet of materials promoting water-responsible actions. Alliance members include the National Drinking Water Clearinghouse (NDWC) and the American Water Works Association, among others.

Your community or drinking water system can use the Blue Thumb posters, activities, news releases, and other materials to explain how everyone can "exercise their Blue Thumbs."

You can also tailor the ready-made messages to your own system to help customers understand where water comes from, how it's treated, and even what factors can affect water rates.

In Stevens Point, Wisconsin, for instance, the local water department printed Blue Thumb messages on their water bills. In Georgia, the Atlanta Water Department used the Blue Thumb Project to inform its customers about its water through facility tours, conservation displays, a poster contest, a City Hall ceremony, a water taste test, and a radio public service announcement.

To order a free Blue Thumb packet, call the NDWC at (800) 624-8301, and order Item #DWPKE17. A shipping and handling charge will apply. \$



Game cards like these can be found in the "Exercise Your Blue Thumb" packet, available from NDWC.

## RUS Loan Rates Decrease Again

For the second consecutive quarter, two of the three interest rates for Rural Utilities Service (RUS) water and waste disposal loans have decreased. One interest rate is unchanged.

RUS issues loans at one of three interest rates, according to community qualification criteria. The rates for the third quarter of Fiscal Year 1996 apply to all loans issued from April 1 through June 30, 1996. These rates are:

- *poverty line* rate: 4.500 percent (unchanged from the previous quarter);
- *intermediate* rate: 4.875 percent (down .125 percent from the previous quarter);

- *market* rate: 5.375 percent (down .125 percent from the previous quarter).

RUS loans are administered through local or state Rural Development offices, until recently known as Rural Economic and Community Development (RECD) offices (*see top article on this page*). These offices can provide specific information concerning RUS loans and applications.

For the number of your nearest Rural Development office, contact the National Drinking Water Clearinghouse at (800) 624-8301. \$



## Water 2000 Financial Needs Identified

As part of its Water 2000 initiative, the U.S. Department of Agriculture's (USDA) Rural Utilities Service (RUS) has compiled data on the number of households around the country that lack drinking water service or have serious drinking water needs.

Water 2000 is the USDA effort to have "safe, affordable drinking water in virtually every home [in the U.S.]—no matter how remote and distressed—by the year 2000."

The data, collected in 1995, indicate there are nearly 3 million U.S. households, representing 8 million people, with drinking water problems—inferior water quality or inadequate or nonexistent service. RUS calculates a \$9.8 billion price tag to address these needs.

The data are broken down by state, estimating the number of households and level of financial needs in each (*see chart at right*).

North Carolina has the greatest number of people with drinking water needs (423,353 households), while Kentucky has the greatest financial need for funding (\$1 billion) to address its water problems.

### Assessment Targets Funding

The assessment of drinking water needs is an important part of the Water 2000 initiative, according to Bart Handford, assistant to RUS Deputy Administrator John Romano. Now that the "neediest communities" and the "neediest states" have been identified, they will be targeted with federal water investment and technical assistance programs, said Handford.

He said funding for Water 2000 projects is available through the RUS Water/Waste Disposal (WWD) Loan Program, which provides low-interest loans and grants to rural communities. Funds are available through each state's allocation of WWD funding, as well as through the WWD national reserve fund, which is unallocated money held for special needs.

Unfortunately, according to Handford, the need for financial assistance for Water 2000 projects far outstrips the available federal funds. Recent budget cuts for the WWD program have further reduced the available funding, according to Handford, but he added that steps are being taken to identify other funding sources to meet needs.

"We're hoping to create new partnerships with local and state governments and private lending groups in the communities. By doing so, we hope to leverage what funding we have [in the WWD program] and make more money available," Handford said.

Rural Economic and Community Development (RECD), formerly Farmers Home Administration, coordinated the collection of Water 2000 data in each state. (RECD is now Rural Development—see article on page 2.) RECD conducted the assessment with the help of various state, county, and local government representatives; the National Rural Water Association; the Rural Community Assistance Program network; rural electric and telephone cooperatives; State Rural Development Councils; and other groups in each state.

### States with the Greatest Needs

The Rural Utilities Service (RUS), as part of the Water 2000 initiative, has compiled data indicating how many U.S. households are in need of improved drinking water service, as well as the cost for providing that service.

The data, collected in 1995, give an indication as to where available water improvement funding should be directed. The states with the greatest financial needs for addressing drinking water problems are listed below.

STATE	NUMBER OF HOUSEHOLDS	ESTIMATED COSTS (in millions)
Kentucky	180,331	\$1,000.1
Pennsylvania	61,702	\$923.4
Louisiana	229,200	\$648.7
Illinois	29,316	\$600.0
West Virginia	176,114	\$568.0
North Carolina	423,353	\$554.5
Arkansas	69,911	\$509.0
Tennessee	117,689	\$395.5
Iowa	47,753	\$330.5
Ohio	146,808	\$326.5

*For a free copy of Water 2000: A Plan for Action (Item #DWPCRE02) or a free copy of the needs assessment results for all 50 states (Item #DWPCRE09), call the National Drinking Water Clearinghouse at (800) 624-8301. For additional information about Water 2000 or the needs assessment, contact Handford at (202) 720-1261. \$*

## Water Authorities Can Handle Unique Needs

*Continued from page 1*

in the affected area. Local officials are now in the process of forming a water authority to improve the area's drinking water supply with the assistance of commonwealth officials.

### **What is a water authority?**

Unique or complex water problems can often be addressed through the formation of a water authority—a public utility created with the sole purpose of supplying drinking water.

An authority is formed by one or more local governments, with these governments appointing members to the authority's controlling board. But water authorities legally function independently and can have some degree of political autonomy.

"In Pennsylvania at least, an authority is a vehicle to accomplish projects that county or municipal governments find impossible or not practical," said Walt Harner, a drinking water project manager with the Pennsylvania Department of Environmental Protection (DEP).

An authority can be created to provide water to a previously unserved area, or it can involve the reorganization of existing service, according to Mark Leevan, a senior associate with Apogee Research, Inc.

"More commonly, you see scenarios where people who have never had public water before

get together to form an authority," said Leevan, who has had extensive experience with water authorities.

Leevan said this is especially common in rural areas where new development increases the demand for water or where private wells have meager yields or are threatened by contamination. These problems often span more than one local government boundary, so water authorities are effective tools to provide solutions.

### **Authorities Have Many Benefits**

In addition to situations where a new water system is created, a water authority may be formed to replace an existing system. As explained later in this article, a community may find the formation of a water authority advantageous or crucial to the completion of a drinking water-related capital improvement project.

Another reason to form a water authority is to consolidate two or more existing small water systems, Leevan said. Combined, the smaller systems can benefit from the economies of scale and from "reverse privatization," which involves converting several small, *private* water systems into one *public* system.

Economy of scale simply means it should be more cost-effective to operate one water system with, for example, 3,000 customers, than to operate

systems with 1,000 customers each. Operating under the control of a public water system may gain access to assistance and funding sources that are not available to the individual private systems, according to Leevan. There may also be some tax advantages in consolidation.

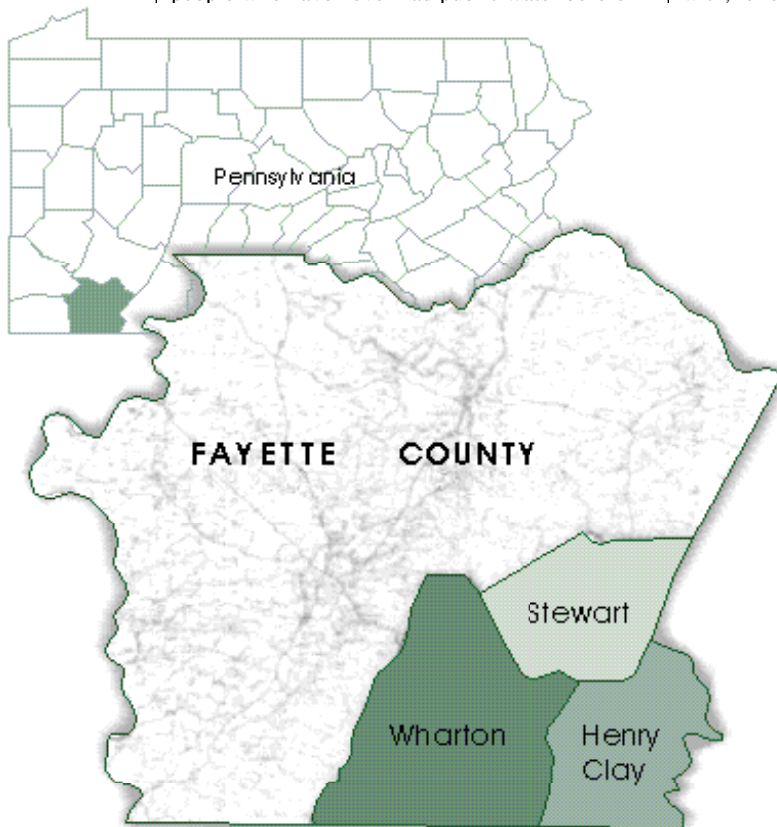
A newly formed public system may also have more freedom in setting rates. Many states have higher rates for private water systems, and municipalities have little or no control over rates set by public systems.

### **Benefits in Project Financing**

Water authorities usually have many advantages over municipal systems when it comes to long-term funding for capital projects, according to Harner. They also have more flexibility in obtaining financing, especially when bonds are issued for capital projects.

*Continued on next page*

*A water authority has been created to replace more than 50 small drinking water systems and extend service in parts of three rural townships with a centralized system.*



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Many states limit local governments from entering into the types of debt agreements needed to obtain enough money for expensive capital projects, Leevan explained.

Typically, local governments must seek voter approval before issuing bonds for larger water projects. A special election adds to the cost of a project and can delay work for months. Water authorities generally are not required to seek direct citizen approval before issuing bonds, although they may need the approval of any pertinent local or county government body.

And there are usually limits on how much long-term indebtedness a local government can obtain. If the local government borrows to its total capacity for a water project, it may not be able to borrow funds for other needs in the future. A water authority can be used to obtain the long-term funding needed and still keep the local government's available indebtedness open for those other needs.

When seeking long-term funding, a water authority can use projected user fees as collateral for a bond issue. Local governments, in some cases, are permitted to offer only voter-approved future tax revenue as collateral. Harner explained that some lending agencies view user fees as a more reliable repayment source than future tax revenues.

Nevertheless, bonds issued by local governments are viewed as a safe investment because they are backed by the "full faith and credit" of the issuing body. In cases where lenders are leery of providing funds to a new entity without a financial track record, the local government(s) can serve as a backup, or secondary source, for repayment.

### **Some Points To Consider**

While water authorities can offer plenty of benefits, there are a few issues to consider, according to Leevan.

When the formation of a new water authority involves the merger of existing systems, rivalry or mistrust among the leaders of those systems can be an issue, he said. In such cases, it is important to give the leaders of each system a fair percentage of representation in the new authority's management.

## **Water Authorities**

A water authority is an entity created for the sole purpose of supplying water service.

The authority can: 1) provide water to an area not served by a community water system, 2) replace an existing water system, or 3) replace two or more water systems with a regional authority.

### **Some Advantages**

- Can address water needs spanning more than one local government jurisdiction.
- Can usually access funding quicker than local governments, and with fewer restrictions.
- Can realize improved economy of scale when multiple systems merge to form one water authority.
- When consolidation is involved, the new authority may earn a tax break if one or more of the merging systems were privately owned.

### **Some Disadvantages**

- Local water officials may be reluctant to cede power when a regional authority is proposed.
- Legal, engineering, and other costs associated with forming an authority may be a barrier.

Also, there are expenses associated with the formation of an authority, Leevan added. Although these commonly are not great expenses, local officials have to be convinced that the expected benefits of forming an authority outweigh the costs.

Another disadvantage is the loss of direct representation of the voters on a water board. Instead of having elected town leaders making decisions about the water system, the decisions are made by a board appointed by those officials.

"Water authority members are insulated from the pressure to make popular decisions instead of decisions that are best for the water system," Leevan said. This, he added, can be viewed as a benefit or a drawback depending on your perspective.

"The public can't vote to 'throw the bums out' for making unpopular decisions," Leevan said. Instead, upset customers would have to vote to replace the elected officials who appointed the water board members.

The water authority members are deciding rates for their friends and neighbors, according to Leevan. This is a strong incentive not to seek excessive rates.

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If customers do feel dissatisfied with rates, they can complain directly to the water authority members or indirectly to the elected officials who appointed those authority members. In some states, regulatory commissions or other government agencies review rates to determine if they are reasonable. In extreme cases, the customers could vote to replace the elected officials or even appeal the water authority's decision in court.

### No Uniform Steps To Forming Authority

The process of forming a water authority varies from state to state, according to Leevan. Therefore it is impossible to spell out specific, chronological steps to forming an authority.

Leevan said there are some procedures or steps that would typically have to be completed in most states to form an authority. They include:

- holding a public hearing to gather customer input;
- having the incorporating municipality vote to create the authority (or vote in each community if more than one municipality is involved);
- creating bylaws and possibly other charter documents;
- registering the authority with some state government office (which might include a modest filing fee);
- obtaining a "certificate to serve" or similar approval from a state public utility board

before beginning operations, especially in cases where debt is involved; and

- negotiating with any local municipalities as to proportional representation on the new board and the authority's role and responsibilities.

Again, the process varies from state to state and depends on what type of water authority is being formed—such as one representing a single community or a region.

### Public Involvement Is Crucial

In the Pennsylvania example, public meetings were held to see if area residents agreed that a solution to their inadequate water supply was needed and whether they would agree to a regional effort that involved the formation of a water authority, according to Eugene Wolbert, a regional official with the Pennsylvania DEP.

"You want people to feel it is their project so they'll buy into it. Otherwise it will fail," Wolbert said.

Most of the affected residents expressed support for the water improvements, Wolbert said, but he added that some residents feared that improving water service would accelerate development, bringing undesirable effects such as increased crime and traffic.

Additionally, some residents expressed concerns about being forced to pay for community water service even if their wells still provide an adequate water supply, according to Wolbert. He

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## Two Types of Authorities

A water authority can fall into one of two categories: leaseback (also called financing) or operating.

In a *leaseback* situation, the authority is created as a tool to help a local government finance a project, but the project is operated by the local government, according to Walt Harner, a drinking water project manager with the Pennsylvania Department of Environmental Protection.

A leaseback authority has the capability to enter into financing agreements that many municipalities aren't able to enter. As explained on page 5, many states limit the financial indebtedness of local governments.

A local government might form a water authority to finance and construct a new drinking water treatment plant. The authority would then sign a long-term lease with the local government, which would actually operate the plant.

The local government—using income from the water project—would make regular payments to the authority, which, in turn, would meet debt payment obligations.

An *operating* authority, on the other hand, arranges for the funding of a project as well as its day-to-day administration. The new plant's workers are employees of the water authority, and customer bills are paid directly to the authority.

"It operates the project and pays off the debt," Harner explained. "Municipal officials don't have a role [in the system's day-to-day operations] when there is an operating authority."

Harner said he believes operating authorities are more common than leaseback authorities, at least for drinking water projects.

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confirmed that one of the proposed solutions to the inadequate water supply involves mandatory participation in a new, regional water system, but he stressed that other proposed solutions, which would still involve constructing a regional water system, would not require mandatory participation.

After assessing the concerns of the public and area businesses, officials determined that there was support for a regional project. Wolbert said



*Golfing (above) is just one of the attractions that draws tourists to Fayette County. White-water rafting, historic sites, and natural beauty have helped the region become a tourism center (right). A planned regional water authority will help meet the growing demand for drinking water resulting from the increase in tourism.*

most residents and business owners realize that the area's water demand is continuing to increase with no economical way to increase water supply without some regional effort.

The local communities secured a \$19,000 grant from the Pennsylvania DEP to conduct a feasibility study. The affected area includes three townships or local districts within the county (see map on page 4).

The study revealed three main options: build a new treatment plant to supply the entire region; upgrade one existing plant to meet all drinking water demand in the area; or extend a line to a neighboring system to import treated water. The study also included some rough cost estimates.

Officials of the three townships agreed to seek the formation of a water authority to develop a solution, according to Wolbert. And the commonwealth provided another grant to cover related legal, engineering, and other costs associated with the formation of a water authority.

An application is pending before the Pennsylvania Department of State Corporation Bureau. Once approval is granted, officials of the three townships will appoint members to the new water authority.

"These members will be responsible for soliciting the funds needed to get the project moving," Wolbert said. In the meantime, the emphasis will be on "keeping public interest going."

### **Help Available for Forming Authorities**

Several sources are available for communities seeking technical assistance with the formation of a water authority or seeking more information on the subject.

Your state drinking water office is a good first place to call for technical assistance. It's even possible these state officials are already aware of your drinking water problem based on previous contacts with your system. For the number of your state drinking water office, contact the National Drinking Water Clearinghouse (NDWC) at (800) 624-8301 or the EPA's Safe Drinking Water Hotline at (800) 426-4791.

The National Rural Water Association (NRWA), through its network of state



Rural Water Association offices, can provide further information and possibly technical assistance concerning the formation of water authorities. The state offices are familiar with the water authority regulations specific to each state. For the telephone number of your state Rural Water Association office, call the NDWC at the number above, or call the NRWA headquarters at (405) 252-0629.

The American Water Works Associations' (AWWA) Small Utility Network can help locate additional information concerning water authorities and related topics. Contact Joe McDonald, AWWA small systems project coordinator, at (800) 366-0107.

*Products pertaining to water authorities are also available from the NDWC. (See list on page 16.) \$*



## Toss or keep? Managing Your System's Records

by P.J. Cameon  
NDWC Staff Writer

Managing and storing documents is an important and, in many cases, required task for water system personnel.

Some government agencies and accounting rules require that specific water system documents be maintained for years or even permanently. A well-thought-out retention schedule for these documents and proper storage techniques can mean the difference between space-consuming clutter and a manageable, easily-accessible archive.

A retention schedule spells out a uniform procedure for storing and eventually disposing of a system's records. These include documents relating to day-to-day system operations and records involving construction projects.

### Retention Is Costly but Crucial

Adhering to a retention schedule may seem burdensome, but it cuts down on the expense of properly storing unnecessary documents, according to Gilbert Bligh, superintendent of the Southington (Connecticut) Water Department. And having access to important documents can be crucial years down the road.

"It's a challenge—we seem to be overwhelmed with paperwork," Bligh said. "But the key is to identify what needs to be retained and what doesn't."

Bligh mentioned a liability the system recently faced, years after an accident. Because his system kept old insurance records, the system was able to prove it had a policy in effect when the accident occurred. Without that proof, the system would have borne the expense.

### State and Federal Requirements

State and federal agencies are the source of many retention requirements, according to Patricia Noble, engineering data manager for the Chesterfield, Virginia, Department of Utilities. Noble often conducts lectures advising systems on how to retain records.

She discussed several federal retention requirements:

- "The EPA [U.S. Environmental Protection Agency] requires the retention of various records as evidence that water standards are being adhered to and followed," Noble said. These records include proof that water-treatment chemicals were purchased and documentation of monitoring.
- When a system undertakes a construction project, the Internal Revenue Service (IRS) requires that records be kept to prove what percentage of the costs were borne by the local government, federal agencies, and other financial sources, according to Noble. "These records may need to be maintained permanently."
- Under the Fair Labor Standards Act, the Department of Labor requires that water systems keep—for three years—salary records for hourly employees and employees earning overtime pay.

In addition to these and other federal requirements, each state has additional retention requirements, Noble explained. And individual municipalities may have some retention requirements that also pertain to their local water systems.

There may be situations where, for example, one government agency requires a specific document be held for three years while another agency

requires retention of the same document for eight years. In such cases, keep the document the longer period, Noble said.

### Other Considerations for Retention

When there is no outside retention requirement for a specific type of document, a system should set its own time frame for keeping that item.

For example, many systems retain general correspondence for three years,

*Continued on next page*

## Many Records Are Kept Permanently

Federal, state, and even local government requirements affect how long water systems retain financial and other records. While some documents, such as accounts receivable and general correspondence, may need to be kept for only a few years, other documents must be maintained permanently.

A sampling of records that usually need to be maintained permanently is listed below.

#### Permanently\* Maintained Financial Records

- Year-end financial statements (balance sheets, income statements)
- Employee earnings records
- Formal (annual) budgets
- General ledgers
- Some construction-related financial records

#### Other Permanently\* Maintained Records

- System maps
- Meeting minutes
- Insurance policies
- Legal correspondence
- Personnel records

*\*Keep in mind that retention requirements vary from state to state.*

*Continued from previous page*

according to Noble, even though there is no law requiring them to do so.

A customer might charge that a complaint made more than a year ago was never addressed. A system official could look back through the correspondence records to confirm that the complaint was filed and review how system personnel responded.

Similarly, systems often retain any document relating to taxes for seven or eight years, Noble explained. She said a primary reason for doing so is the possibility of an IRS audit. The IRS can review tax filings back as many as three years. In doing so, they could demand tax records for the previous five years.

Records should also be kept long enough to be used by system officials to track budget trends or to study rate changes.

Bligh said his system keeps quarterly budget reports for several years, even though there is no requirement to do so. He said the reports are helpful for future budget planning.

Well-maintained financial records can also provide current and historic information to prove your system's creditworthiness to funding agencies. In addition, if you receive any federal funds, that agency will likely review your financial records.

The key is to establish a detailed retention schedule, which accounts for all documents, and then follow it. This shows consistency in which records you retain and which you destroy, according to a September 1992 article in *Association Management* magazine. And it could potentially be evidence that the system didn't deliberately destroy unfavorable material prior to litigation, investigation, or audit.

Under an established retention schedule, according to Noble, outdated records should be purged once a year. She stressed that the destruction be handled and documented by someone knowledgeable of retention requirements.

### **Microfilm Is the Best Storage Option**

Where and how you store documents are also important considerations, especially if you want to keep them in good condition, according to Noble.

She said small systems should seriously consider microfilm or microfiche to store their more important documents. The process includes reproducing documents to a greatly reduced size on film (microfilm) or a card or sheet (microfiche).

These "important" documents might include system maps, some financial records, and water treatment records. However, Bligh cautioned that

when microfilming maps, you should be sure that the vendor can bring the maps back to the original scale when the system needs them.

"Microfilm and microfiche are not as expensive as people think," Noble said, adding that "it doesn't cost anything to get quotes from vendors."

Your state's library and archives organization might be able to supply a list of vendors, according to Noble. "They may even be able to microfilm your records at a low cost and store the film for archival and disaster-recovery purposes."

If microfilm or microfiche is not practical, Noble recommends that systems make copies of their maps and plans on vellum, a fine-quality paper.

### **Tips for Storing Paper Documents**

Noble gave several tips for storing paper records.

"Physical document storage requires an area in the building, or off-site, that can maintain a constant temperature, humidity, and ventilation," Noble said. "And the less stored documents are handled, the better."

To keep documents in good condition for long periods, Noble said they should be stored in an area "with a relatively constant temperature of 70 degrees, plus or minus 5 degrees, and 50 percent humidity, plus or minus 5 percent."

If it's not practical to strictly regulate the storage environment for your documents, at least try to keep them at a "habitable" temperature, Noble explained. "If the room is comfortable for humans, it is pretty much OK for records."

Documents should not be stored in areas where water-treatment or other chemicals are maintained, she added.

Using suitable materials to record and store documents also helps.

Noble recommends using alkaline paper to print or copy documents likely to be stored for long periods. She said this paper costs "a few pennies more" than regular paper stocks, but is better suited to withstand extended storage.

Do not store documents printed on thermal paper used in many fax machines, she said. This paper is likely to fade or turn black over time, and may even damage other paper stored next to it.

Furthermore, remove all staples and paperclips when storing paper documents, because these accelerate deterioration, said Noble. She also recommends using non-acidic storage boxes as well as archival tape to repair torn documents instead of regular masking tape.

*Information concerning record retention schedules may be obtained by contacting your state government's library and archives organization. \$*



*Patricia Noble, engineering data manager for the Chesterfield, Virginia, Department of Utilities, says a record retention program requires a good storage environment for documents.*

## CDBG Can Be Crucial to Funding Mix

*Continued from page 1*

federal regulations. Working with engineers, the committee concluded that the best option was to drill for safe groundwater from a large aquifer discovered along the nearby Pemigewasset River.

Tapping into that aquifer would require constructing a new production well, backup wells, and pump station, and replacing the bulk of an antique cast-iron distribution system—some of it dating back to the town's founding in 1868.

But all of this would come at a cost—estimated at \$3.6 million, including the purchase of land on which to drill their well.

The two-year CDBG grant the town received was an important part of its funding package. At \$700,000, this represented less than a fifth of what Ashland needed, but Binette is quick to emphasize that it's money they otherwise would have had to find somewhere else.

Still, they had to increase user rates and seek additional funds from the state and from Rural Utilities Service funding programs run by the Rural Economic and Community Development office (RECD—formerly Farmers Home Administration. RECD is now Rural Development—see page 2.)

And though the community was ultimately supportive and voted for the bonds needed to secure some of the funding, Binette said obtaining public approval took a long time. "But once we pulled together the funding we did, they realized we probably wouldn't be able to pull that together again any time soon."

### **National Objectives Must Be Met**

Like any community seeking CDBG funds, Ashland had to meet some federal guidelines.

"First of all, the proposed project must meet one of three national objectives," says Chandra Western, program associate with the Council of State Community Development Agencies (COSCDA). A CDBG-funded project:

- 1) must benefit principally low- and moderate-income people; or
- 2) must eliminate slums and blight; or
- 3) must help eliminate conditions that pose a serious and immediate threat to the health or welfare of the community.

For the CDBG program, low and moderate income means 80 percent of median income for the state or county. HUD determines this figure in each state, but it's up to the applicant community to demonstrate to the state that it meets this criterion.

Furthermore, says Western, for each project that CDBG funds under the first national objective, at least 51 percent of the people served must be

low to moderate income. "This only pertains to the service area, not necessarily the whole town," she emphasizes.

In New Hampshire, all applications—be they for housing, public facilities, or economic development—must meet the low- to moderate-income objective, says Bill Ray, CDBG program manager with the Office of State Planning, which administers the CDBG program for the state.

Communities can get the income data they need from a variety of sources, including census data or a local income survey. "In almost all cases [in New Hampshire], it comes from a local survey," says Ray. "Census data rarely coincide with the user area."

Ray identified several sources of help for conducting such a survey. "RHI [Rural Housing Improvement, the Northeastern Rural Community Assistance Program] will do them for free," says Ray. The state CDBG office also has a list of consultants who can conduct income surveys. Sometimes communities will do their own surveys, but these need close oversight from the CDBG office to ensure the data are valid.

In Ashland, Binette used a combination of census data and door-to-door canvassers, who asked about income, as well as water quality and other related issues.

### **Federal, State Rules Apply**

Like most federally funded programs, the CDBG program also requires compliance with a list of federal requirements, including the Equal Employment Opportunity Act, fair housing laws, and Davis-Bacon federal wage rates, says Western.

"It's like anything else," says Binette. "There are things you have to get right." Still, he admits it can be frustrating when a 2,000-person town like Ashland has to meet many of the same requirements as New York City.

Ray understands this frustration. "CDBG is a 'mature' program, with lots of regulations dumped on it over the years. The difficulty is explaining why some of those regulations are there—usually they were passed to cover problems that occurred elsewhere."

HUD also requires all states to notify localities—through public announcements, direct mail, or other means—that CDBG funds are available. States must also hold workshops and training sessions to explain important aspects of the program.

New Hampshire uses these workshops both to weed out ineligible applicants and to help others understand CDBG requirements by explaining the application process, describing how the scoring system works, and answering questions.

*Continued on next page*

*"Once we pulled together the funding we did, they [the community] realized we probably wouldn't be able to pull that together again any time soon."*



*Peter Binette, grants administrator for Ashland, New Hampshire*

*Continued from previous page*

Ray says that sometimes the application process itself scares off the less needy prospects.

"Some people may decide it's not worth it; they may go back to their town council and support a local bond issue. In that case, I feel I've done my job," says Ray. "We're really interested in helping low- to moderate-income people."

But for those communities that decide to apply, these meetings can provide the initial hands-on help many applicants need.

"That's one thing—they'll always help you through the process," says Binette.

Since application processes and requirements vary from state to state, localities should contact their state CDBG office to find out specific details.

Even application deadlines vary widely. Most states, including New Hampshire, now have at least two application cycles each year, says Western.

### **New Hampshire Sets Thresholds**

In New Hampshire, CDBG applicants must meet a series of state thresholds, or minimum requirements, says Ray.

First the community needs to identify the problem, he says. "Replacing old water lines is the most typical. In New England, there are a lot of old systems, with old, shallow pipes."

In New Hampshire, CDBG applicants are not required to submit formal engineering reports or environmental reviews during the application process, but there's usually a local engineer who knows enough about the situation to be able to describe the problem and the proposed solution, according to Ray.

And while HUD does not require environmental reviews during the application process, they must be completed before CDBG funds can be obligated for the activity, says Steve Johnson, assistant director of HUD's States and Small Cities Division. "But states can be more restrictive," he adds.

"When scoring and ranking applications, some states give bonus points for those that include preliminary engineering reports or environmental reviews," adds Western.

Engineering work is an eligible CDBG cost, notes Ray. In fact, municipalities in New Hampshire can apply for "feasibility grants" of up to \$12,000 from the CDBG program to cover costs of preliminary engineering work, income surveys, and other planning activities—prior to submitting a formal CDBG application.

"It [the feasibility grant application] is fairly simple," says Binette, noting that Ashland used

one to complete a study on its proposed water system. "It's a great way to get study money, especially for communities that don't have all the information they need for the formal application."

New Hampshire also requires CDBG water and sewer applicants to document—via a letter from the state Department of Environmental Services—that their system is not in compliance with water quality regulations.

The state's next important threshold for these applicants is what Ray calls "the 1 percent rule." That is, by project completion, customer user rates must be at least 1 percent of median income. Since applicants are typically in lower-income areas, this is generally calculated as 1 percent of 80 percent of median income.

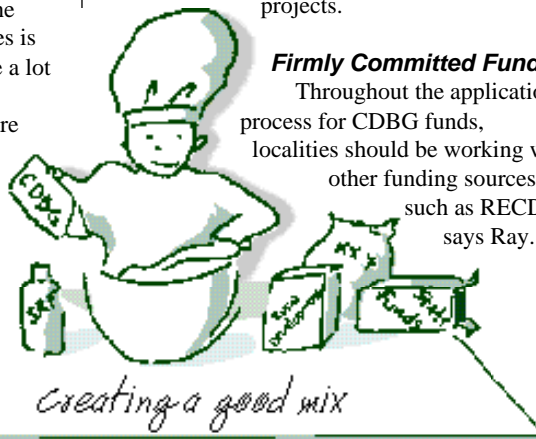
Ray explains part of the rationale for this rule. "Do we reward municipalities that have low user rates, but that haven't maintained their systems?"

"So, if rates are low now," he continues, "expected rate revenue [after implementing the 1 percent rule] could, in some cases, support bonding. They may not even need CDBG funds."

Another important requirement is that all systems must be metered by the end of their projects.

### **Firmly Committed Funds**

Throughout the application process for CDBG funds, localities should be working with other funding sources, such as RECD, says Ray.



"We require firmly committed funds. This is where our close contact with RECD comes in," says Ray. The timing of RECD funding commitments doesn't match that of the CDBG program. "But we have good relationships with staff at RECD, so we can get a sense of funding commitments from them. And it's gotten easier since we went to two rounds [of awards per year]."

New Hampshire is not alone in struggling to coordinate funding from a variety of federal and state sources. Often, one funding source requires commitments from other agencies, or may revise its mix of grant versus loan awards depending on other sources.

*Continued on page 12*

## CDBG Can Be Crucial to Funding Mix

*Continued from page 11*

"Every government agency wants to be the last one in," explains Johnson. "They want to be sure that everyone else is on board first."

Other states handle this in much the same way as New Hampshire—by talking with each other. Increasingly, states are establishing formal or informal groups to coordinate infrastructure funding. (See story on "One-Stop Shops" in the Summer 1995 issue of *Water Sense*.)

### Application Can Fill a Binder

The shortest amount of time it might take to pull together a CDBG application in New Hampshire is probably a couple of months, says Ray. Optimally, it might take six to eight months from beginning the application to drawing funds. However, he says that this process can often take one to two years.

There's no cost to submit the application, though applicants may incur other costs, continues Ray. The program will allow up to \$4,000 of the CDBG funds (if awarded) to be used for preparing the application.

"When you get done, you end up with a 50- to 100-page document," says Binette. Indeed, most applications are submitted in binders, concurs Ray.

Completing the application is not necessarily an easy process. "I write my own applications," says Binette, who has written plenty of grant proposals. But he readily concedes that it's unusual for a small town to have the resources for a full-time grants administrator.

"What a town may want to do is hire a consultant who's done it before," advises Binette.

"For most small towns, it's a one-shot deal—they don't do this process every year," acknowledges Ray, noting that his office can link communities with consultants who can help them complete the application.

Ray also sees a silver lining to tackling the complex application process. "It generates more local interest and knowledge, and may result in more acceptance and better maintenance [of the project]."

### Projects Scored, Funds Awarded

The process is still involved once the application comes in to the CDBG office. New Hampshire ranks applications using an elaborate 400-point scoring system. While many states use similar scoring methods, others may award funds on a first-come, first-served basis, or allocate funds according to a formula or a regional planning approach, says Johnson.

For the January CDBG deadline, Ray says his office received 21 applications—including 16 for public facilities—totaling \$6.2 million. "We currently have about \$3 million available, so if we make 50 percent, we're doing pretty well," he says.

By March or April, the January applications are scored, ranked, and forwarded to an advisory committee. Even though awards may be announced at this time, contracts must be drawn up between the state and municipality, and approvals must be signed—ultimately by the governor of New Hampshire—before the recipient can draw funds around June.

New Hampshire's next CDBG application deadline is in late July, when the process starts anew.

Ashland received the second half of its two-year grant in 1995. Including this \$700,000 from the CDBG program, the town obtained approximately \$3.6 million in combinations of grants and loans (see box below). Customer water bills are expected to average about \$465 per year once the project is finished.

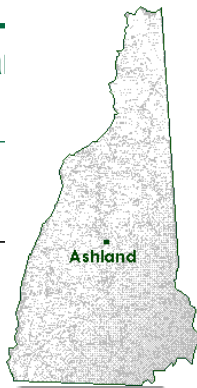
And the town is moving ahead. They've already laid nearly half of the 20,000 feet of pipe they'll need and recently purchased the land for the well. "We hope to be online with the new system by the end of the year," says Binette.

He offers this advice for any community considering CDBG funding. "If it was up to me, I would take a ride to the state agency at a minimum—talk with them, get a human contact, get a feel for what it's all about."

*For the number of the CDBG office in your state, contact the National Drinking Water Clearinghouse at (800) 624-8301. \$*

### Funding Sources for Ashland Water Project

\$700,000	<b>grant</b> from CDBG
\$1 million	<b>grant</b> from Rural Economic and Community Development (RECD—now Rural Development)
\$1.9 million	<b>loan</b> from RECD (\$570,000 of this will be repaid through a grant from the state)
<b>\$3.6 million total</b>	



## What is the CDBG program?

The Community Development Block Grant (CDBG) program helps provide decent living conditions and expand economic opportunities primarily for low- and moderate-income people. Administered by the U.S. Department of Housing and Urban Development (HUD), the program can fund projects in three major categories: housing, economic development, and public facilities—including water and sewer projects.

The CDBG program is divided into the “Entitlement Program,” which goes directly to larger cities (generally with populations of 50,000 or more) and counties with populations of 200,000 or more, and a “States Program,” which goes directly to states to then allocate to smaller counties or towns.

Since 1994, the total annual CDBG appropriation has been \$4.6 billion. After a small amount is set aside for Indian tribes and other special purpose grants, 70 percent of the balance is allocated to larger communities under the Entitlement Program.

The remaining 30 percent—approximately \$1.4 billion—is distributed under the States Program. This portion—administered by the states for smaller communities—is the program discussed in the article beginning on page 1.

These funds are allocated to states based on poverty rates and population characteristics. All states and Puerto Rico administer the State CDBG program except for New York and Hawaii, which chose not to administer it (HUD manages the program for these states).

States decide how their CDBG funds will be split among housing, economic development, and public facilities.

“It depends on the state and what their priorities are,” says Chandra Western, program associate with the Council of State Community Development Agencies (COSDA). “That’s the beauty of the program—it lets states determine their needs.”

Steve Johnson, assistant director of HUD’s States and Small Cities Division, agrees that states have a lot of flexibility in setting their priorities and deciding how much they’ll give to different projects.

“We just require that they describe their method for distributing funds,” says Johnson.

He notes that nationwide in 1992 nearly one-third (28 percent) of all state CDBG funds were spent on water and sewer projects.

CDBG funds can be used for most project expenses, excluding operation and maintenance. For water and sewer projects, eligible costs might include engineering fees, planning activities, construction, and property acquisition. Up to 15 percent of the grant funds can be used for administrative expenses.

The program is run by different agencies in different states, including the Department of Commerce, the Office of Community Development, or the Department of Housing and Community Affairs, among others.

In addition, the size of grants available for each recipient varies from state to state. In New Hampshire, localities with less than 10,000 residents can get up to \$350,000 per year, or a maximum of \$700,000 over two years. According to COSDA, the average grant amount to localities with less than 5,000 people is \$250,000.

### Are you eligible for CDBG funds?

To be eligible for CDBG funds, your project must meet at least one of the following “national objectives.”

- Does it benefit mostly low- and moderate-income people?
- Does it help eliminate slums and blight?
- Does it meet urgent community development needs where conditions pose a serious and immediate threat to the health or welfare of the community?

In addition, you must represent a municipality or other eligible entity.

Most water and wastewater projects fall under the low-income category, says Johnson. In fact, in 1992, 98 percent of *all* CDBG funding met this requirement. HUD defines low and moderate income as 80 percent of median income for the state or county.

Eligible CDBG recipients are any units of general local government that don’t directly receive funds under the Entitlement Program. These eligible municipalities are usually villages, towns, cities, parishes, and counties. Jurisdictions can also work together and apply jointly for funds.

However, any other public or private entity—such as a water authority or other non-municipal water system—could not apply directly for CDBG funds, says Johnson. The entity would instead have to be a sub-recipient of CDBG funds received by an eligible recipient.

“The city, county, or township would have to be the applicant of record and give the money to the system,” says Johnson.

Most other application requirements, procedures, and deadlines vary greatly from state to state. Contact your state CDBG office to learn more about guidelines in your state.

*Numbers for state CDBG offices are available from the National Drinking Water Clearinghouse, at (800) 624-8301. \$*

*“That’s the beauty of the program—it lets states determine their needs.”*

*Chandra Western, program associate with the Council of State Community Development Agencies*



## Who ya gonna call?

Small town officials often wonder where to start looking for money or a helping hand to fund drinking water or wastewater projects. A number of states have created financial and technical assistance directories to point communities toward these resources.

The **Florida** League of Cities (FLC), for instance, has published a 206-page guide on *Financing and Technical Assistance for Florida Municipalities*. The August 1995 guide features more than 137 programs and 37 topics, ranging from arts and culture to water and wastewater. It contains information on grants, loans, technical assistance, and other resources available from federal and state governments, as well as from private organizations. Each listing includes a program description, eligible applicants, type of assistance, available funding, source of funds, application process and deadlines, matching or other requirements, and a contact.

The Florida guide is free to FLC members. The non-member cost is \$15 for governmental agencies, and \$25 for private organizations. To order, call Rose Hall at FLC at (904) 222-9684.

**Pennsylvania** offers the *Water, Sewer and Stormwater Utility's Guide to Financial and Technical Assistance Programs*. Published in 1995 by the Pennsylvania Infrastructure Investment Authority (PENNVEST), this 50-page guide describes nearly 40 funding or technical assistance programs for communities with water, sewer, or stormwater needs. The listings include the type of assistance provided, who is eligible, how the program can be used, application procedures, contact names and numbers, and where to apply.

The free guide can be ordered from PENNVEST by calling (717) 787-8137.

Other states also offer guides or charts providing similar information. Some of these include the free items listed below.

- The **Maryland** Department of the Environment (MDE) publishes brochures and a listing of *Capital Project Funding Programs for Water Quality*

*Improvement*, outlining state-funded programs for water and wastewater projects. To request these documents, contact MDE at (410) 631-3574.

- **Minnesota** offers a listing for wastewater funding sources, *Financial Assistance Programs for Individual and Municipal Sewage Treatment Needs*. For a copy of this list, contact Victoria Cook at the Minnesota Pollution Control Agency at (612) 296-7248 or toll-free at (800) 657-3864.
  - **Ohio's** Small Community Environmental Infrastructure Group produces a matrix of *Funding Sources for Publicly Owned Water and Wastewater Systems in Ohio* and a chart of *Ohio Resources for Water and Wastewater Systems*. To obtain these listings, contact the Ohio Environmental Protection Agency Division of Environmental and Financial Assistance at (614) 644-2798, or the Ohio Water Development Authority at (614) 466-5822.
  - **Washington** offers an annual *IACC (Infrastructure Assistance Coordinating Council) Directory of Funding and Technical Assistance*, outlining resources for public works systems. To obtain the most current directory, call the IACC hotline at (360) 586-7656.
  - **West Virginia** produces a three-page chart: *Summary of Federal & State Programs for Water & Wastewater Projects in West Virginia*. To receive this document, call the Water Development Authority at (304) 558-3612.
  - **Wisconsin** publishes an annual summary of *Water/Wastewater Funding Sources for Local Governments and Individuals*. To order the latest 16-page listing, contact the Department of Natural Resources at (608) 266-7555.
- If your state offers similar guides or directories, please let us know. Contact the Water Sense editor at (800) 624-8301. \$*

## Pocket Guide Provides SDWA Summary

A pocket-sized summary of the Safe Drinking Water Act requirements is available free from the National Drinking Water Clearinghouse (NDWC).

Although developed specifically by the U.S. Environmental Protection Agency Region 9 office for small drinking water system owners and operators, the 82-page booklet provides a useful, easy-to-read summary for anyone interested in drinking water regulations, contaminants, or health effects.

To order a copy of the *Safe Drinking Water Act Pocket Guide*, call (800) 624-8301 and request Item #DWBLRG25. A shipping and handling charge will apply. To learn more about the NDWC's other services, also request a free information packet, which includes a complete products catalog and details the technical assistance and referral line and the Drinking Water Information Exchange Bulletin Board System. \$

## HAC Offers Water/Wastewater Predevelopment Loans

A small Water/Wastewater Loan Fund (W/WWLF) is available from the Housing Assistance Council (HAC) to finance predevelopment activities for water and sewage disposal systems in poor rural areas.

Eligible borrowers include local units of government, public utility districts, water/wastewater associations, and other nonprofit utility service organizations.

W/WWLF loans may be used for:

- preliminary engineering and technical studies, including soil, water, or drilling tests;
- preliminary easement and water rights purchase;
- legal expenses to establish utility districts;
- bonding expenses;
- interim financing of local share costs (after determination of reimbursability from other sources);
- emergency repairs; and
- acquisition of existing private systems for rehabilitation.

These loans are made for two-year periods, with 0 percent interest the first year and 5 percent interest the second year. The loans also carry a 3 percent service fee.

Joan Gordon, HAC senior housing specialist, emphasizes there is no guarantee that loan funds will be available at all times. "There's a total of \$213,000 in this revolving fund," says Gordon. "If it's all loaned out, no more loans can be made until money is repaid into the fund."

Furthermore, says Gordon, the W/WWLF is intended to provide only interim seed money. "This fund cannot be a substitute for federal or state money for long-term assistance," she says. In fact, HAC usually requires applicants to identify permanent funding sources for long-term project expenses.

HAC is a national nonprofit corporation created to improve housing and living standards for low- and very low-income rural households. HAC provides several loan funds (totaling more than \$12 million), as well as technical assistance, program and policy analysis, research and demonstration projects, training, and information services to public, nonprofit, and private organizations.

*To obtain a W/WWLF application packet or to learn more about HAC programs, contact Joan Gordon in the Community Development Division at (202) 842-8600. \$*



## Conference Strives To Coordinate Funding

Do you wonder how other states coordinate different sources of federal water and wastewater funding for small, rural communities? Are you looking for less costly methods of infrastructure financing available to the poorest areas?

These are some of the issues that will be discussed at the May 22-23 "Big IF 3" National Infrastructure Conference in Washington, D.C., sponsored by the Council of State Community Development Agencies (COSFDA) and the U.S. Environmental Protection Agency.

The conference is a follow up to a 1994 conference that explored ways to coordinate infrastructure funding among major federal programs run by the states: Community Development Block Grants (CDBG), state revolving funds (SRF), and Rural Utilities Service loans and grants (administered by state Rural Economic and Community Development offices, recently changed to Rural Development offices—see page 2).

"Big IF 3" will share some of the techniques states are using to coordinate these funds, including

synchronizing funding cycles, instituting a single application form for all funding sources, and allowing pre-agreement costs for engineering.

A focus of this conference will be to gain additional upper-level support from the federal agencies involved, to make projects work more efficiently and reduce duplication of federal regulations.

Other conference goals are to encourage partnerships with state rural development councils, and to make states aware of alternative funding options for the poorest communities.

The conference is open to state program managers from CDBG, SRF, and Rural Development rural water and wastewater programs, as well as state rural development council representatives and anyone interested in rural financing.

*The registration fee is \$75. To register, or for more information, contact Chandra Western or Betty Miles, COSFDA, 444 North Capitol St., Suite 224, Washington, D.C. 20001, phone: (202) 393-6435, fax: (202) 393-3107. \$*



New Farm Bill  
Includes RECD  
Name Change,  
page 2

Drinking Water  
Week is May 5–11,  
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### Features

Water Authorities  
Can Handle  
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## NDWC Offers Free Restructuring, Drinking Water Week Products

*Note: Free items are limited to one of each per order. Call (800) 624-8301 to order or for more information. Please allow four to six weeks for delivery. A shipping and handling charge will apply to all orders.*

*The first two products should prove useful for readers seeking additional information on water authorities and similar operations.*

### ■ Restructuring Manual

Item #: DWBLTR07

This U.S. Environmental Protection Agency (EPA) training manual addresses the problems associated with implementing the Safe Drinking Water Act; restructuring and how to do it; and the role of the drinking water regulator. The manual also contains a troubleshooting section to help identify issues a system might face. (1991, 55 pages)

Cost: Free

### ■ Regionalization Options for Small Water Systems

Item #: DWBKDM08

Although published in 1983, this EPA document still provides useful information concerning the regionalization of water supply entities. The document describes many types of regionalization, mentioning the benefits, costs, and financial and legal aspects. Case histories illustrate the regionalization options available. (1983, 48 pages)

Cost: Free

*The following products are offered in the spirit of Drinking Water Week.*

### ■ Safe Drinking Water: Health/Safety Requirements and Resulting Costs

Item #: DWBLRG30

This EPA booklet, prepared by the National Association of Regulatory Utility Commissioners, addresses the health and safety requirements placed on drinking water and the resulting costs that are passed on to consumers through monthly service rates. It discusses the potential threats to public water supplies, how water is protected from contaminants, treatment techniques, and how utilities are complying with the Safe Drinking Water Act. (1994, 8 pages)

Cost: Free

### ■ Drinking Water Handbook for Public Officials

Item #: DWBKMG09

This EPA handbook provides information to help public officials understand water system operations. Included is information about water systems, regulations affecting water systems, sources of water, distribution of water to customers, and operation and maintenance of water systems. (1992, 97 pages)

Cost: Free

### ■ Drinking Water Week Activities Kit

Item #: DWPKPE17

(See article on page 2.)

Cost: Free

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