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Proponent Testimony on Senate Bill 2 Energy and Natural Resources Committee May 2, 2017

Chairman Landis, Vice-Chair Hagan, Ranking Member O'Brien and members of the House Energy and Natural Resources Committee: Thank you for the opportunity to testify on Senate Bill 2 which makes changes to Ohio's environmental laws.

Although Senate Bill 2 covers a broad ranges of environmental issues and will proactively work to protect the environment and improve water quality in Ohio, my testimony will focus on the asset management provisions of the bill.

I am the Director of the Ohio Rural Community Assistance Program (RCAP) based at WSOS Community Action in Fremont. We are part of the national RCAP network, and provide training and technical assistance to small communities statewide to help them meet their water, wastewater and other community development needs. We work with over 100 small communities annually, and have worked with hundreds of Ohio communities over the years.

One of the most common problems that we see in these communities' water systems is deferred maintenance. Water systems in small communities are often operating on very tight budgets. In an effort to keep water rates as low as possible for the populations they serve, decision-makers and owners of these public water systems commonly put off necessary repairs and normal maintenance due to lack of funds in the budget. This is relatively easy to do because the costs of doing so do not become apparent for many years. Most water board members lack any formal training in water system operations or finance, and fail to realize that in delaying the inevitable, they are creating a greater problem for the system in the long-term.

Consequently, it is very common for us to receive calls for help from communities whose water systems need major repairs or entire replacement, but have no funds set aside in the water accounts to assist with this cost. Years of neglect and lack of management oversight have typically made the problems much worse, and there is little that can be done at that point except to look to the state and/or federal government for funds to replace the entire system.

From a state and federal perspective, this level of investment is not sustainable, as there simply are not enough funds available to fix all of the existing problems. As a rule, competition for such funds continues to grow, and systems must pay more now to finance their projects than in the past. This generally results in an unpleasant surprise for the



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system's current ratepayers when they are confronted with the costs associated with system replacement.

Small systems are not the only ones who face this problem. As early as 2002, the Government Accountability Office (GAO) warned that as many as one-third of water systems suffer from deferred maintenance issues that asset management could assist with. In our estimation, based on the systems that we work with, that number probably represents a best-case scenario.

Asset management offers an opportunity for water systems to implement a better approach to managing their systems and maintaining the desired level of service for their customers. It can help to prolong the useful life of these critical assets and promote system sustainability. It encourages system owners to set aside funds for both normal repairs and maintenance and future capital costs, and to charge rates that are adequate to do so. It allows them to anticipate what will need to be done in the future and be prepared for it.

Just as successful business owners must always be looking toward and planning for the future, so must successful water system managers understand their operating environment, their current and future capital needs and their customers' current and future demands if they are to remain viable. Asset management helps them to address these issues in a systematic way.

In our opinion, given that safe drinking water represents a critical public health issue, it is appropriate that asset management be a requirement of operating a public drinking water system rather than a voluntary approach. In our nearly 40 years of experience working with public water systems, we have found that system owners will (and often must) prioritize what is required of them over voluntary programs, even when such programs can be shown to offer significant long-term benefits to the system. Thus, requiring asset management planning is the only way to ensure that systems will protect their assets in the long-term interest of their customers.

For these reasons, I urge you to support Senate Bill 2 and thank you again for the opportunity to provide this testimony.