



November 17, 2016

The Honorable Donald J. Trump
President-Elect of the United States
Trump Tower
725 5th Avenue
New York, NY 10022

Dear President-Elect Trump:

On behalf of the Association of Metropolitan Water Agencies (AMWA), congratulations on your election as President of the United States. AMWA is an organization of the nation’s largest publicly owned drinking water utilities, and each day our members collectively serve clean and safe drinking water to approximately 130 million Americans from Alaska to Puerto Rico. We are eager to work with you and your administration in the coming weeks and months to develop and implement policies that strengthen our water infrastructure.

Unfortunately, access to clean, safe and readily available drinking water is often taken for granted, even as events such as the water crisis in Flint, Michigan and prolonged drought across the West demonstrate that smarter investments and policy frameworks are needed. Make no mistake, community water systems across the United States provide Americans with the safest drinking water in the world, and increasingly precise water monitoring techniques mean that we know more about what is in our water than ever before. But the Environmental Protection Agency estimates that drinking water systems nationwide require more than \$384 billion worth of investments over the next two decades just to maintain current levels of service – with \$145 billion of this total attributable to metropolitan water systems that serve more than 100,000 people each. These costs do not account for additional expenses that will be incurred as communities work to identify and remove lead service lines, build resiliency to extreme weather events, and remove increasingly small concentrations of emerging contaminants before they reach the tap.

We are encouraged that you used a portion of your election night victory speech to call for rebuilding our nation’s infrastructure, and by your campaign’s proposal to make water a priority by tripling investments in the State Revolving Fund programs. AMWA is eager to work with you to make drinking water a key component of your agenda going forward. To this end we recommend the following suite of policy priorities that will rebuild and renew our nation’s drinking water infrastructure while taking appropriate steps to address contaminants that may be present in water supplies.

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**CHIEF EXECUTIVE
OFFICER**
Diane VanDe Hei

Priority 1: Support Robust Investment in Existing Drinking Water Infrastructure Programs

Individual communities in the United States have traditionally borne the responsibility for paying for their own drinking water infrastructure. AMWA believes this arrangement is appropriate, as it promotes local accountability and encourages communities to establish water rate structures that adequately cover local infrastructure maintenance and replacement costs.

This does not mean the federal government has no role to play in funding drinking water infrastructure. In fact, as increasingly stringent federal water quality mandates prompt additional expensive water treatment methods, and concerns about local water affordability for the most vulnerable populations restrict communities' ability to impose sufficient water rate structures, two EPA programs are in place to help cities and towns finance water infrastructure investments in the most efficient way possible.

Congress established the Drinking Water State Revolving Fund (DWSRF) in 1996 as a mechanism to help states assist communities fund efforts to protect public health through the delivery of safe drinking water. Through 2016, and with the aid of matching funds provided by states, the DWSRF has facilitated more than \$32.5 billion worth of assistance to help cities and towns carry out roughly 12,800 drinking water projects nationwide – providing an average loan of just over \$2.5 million per project.

More recently in 2014 Congress enacted the Water Infrastructure Finance and Innovation Act (WIFIA) pilot program to offer low-cost financing assistance for large-scale water infrastructure projects that are expected to cost more than \$20 million and which may be too large to receive meaningful assistance through the DWSRF. While WIFIA is still only a pilot program, we are hopeful that Congress will deliver funding to allow EPA to offer its first WIFIA loans in 2017. EPA estimates that each dollar of program appropriations will support about \$65 worth of project loans to communities, meaning that a relatively small federal investment will be able to bring significant returns in the form of updated infrastructure, economic growth, and public health improvements.

AMWA strongly supports both the DWSRF and WIFIA and requests that your administration seek robust appropriations for each of them in the 2018 fiscal year – at least \$1 billion for the DWSRF and WIFIA's fully authorized amount of \$45 million. Supplementary appropriations to each of these programs should also be included in any broad infrastructure funding legislation that your administration proposes in the coming months.

AMWA also supports several relatively small changes that will make these programs more efficient, such as prioritizing DWSRF assistance for communities that have completed asset management plans, encouraging adjacent utilities to consolidate into efficient regional water systems, and providing all WIFIA applicants the ability to finance any application fees charged by EPA.

Priority 2: Preserve Tax-Exempt Municipal Bonds

For more than 100 years, tax-exempt municipal bonds have formed a cornerstone of our nation's economy, helping communities across the United States carry out affordable investments in infrastructure. AMWA supports preserving this tax-exempt status of municipal bonds, and we urge you to do the same and remember the vital role played by tax-exempt municipal bond interest in promoting a healthy and growing economy as you consider proposals to reform the nation's tax code.

While we support federal programs that help communities improve their water infrastructure, the fact remains that local taxpayers pay for 95 percent of water and sewer infrastructure development, rehabilitation, and operating costs. Municipal bonds are the most common method for communities seeking to finance these expenses because they carry low interest rates – a feature made possible because municipal bond interest earned by investors is not subject to federal income tax. This allows communities to carry out water infrastructure projects in the most affordable manner, while saving local ratepayers from having to cover excessive financing expenses. As a result, nearly \$40 billion in tax-exempt water and sewer debt was issued in 2012 alone to pay for projects such as water treatment plant enhancements and water main repairs and replacements.

We are concerned by proposals from both sides of the aisle in recent years that would reduce or eliminate the tax exemption provided for municipal bond interest. While some have argued that such a policy would help flatten the tax code or make sure wealthy individuals pay their fair share, in reality investors would simply pass on the cost of these new taxes to borrowers in the form of higher interest rates. This would directly translate into billions of dollars of additional financing costs for communities nationwide – thus imposing a de facto tax hike on water utility ratepayers, removing badly needed capital from local economies and leaving individuals with less money available for savings and investment.

Increasing municipal capital borrowing costs is not consistent with a pro-infrastructure agenda. AMWA therefore urges you to clearly and unequivocally commit to maintaining tax-exempt municipal bond interest for all taxpayers. Not only will this policy preserve communities' access to affordable infrastructure financing, but it will also leave individuals with additional resources that can be put to good use in the local economy.

Priority 3: Help Water Systems Build Resilience to Extreme Events

Melting snowpack in the Northwest, widespread drought in the West, more intense storms in the Northeast, and rising sea levels along the coasts are projected to affect all corners of the nation in the coming decades. In light of these risks, the nation's water utilities are already taking steps to ensure uninterrupted, high-quality water service. AMWA supports a "Water Infrastructure Resiliency and Sustainability Act" (WIRSA) that will offer competitive funds to help the

nation's drinking water, wastewater, and stormwater systems plan for and address these challenges. We hope this proposal will earn your backing as well.

We envision WIRSA offering competitive matching funds to help communities undertake projects to adapt their drinking water infrastructure to localized extreme weather events and long-term climactic changes. Eligible projects may include those that conserve water or increase efficiency in its use, preserve or improve water quality, rebuild or relocate threatened infrastructure, protect source waters and ecosystems, and implement advanced treatment technologies such as water reuse and recycling.

WIRSA will encourage water systems to utilize innovative infrastructure approaches that will serve as models for other communities struggling with similar water management challenges. Local water utilities will also be able to use funding assistance to increase their adoption of renewable energy or to conduct regional-level analyses of future water resource challenges they will face. In sum, the proposal will encourage communities across the country to build resiliency into their infrastructure today, while helping ensure uninterrupted water and wastewater service for decades to come.

A collaborative study by AMWA and the National Association of Clean Water Agencies estimated that local water and wastewater utilities across the U.S. may need to spend nearly \$1 trillion to adapt their infrastructure to the affects of climate change through 2050. WIRSA will take a small step toward helping communities undertake these projects, and should be made part of any comprehensive infrastructure package that is considered by your administration.

Priority 4: Help Communities and Homeowners Address Lead Pipes

The water crisis in Flint, Michigan focused the nation's attention on the state of our water infrastructure. While Flint's drinking water supplies became contaminated with elevated levels of lead following a series of unfortunate and confounding human errors, and properly applied corrosion control treatments can generally keep lead levels in check, AMWA believes it is appropriate for communities and homeowners to collaborate to remove lead service lines whenever possible.

This collaboration between utilities and homeowners is critical, because ownership of lead service lines is typically shared between these two parties. Often a community water system has ownership of the portion of a service line that runs from the water main under the street to a home's water meter, while an individual homeowner is responsible for the portion of the line that runs from the meter to the house. Because a community water system does not own the entire line, and because many states prohibit local governments from paying for infrastructure projects that disproportionately benefit individual residents, utilities are unable to simply implement a broad and effective lead service line removal effort without cooperation and payment from affected households.

The Honorable Donald J. Trump

November 17, 2016

Page 5 of 5

Cost factors, to both communities and individual homeowners, also represent a significant obstacle to simply removing all lead service lines. Approximately 6 million lead service lines remain underground across the United States, and removing them all could cost upwards of \$30 billion to water utilities and homeowners. As a result, AMWA believes it is appropriate for the federal government to offer financial assistance to help offset the significant removal costs that would be incurred nationwide.

One way to do this is through a “Get the Lead Out Act” that would offer financial assistance to help communities carry out lead service line replacement projects. An effective proposal would allow the use of this funding assistance to replace lead service lines and interior plumbing components on the private property of low-income families who are unable to cover these costs themselves – and thus otherwise likely to continue to receive drinking water through lead piping. Importantly, the use of federal funding assistance on partial lead service line replacements should be prohibited, as evidence shows that partial replacements can actually increase the prevalence of lead in drinking water in the short-term.

An effort to proactively replace existing lead service lines would represent a “shovel-ready” project that would protect public health while improving the state of the nation’s drinking water infrastructure. AMWA would encourage its inclusion in any comprehensive infrastructure package developed by your administration.

Working Together for Clean and Safe Drinking Water

Again, AMWA is proud to represent utilities that deliver the world’s cleanest and safest drinking water, but we understand that this success could be threatened by failures to make necessary capital investments in our nation’s drinking water infrastructure. Your plans to make infrastructure a focus of your domestic policy agenda mark a unique opportunity to dramatically upgrade our water systems while protecting public health in the process. The Association of Metropolitan Water Agencies stands ready to work with you and your administration to achieve these goals in the weeks and months ahead.

Congratulations again on your election, and thank you for making infrastructure a priority.

Sincerely,



Diane VanDe Hei
Chief Executive Officer