

GOVERNOR'S WATER SUPPLY PROGRAM: EVALUATING ROUND I

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Abstract. In 2011, Governor Nathan Deal ordered the Georgia Environmental Finance Authority (GEFA) to convene a Water Supply Task Force to develop and implement the Governor's Water Supply Program (GWSP).

The primary goal of this paper will be to evaluate the GWSP: how the program was conceived; how it has been implemented; and thoughts for the future.

The GWSP was designed to offer two forms of state-backed financial assistance – direct state investment and loans – for projects that will provide “an adequate supply of clean and affordable water” for communities in need of “new water supply facilities,” according to the Governor's January 2011 executive order.

On August 1, 2012 GEFA and the Georgia Department of Community Affairs (DCA) began disbursing \$100M in GWSP awards to advance ten projects. These awards demonstrate how the first round of the GSWP was implemented and present an opportunity to evaluate if the GWSP's goals have been met. A central question drives the analysis: did the GWSP meet the Governor's promise and directive to provide new water supplies to communities in need?

Finally, this paper will offer suggestions for how state funding and initiatives might provide a better investment of tax-payer dollars to meet future water supply needs. Economically and environmentally sustainable options exist and they can benefit Georgians and their neighbors.

Introduction

In 2011, Governor Nathan Deal ordered the Georgia Environmental Finance Authority (GEFA) to convene a Water Supply Task Force to define and implement the Governor's Water Supply Program (GWSP). The GWSP was explicitly designed to facilitate state investment in water projects that would provide “an adequate supply of clean and affordable water” for communities in need of “new water supply facilities,” according to the Governor's executive order. (*Report of the Water Supply Task Force*)

The Governor's office intends to distribute \$300M between 2012 and 2014 through the GWSP for new water ventures. These new projects could include new water

wells and storage tanks; enhancement and expansion of existing reservoirs; new reservoirs; aquifer storage and recovery; and desalination.

Round I Awards

Between August 1 and September 18, 2012 GEFA and the Georgia Department of Community Affairs (DCA) extended awards totaling more than \$100M from the GWSP to advance water supply projects. (GEFA Press Release 1 and 2)

The Governor's promise and directive do not square-up with the awards that have tapped the GWSP. The awards – which total \$102,198,866 of tax-payer dollars – fit into two categories: direct state investment in water storage towers and ground water schemes; and long-term loans primarily for new reservoir construction and planning. The awards will finance seven projects – or \$93,808,000 worth – that will not supply clean and affordable water supplies for years – if ever. Of the initial awards, two projects alone – totaling \$9,060,000 – are not water supply projects and will not provide clean and affordable water to Georgians who are currently in need of water.

Apparent Problems

There are many problems with the GSWP.

First, there is a narrow focus on reservoirs construction and planning. The GWSP is not equipped to evaluate or fund the most cost-effective methods available to local communities: conservation and efficiency projects. Reservoirs should be the last option on the list in the Southeast today. However, the GWSP overwhelmingly supports new reservoirs rather than smarter strategies that would secure real water supply quickly and stretch state public dollars much farther. (American Rivers 1 and 2; Chattahoochee Riverkeeper)

A second problem: Are the awarded projects needed? Staff from GEFA, DCA, the Georgia Department of Agriculture, the Georgia State Financing and Investment Commission (GSFIC), and the Georgia Environmental Protection Division (EPD) evaluated more than one dozen applications before issuing the award offers. The GWSP's four-member scoring team, including one member from

GEFA, DCA, Dept. of Agri., and GSFIC – evaluated quantitative and qualitative elements in each application. The scoring team assessed four specific areas in each application: project need and location; project financing; readiness and timeliness; and project impact. (GEFA Scoring Methodology)

The scoring team determined that two applications did not meet the GWSP criteria. The two applications that did not receive award offers included a proposal for a new reservoir in south Fulton County (Bear Creek Reservoir) and a reservoir enhancement project in Villa Rica., which was scored but apparently withdrawn. According to the scoring team, both project applications demonstrated tenuous, if any, “need.” The South Fulton Municipal Regional Water & Sewer Authority did not identify an imminent water supply shortfall; the applicant has access to an alternative and existing water supply – from the city of Atlanta. (GEFA Scoring Results)

Two other projects – a water-well and an aquifer-storage-and-recovery scheme – also failed to meet the scoring criteria but were offered \$9M in direct state investment. The Lake Lanier Islands Development Authority (LLIDA) and the Southwest Georgia Regional Commission (SWGRC) applications scored multiple zeros. Out of a total possible score of 100 points for “need,” the LLIDA scored 5 points and the SWGRC zero. (GEFA Scoring Results)

The LLIDA and SWGRC projects also scored very low for “Project Approach and Impact.” According to the scoring team, the applicants could not demonstrate how the projects would “provide substantial regional benefit” or “serve/benefit a significant number of Georgians.” (GEFA Scoring Results)

A third concern: The GWSP has made loans available for communities seeking reservoirs – such as Newton County’s Bear Creek Reservoir – who have not secured any state or federal permits. This situation could place undue pressure on state and federal agency staff to issue permits without taking a hard-look at all permit application material.

Finally, the GWSP Round I award process lacked transparency and raises ethical questions. The GWSP appears to have rewarded constituents with funding for ‘pork barrel’ projects. For example, members of the Georgia Board of Natural Resources, GEFA board and DCA Board live in communities that will benefit from Round I awards. Multiple former Georgia Department of Natural Resources administrators have a direct connection to two additional awards. (McCaffrey) And a small contingent of consultants will benefit from multiple awards. (Joyner)

Opportunities

The Governor’s Water Supply Program threatens economically and environmentally sustainable, smart and legitimate water supply solutions. The GWSP is positioned to inappropriately spend tax-payer dollars and will not provide the “adequate supply of clean and affordable water” that Gov. Deal referenced when he created the program. The first round of funding favored new reservoir proposals alongside highly questionable giveaways in the form of direct state investment. Another \$200M remains at stake, to be disbursed in 2013 and 2014.

GEFA does have the capacity to provide water conservation loans but must provide a better mechanism to fund conservation more aggressively.

According to GEFA data, between FY 2007 and FY 2013, GEFA issued bonds to finance sixty water conservation projects in whole or part. The loans were provided through one of three programs administered by GEFA: the Drinking Water State Revolving Fund (federal loan program), the Clean Water State Revolving Fund (federal), and the Georgia Fund (state).

Table 1: GEFA Loan Programs, Contracts & Water Conservation Loans, FY 2007-2013

Loan Program	Total Contract Amounts for all GEFA Loans	Total Portion of Water Conservation Loans
DWSRF (federal)	\$69,346,531	\$43,699,640
CWSRF (federal)	\$20,604,759	\$12,832,259
GA Fund (state)	\$45,431,251	\$22,521,383
Totals	\$135,382,541	\$79,053,282

The federal funding sources are projected to decrease in funding in the coming years due to the sale of Georgia Fund loans and due to anticipated cuts to the U.S. Environmental Protection Agency’s budget. The Georgia Fund is currently the only state-funded program for which conservation projects are eligible. Given that water efficiency projects will compete against other water and wastewater infrastructure projects for this limited funding, it appears state investments in water efficiency will be minimal.

Between FY 2007 and FY 2013, GEFA administered \$79,053,282 in loans for water meter replacement, remote water meter reading technology, leak detection, replacement of failing water pipes, and replacement of aged water pipes. Of these projects, seven loans (\$14M) qualified for American Recovery and Reinvestment Act financing in

2010, aka the Obama Administration’s “stimulus” program.

Funding loans were applied to the following: one toilet rebate program, six water reuse projects, twenty-eight distribution projects (leaking pipes, aged pipes, leak detection), and thirty-one meter programs (replacement and/or new reading technology).

Table 2. GEFA Funded Water Conservation Projects, FY 2007-2013

Project Description	Number of Projects	Contract Amount
Toilet Rebate Program	1	\$ 300,000
Water Reuse	6	\$25,061,474
Leaking & aged pipe replacement; Leak detection	28	\$52,277,032
New meters & meter reading technology	31	

The GWSP Round I did not evaluate or fund the most cost-effective water supply methods available to local communities: conservation and efficiency projects. EPD estimates that water conservation and efficiency measures can cost \$0.46 to \$250 per 1,000 gallons secured while new reservoirs can cost \$4,000 per 1,000 gallons secured. (Georgia Environmental Protection Division and GEFA *Georgia Inventory and Survey*) The GWSP Round I represented a missed opportunity to extend grants and direct state investment, as opposed to loans.

Direct state investment is a preferred funding source for water conservation and efficiency projects as opposed to loans. One of the rationales cited for excluding conservation projects from the GWSP program was the question of whether the state could directly invest in water conservation projects. The Georgia Constitution states that the state can invest in projects that “extend, enlarge, or improve...waters of the state.” (Constitution of the State of Georgia, Art. VII, § 4, Para. 1(c)) Water conservation and efficiency projects are a means of extending, enlarging and improving waters of the state and therefore should be eligible for state direct investment.

While GEFA has administered nearly \$80M in loans for water conservation projects over the last five years, Georgia’s Legislature and Governor could do much more over the next two years for water conservation and efficiency with a modest amount of the GWSP’s remaining \$200M.

The forthcoming and long overdue results from approximately 250 public water system water-loss audits should provide additional impetus to fix leaky pipes and eliminate

lost water revenue. Preliminary data submitted by large public water systems serving more than 80 percent of Georgia’s population suggest these systems may be losing between \$4M and \$17M per year in revenue due to leaky pipes. (Montoya)

The water loss audits are required by the Georgia Water Stewardship Act (2010). The deadline was extended from January to March 2012 for systems serving more than 10,000 individuals, and the deadline was extended from January to March 2013 for systems serving more than 3,300 individuals. The audits of public water systems will measure the amount of water lost in Georgia’s crumbling infrastructure. For example, capturing and treating two gallons of water but losing one gallon between the supply source and the kitchen sink because of leaky pipes robs a water utility of revenue and wastes a valuable resource. However, the water-loss audits only amount to a mandate to find leaks. The Georgia Water Stewardship Act does not require repair, for example.

When the water-loss audit results are released to the public through EPD, the public will have a better sense of where the state could expend scarce state resources. In the process, Georgia communities could eliminate the need for expensive new water supply reservoirs that may never actually get built. Existing water supply systems can be operated to maximize existing supplies even as population grows.

Beginning in early 2013, GEFA will likely issue a Request for Applications for Round II of the GWSP. Based on the 2012 schedule, the application period will close in April and awards will be announced in July 2013. Georgia’s tax-payers must demand an open, transparent review of future GWSP applications and projects to insure that projects will actually secure clean water supplies for their communities.

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