



**ASSOCIATION OF ENVIRONMENTAL AUTHORITIES**

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Testimony of the Association of Environmental Authorities  
before the  
New Jersey Senate Community and Urban Affairs Committee  
Sept. 19, 2019  
Hearing on Water Quality Accountability Act

Chair Singleton and Members of the Committee:

Thank you for the opportunity to testify today. My name is Peggy Gallos, and I am the executive director of the Association of Environmental Authorities. I am joined by David Harpell, the executive director of Jackson Township Municipal Utilities Authority and president of AEA. We are glad to be here to discuss critically important topic with you.

AEA is nearly 50 years old. We were founded soon after the passage of the Clean Water Act and the Safe Drinking Water acts to help existing and newly created wastewater authorities navigate the financing and regulatory landscape. It was a time when millions of dollars in grants were provided by the federal government and the state of New Jersey to help communities modernize systems. Many communities created authorities on their own or in partnership with multiple neighboring municipalities so that they could have the mechanism to tackle this important environmental task. In time, authorities that provided drinking water service and solid waste and recycling services began to join AEA as well. Then as now, authorities have an arm's length relationship with the creating municipalities, they have the ability to borrow money, and their professional staff's mission is solely focused this water and/or wastewater service. Authorities by law must adhere to Generally Accepted Accounting Principles also known as GAAP. They are self-liquidating—they may only charge fees to cover the cost of operating, maintaining and doing capital work on the utility system they run. AEA's mission is to help our members provide safe, effective and affordable water, wastewater and solid waste service. We believe that the public authority model of delivering these environmental services is a viable, effective one.

AEA member authorities employ more than 5,000 men and women from communities across New Jersey. Our members provide either water, wastewater or solid waste services alone --or some combination of those services -- to most of the State's population. Within our total membership of 87 authorities, 23 are drinking water purveyors serving close to a quarter of a million people.

AEA members are leaders in their field: Landis Sewerage Authority in Vineland was awarded a One Water Award at the 2018 Jersey Water Works Conference. It was the first year the awards were given out. Evesham Municipal Utilities Authority, Western Monmouth Utilities Authority and Atlantic County Utilities Authorities are among an exclusive club of 110 systems in the nation that have earned the Utility of the Future distinction from their peers in the water/wastewater industry. The U.S.EPA has highlighted Camden County Municipal Utilities Authority's partnership with Camden SMART as an example effectively incorporating community input into infrastructure decision-making.

Many AEA members have collaborated to create the AEA Environmental Professional Development Academy, which in the past three years has provided management training to early and mid-career authority staff, to help prepare them to take over running their systems.

AEA supported the WQAA when it was under consideration by the NJ Legislature. In our comments on the bill from that time, we said that “Our State’s water quality laws and regulations have tended to focus more on outcomes and much less on asset management and financial planning. This bill changes that.” The WQAA has broadened the circle of accountability for the water system so that it includes not only the licensed operator, but also people who have the power to make budgeting and long-term planning decisions.

In light of previous testimony about the efficacy of systems based on size we thought we would note that the WQAA applies to all drinking water systems with more than 500 connections which is, as I believe the DEP noted, almost 300 systems. Small system customers should know that if their system reaches that 500-connection threshold, it must comply with the WQAA, whether it has 501 connections or 51,000 connections or more.

AEA’s 23 drinking water system member authorities comprise about 13 percent of the total number of systems to which the WQAA applies.

Our perspective is that while size and ownership are certainly characteristics of a system, performance evaluation can examine, quality of management, accountability to the community it serves, accessibility and accountability of decision makers, transparency, affordability, and commitment to providing the system with the necessary level of resources. These are also important factors to be considered.

Chair Singleton asked us to prepare for this testimony by thinking in terms of ways to improve the Act. Here are our recommendations.

#### Address SRF Funding

Recently, one of our authorities spent months and \$30,000 of ratepayer money applying to the I-Bank for funding. On Aug. 6, it received a letter from the I-Bank authorizing them to proceed with awarding a contract. However, the letter also said the I-Bank had no funding available.

While ratepayers are picking up some of the WQAA costs, they need help. We would like the state to return to the policy changed 10 years ago, when public systems alone could use the SRF/I-Bank funding. Private companies have recourse to funding other than the I-Bank. Public funds should not be used to leverage capital projects and acquisitions that further business expansion and ROI.

The State should consider legislation creating some additional funding – perhaps as our friends from the League are suggesting, a Water Trust Fund. Another suggestion offered by our friends at the Drinking Water Coalition is to increase the water allocation permit fees.

#### Fire Hydrant Labeling

We would like to see the fire hydrant provisions made somewhat more flexible to allow “or equivalent” approaches – that is, approaches that honor the intent of the law.

### Cyber Security

Another important and helpful aspect of the WQAA is its cyber security provisions. We recommend the requirements for a cyber security plan for the utility *control* system be expanded to include the utility's business (internet-connected) IT system. This expanded provision would more adequately respond to the security challenges that our systems are facing.

We believe the State could play a bigger role in coordinating responses to ransomware and other cyber-attacks and assisting utilities if they are impacted. NJCICC is a vital resource and its resources and funding should be expanded in proportion to the threat.

### Protecting Funds

AEA once studied about a 100 municipal and authority budgets and found that in a three-year period about \$80 million dollars was transferred from water and sewer funds. We know that municipalities and counties are partners with their authorities, and sometimes funds need to be shared for mutual benefit. However, by and large, water and sewer funds should be protected and used for the purpose for which they were collected.

### Asset Management Best Practices

Asset management provisions of the WQAA could be made more specific with the addition of requirements such as requiring a five-year operating and capital finance plan, a cost of service study, a demand study to be updated every five years, a staffing plan and/or a proof of revenue study.

### Role of the Department of Community Affairs

Lastly, we are glad the Department of Community Affairs has a role in WQAA enforcement. The DCA Division of Local Government Services plays a vital role in making sure local communities fund their infrastructure responsibly. We encourage the DCA to use the budget review process and its oversight interaction during the yearly authority budget review process to make certain that appropriate levels of funding are being included in the budget.

AEA thanks the committee for the invitation to speak. I hope you find our recommendations useful. We are happy to participate in ongoing stakeholder discussions on this topic.