



**Written Testimony of Mayor David Condon**  
**“The Clean Water State Revolving Fund: How Federal Infrastructure**  
**Investment Can Help Communities Modernize Water Infrastructure**  
**and Address Affordability Challenges”**  
**House Transportation and Infrastructure Committee**  
**Subcommittee on Water Resources & Environment**  
**March 7, 2019**

**Introduction**

Good morning Chairman Napolitano, Ranking Member Westerman, and members of the Committee. My name is David Condon and I am the Mayor of Spokane, Washington.

I thank you for this invitation to give the Conference of Mayors’ and my perspective regarding federal infrastructure investment and affordability challenges in the area of storm and wastewater infrastructure and compliance in the United States.

Let me start by thanking this committee for your work last year in passing Integrated Planning legislation (HR 7279). Integrated planning can, if implemented properly, provide the flexibility to begin to realign standards and requirements with local priorities and local financial capability. We encourage Congress to be vigilant as the U.S. Environmental Protection Agency (EPA) and the states implement this law so that it is done in the manner that was intended.

Integrated planning is an important tool to allow local governments to balance the costs of infrastructure financing and compliance with Clean Water Act mandates, and one that my community has relied on. I would also like to thank this subcommittee for introducing the Water Quality Protection and Job Creation Act and for holding this hearing today. By focusing on additional funding and affordability, you are building on your successful work from last year. As a nation, we need additional funding as well as new approaches in wastewater and stormwater infrastructure investment and compliance and to do so in a more sustainable and affordable manner.

**THE SPOKANE STORY**

Let me take a moment to tell you the story of the Spokane River and the \$350 million investment that the City of Spokane citizens, businesses and utility customers are making to improve the river’s health.

While the City manages the work, we need to recognize that the investment is made by the **citizens**. The work is being paid for with money from their monthly utility bills for water and sewer. And not just right now: They will continue to pay for the improvements we have made over the last several years for at least another 15 years.

We sold \$200 million in designated “green” revenue bonds to pay for more than half the work, and those bond payments continue until 2034. Additionally, we have taken out another \$85 million in loans through Washington’s Clean Water SRF program. These loans charge interest and don’t have forgivable principal, by the way.

Our current river work is the largest infrastructure investment ever made by the City of Spokane—more than the \$110 million we spent to build a Waste to Energy Facility, more than the cost of our original wastewater treatment plant, more than separating storm sewers on the north side of Spokane or eliminating septic tanks.

And in those earlier projects, we received significant grant support from federal or state partners. Then-U.S. Rep. Tom Foley helped secure a \$100 million grant for the Spokane area to eliminate septic tanks, and the state of Washington provided a \$60 million grant for the Waste-to-Energy plant out of \$450 million in general obligation bonds that it sold for solid waste disposal facilities, for example.

Today, our river work amounts to about a \$4,000 cost per household.

This is a **GENERATIONAL** investment—one that we can’t easily repeat, at least not for a long time. There are many priorities for the precious dollars our citizens provide beyond clean water—from public safety to parks to streets. We need to make choices and balance those priorities, ensuring that we give our citizens value for their dollar.

What does our generational investment look like? It looks like major construction projects throughout our City:

- We are completing work on a total of about 16 million gallons in underground storage to manage overflows from combined wastewater and stormwater sewers. We are finishing the last four of two dozen underground tanks, some of which can hold more than 2 million gallons of combined wastewater.
- We are adding a third level of treatment at the City’s water reclamation facility, which processes about 34 million gallons of wastewater a day. We are installing membrane technology traditionally used in drinking water treatment to dramatically improve the quality of our effluent. We will see a huge impact on phosphorus and other nutrients, hydrocarbons, metals, and persistent chemicals like PCBs. Our region is leading the way on this advanced technology; Spokane is one of the first places in the nation required to install this level of technology at its wastewater plant.
- And we are working to reduce stormwater going to the river. We are voluntarily removing stormwater flows from our systems as we rebuild roads and complete other infrastructure projects to reduce the amount reaching our river.

Integration like this is important to this story. I want to thank you for passing legislation to allow for integration. Our Integrated Clean Water Plan, developed primarily in 2012 and 2013, relied on a memo from EPA that discussed integrated planning. I am telling you that we built a \$350 million program based on voluntary compliance and a memo.

EPA leaders at the time told us to seek a consent decree to buy more time to complete our Clean Water Act work and to blame the federal government for the cost. But we worked on a more holistic and practical solution that could be accepted by our citizens instead.

Our citizens have been willing to make this investment for two reasons—their love for our wild, spectacular river, to be sure, but also our commitment to complete the work for an affordable price.

We have **refused** to accept the notion that good government must be expensive government; we committed to making government affordable and still provide the services our citizens expect. We have committed to limit annual utility rate increases to about inflation—2.9 percent annually. And we've held to that commitment. We have held our utility rates increases to that inflationary increase for the last 6 years already.

When I took office in 2012, the City had completed a major utility rate study that indicated that we would need to implement multiple years of double-digit rate increases to meet our river requirements to manage CSOs and comply with the TMDL for dissolved oxygen. That would have sent monthly bills soaring.

Our rate story is a huge success story.

How were we able to do that? We are meeting our regulatory requirements, so it wasn't that we cut corners. Our solution was INTEGRATION.

We followed that suggested guideline from the EPA called Integrated Planning. We looked at all pollutants, at all the pipes to the river, and considered how we could gain value for our citizens. We removed compounded factors of conservatism and designed to actual regulations. We built in mitigation for climate change and for downsizing of some infrastructure by committing to remove stormwater when we rebuilt streets.

Some 78 percent of citizens supported that integrated approach which was detailed as part of a major Street Levy passed in 2014.

In the end, we cut about \$150 million of cost out of our previously identified Clean Water capital plans through this effort. And, we not only saved money but we also have documented a greater positive impact on pollutants going to the river.

We've since expanded our use of integrated thinking throughout our City in an effort to continue to find value for citizens. Multiple benefits for the same dollar.

This kind of thinking is absolutely imperative when you want to deliver better results but maintain affordability. Affordability is particularly important when you consider that our citizens make less. Our median household income (MHI) in the City of Spokane is about \$46,500, considerably less than the national or statewide MHI.

And less than what's known as the ALICE standard for our community. ALICE stands for Asset Limited, Income Constrained Employed. The ALICE number looks at how much money a family needs just to meet their expenses paycheck to paycheck. In Spokane, that number for a family of 4 is nearly \$59,000—more than \$12,000 more than the median household income.

An ALICE budget for that Spokane family of 4 allocates about \$800 a month for housing, including bills for energy and water, sewer and garbage. After paying those utility bills, that family would have in the neighborhood of \$500 to \$600 a month for rent, which is more typically the cost of a one-bedroom unit in our market.

So, we are compelled to come up with environmentally responsible solutions that are also financially sustainable for our citizens.

Support for clean water from our state and federal governments is absolutely critical to maintain that affordability. Because our investments in our river won't stop with our current generational investment. We can't even really quantify what's next for our community.

Water Quality Standards in our state now include a standard for PCBs at 7 parts per quadrillion. There is no test that is accurate down to that level, and there is no technology known to reliably achieve this standard. We face unknown costs to meet this standard, which is magnitudes more stringent than most other places in the nation.

Bear with me for a moment while I put that number in perspective. A million seconds is 12 days, so it was still February a million seconds ago. A billion seconds ago, it was 1987. A trillion seconds ago, we had no written human history. A quadrillion seconds takes 31 million years. Effectively, with our standard, we are looking for 7 seconds in 31 million years.

We need reasonable approaches and flexibility to achieve clean water for our communities. In preparation for this meeting, I was asked to recommend creative new approaches to help local communities. We would suggest defined funding to support integrated projects. Right now, we are forced to piecemeal together funding from various sources for projects that would have true Clean Water outcomes.

In Spokane, separation of storm sewers in the 1980s created what's called the Cochran Stormwater Basin. Through one 54-inch pipe flows about half the stormwater that goes to the Spokane River annually—between 300 million and 600 million gallons a year. Because we don't have specific stormwater requirements, we haven't been able to fund the integrated, green infrastructure project that would manage this known, point source of pollution. We've gotten a few million to complete design and small pieces of the project. But this is an opportunity to achieve the results the Clean Water Act is seeking.

Remember, local governments are not making a profit; they are taking care of a community's waste. And, we need strong financial partners who will walk alongside with us.

### **USCM Infrastructure Policy/Congressional Proposal**

On behalf of the Conference of Mayors, I want to thank you for introducing The Water Quality Protection and Job Creation Act, which authorizes a continuation of the State Revolving Fund (SRF) loan program. This proposal sends two clear messages to cities across the nation:

- This House Subcommittee has demonstrated that they have heard and understand the financial burden that clean water mandates have on distressed communities and households. Thus, this proposal provides a much more generous federal financial assistance amount than in the last several decades (with the exception of ARRA), and it does not contain directions to the USEPA to establish additional mandates.
- Second, the Committee has convened this hearing to learn the perspectives of those at the local level who provide all of the services and nearly 98 percent of the funding to provide the service and comply with mandates. Asking local government their opinion on this matter is critical if we are going to continue to make progress.

And while we are grateful for the sums of money in this consideration, I think all will agree, these amounts are not enough to address every wastewater infrastructure investment need, so reliance on a more flexible model to improve water quality can be achieved through the Integrated Planning and other potential tools.

One of these tools that unfortunately was not included in HR 7279 last year was direction to EPA to reconsider how they assess a community's financial capability and a determination of what individual citizens or households could afford. As I talked about earlier, our communities and more importantly, our residents, do not have unlimited resources to bear the burden of implementing every rule and regulation without support or without regard to context. Today, we are faced with a myriad of pressing and complex public health and environmental challenges that require the careful evaluation of each public dollar spent against competing causes.

As my Mayoral colleagues have mentioned before, it is crucial that we renew the federal-state-city partnership to identify and invest in environmental and public health infrastructure. Attached to my testimony is a letter signed by the Conference of Mayors, National League of Cities, and National Association of Counties that supports the authorization proposal and encourages Congress to appropriate these levels of assistance for wastewater and stormwater programs including the SRF program. We also would ask for you to encourage the states to provide at least some portion of the SRF program to be in the form of negative interest or no interest loans and principal forgiveness for disadvantaged communities. This has proved to be a valuable tool for many of our communities and could provide a much-needed financial stimulus to address the most pressing needs that challenge cities.

I wanted to provide some thoughts regarding the legislative proposal and if the authorizing of additional SRF grants to states will be helpful. Additional federal financial assistance is always welcome, although these amounts are never sufficient to help cities with compliance obligations,

and some states do not provide adequate SRF assistance to larger cities. So, while additional capitalization grant amounts are a step in the right direction it is important to keep in mind that this assistance can help us close some of the needs gap, but it has not realized its original goal that it will provide enough federal aid to cities to comply with the current stringent regulatory regime.

The \$20 billion plus authorization in this proposal – while generous compared to recent history – doesn't come close to filling what EPA described as a need to invest from \$300 - \$400 billion in addition to the current \$123 billion a year of local spending to comply with existing law.

- The math suggests that \$20 billion is, unfortunately, perhaps a federal down-payment on helping cities comply with mandates while providing this public service.
- The math also suggests that if Congress appropriates \$80 billion a year for five years the EPA's need gap could be closed.
- So the question is – If Congress doesn't have that kind of money to spend on wastewater systems how does anyone expect local governments to have that level of resources?
- USCM research on a “cost per household” basis reveals that EPA's expectation that utility customers should be able to pay at least 2 percent of Median Household Income to comply with the CWA turns out to range between 2 and 10 percent of income for most households.
- Additionally, the Census reports local government long-term debt is above \$1.8 trillion, and SRF loans simply add to this high level of debt.
- We have serious concerns when our Federal leaders say more local investments are needed to maintain and improve the nation's water quality for our children and grandchildren, but the urging of local government to commit to greater levels of debt will impose that financial burden on those same children and grandchildren. Generational debt is a serious problem because cities have sizeable long-term debt, and those children are now suffering from the responsibility to repay student loans.

The lack of resources at all levels of government suggests that our federal partners should implement the Clean Water Act with flexibility. HR 7279 can provide some of that flexibility and recognize the importance of investment in local water priorities. The gaps in funding that continue to be unmet can be addressed if EPA and the States give municipalities greater flexibility, including through the implementation of a vibrant integrated planning and permitting approach.

We urge the Committee to keep a close eye on the reconsideration of affordability assessment. An updated and broader consideration of affordability and the factors that should be included in the analysis and the sorts of criteria to be considered should be transparent and defensible.

**Conclusion**

I would like to thank this subcommittee for holding this hearing today and for your focus to find meaningful ways to reestablish our federal-state-city partnership and to develop solutions to address our Clean Water Act infrastructure needs. The Conference of Mayors would like to work with you as you move forward on this important endeavor.