

# Wastewater Compliance Through Privatization

The sewer collection system in the Town of Accident was constructed in 1974 and provides service to approximately 200 households in the area. The system was partially upgraded in 1994 with the replacement of pipe, manholes and castings and lids. In October 2000, the Town was placed under a complaint and consent order issued by the State of Maryland Department of Environment (MDE) to correct deficiencies including many major leaks, illegal tie-ins of roof drains, and surface runoff, which was causing pollutant discharge. The Town's sanitary sewer personnel were working toward reduction of inflow and infiltration into the system via line repairs and manhole raising operations. The existing treatment plant was not capable of treating the increased flows. In addition, studies showed that the structure and integrity of the town's water storage tank, their vital link to treated, potable drinking water, was in jeopardy. This tank stores the only town treated supply of 250,000 gallons, and was in need of major repairs.

Despite limited internal capacity, the Town was able to assemble expertise from a number of intermediary organizations that has enabled the leadership to secure the resources needed to address the complex infrastructure problems that affect the town.

## Context

The town of Accident is located near Deep Creek Lake in northern Garrett County, the westernmost county of Maryland, bordering the states of West Virginia and Pennsylvania. According to the 2000 Census, Accident is a small community with 353 residents and 138 housing units. Thirty-nine households (28 percent) are owner occupied. Fifty-six households (or 41 percent) are occupied by person(s) over the age of 65 years, and 21 percent of the population is disabled. The median household income (MHI) for the community is \$21,250. This falls well below 80 percent of the statewide median household income of \$42,916. Fifty-three percent of the households earn less than \$24,999 annually and 40 percent of all households earn

less than \$14,999 annually. Sixty-one people (17%) in the community are considered low-income. There are a total of 198 wastewater connections.

The town of Accident faced two problems associated with the operation and maintenance of their water treatment facilities. First, the state primacy agency, the Maryland Department of Environment (MDE), ordered that proper chlorine leak detection equipment be purchased and installed at the water treatment plant (WTP) near a local elementary school. The community received a written letter from MDE ordering that the town install a chlorine leak detector at the Accident Bittering Road Water Treatment Plant. This facility sits in a low topographic location and is in close proximity to the local elementary school. MDE felt a chlorine release at this location, without proper warning and detection equipment, could be detrimental to the elementary school population. Second, in conjunction with the wastewater treatment plant (WWTP) upgrades, the town needed to address the operation of the WTP and WWTP, especially given the departure of the WTP operator.

The departure of the licensed WTP operator left the town without a certified operator. As a result, the town had been using contractual services from Garrett County Sanitary District (GCSD) to operate their WTP. Given the loss of the operator, the town had one of four options:

1. Hire a licensed operator to operate their facilities;
2. Contract with Garrett County Sanitary to provide licensed operation of facilities;
3. Hire a third party vendor to operate facilities but maintain ownership; or,
4. Let Garrett County Sanitary take over fully the facilities and lose ownership as they become part of the district.

GCSD provided the town with a take over proposal, but the town officials, at their December 2002 council meeting, voted unanimously to reject the proposal, opting to maintain infrastructure control. The driving force

behind this vote was the town's pursuit of \$3 million dollars in funding for the upgrade of their water and wastewater treatment plant. The town officials believed that ownership and control of their system was important to the vital economic growth of the community. However, the local engineering firm argued that they could run the plant more efficiently than the town or a WTP operator hired by the town. Many in the community were convinced by the initial arguments. While the community would maintain ownership of the water system, they would contract to a water system management company that would handle the operations and management of the water facility—promising better services. In short, the small community would develop a private-public partnership to own and operate the town's water facility.

### The Organization/Agency

The USDA Maryland Rural Development office requested technical assistance (TA) to address these issues. The Maryland Rural Community Assistance Partnership (RCAP) TA provider immediately began working with the town manager and the Garrett County Municipal Assistance Coordinator (MAC) to assist the community in compliance. The TA provider helped to establish a workgroup of the Town Manager, Engineer, and others to assess the issues and propose solutions subject to approval by the Mayor and Town Council. Working within the scope authorized by the workgroup, the TA provider worked with the town manager and engineers to provide overviews of all options to the town leadership.

The TA provider worked with electrical contractors, equipment suppliers, and town administration to remedy the compliance problems. This task involved design, engineering, installation, and training as well as helping to select equipment to resolve the wastewater compliance issues. It also involved working with the town lawyer, engineers, and administration to put together a request for proposal for operation of their facilities, help in selection of a management firm, or assist the town in hiring its own licensed operator. The Maryland Rural Water Association (MRWA) helped the town with leak detection. Additionally, the Maryland Environmental Finance Center (MEFC)

assisted with a rate study to assess the feasibility of different management options.

The Town Manager, with assistance from RCAP, secured the required bids for installation, maintenance and training for operation of the chlorine leak detector. However, during a subsequent site visit, the RCAP TA provider helped the town engineer and manager to recognize that the town needed to purchase and install leak detectors at both WTP locations. The second WTP is located on US Route 219 South and is within 100 yards of a residential area. The community was able to raise the resources through a combination of loans and grants (see below) to install the necessary leak detectors in both locations.

The project also grew to include an inspection and subsequent review of the Town's elevated water storage tank. This tank, of concrete construction, was inspected and was found to have several major structural flaws, including spalling and breaking of the interior tank concrete wall on the northwest side. The problem area has exposed interior rebar. A diver explored the tank interior and issued a written inspection report. The Town Manager asked that the RCAP TA provider review the report and offer a synopsis to the Town Mayor and Council at their August 2003 town meeting. At his recommendation, the Town voted to have their engineer review the entire report. In consultation with the TA provider, an RFP was eventually issued to fix the storage tank structure. It is now considered likely that the tank will need to be replaced altogether, which may involve the purchase of additional land on which to place the storage tank.

Working in conjunction with MEFC, RCAP assisted the community to carry out a complete detailed rate study of the Town's water system. Based on the rate study, the Town Manager, with RCAP's assistance, was able to propose a budget for FY 2004, which was presented to the Mayor and Council during their June 2003 budget meeting for review and adoption. The Town voted to adopt the budget as proposed with no rate hike for this fiscal year. While the lack of a rate hike limited the option of a public-private partnership, as the third party operator would have required additional revenue, the RCAP TA provider has continued to work with Thrasher Engineering,

which may become the private operator of the wastewater project.

While the town continues to consider hiring a third party vendor to carry out the operations and maintenance components of this project or contracting with GCSO, the RCAP TA Provider, working under a USDA Letter of Conditions for funding, worked with Town employees to obtain the necessary education, training and testing for licensure for operation certification. The Mayor and Council formally requested that RCAP meet quarterly with the Town employees and ascertain their progress towards certification. In addition to these meetings, the TA provider is attending the monthly city council meetings and briefing the Mayor and town council on the water and wastewater project. RCAP has additionally continued to explore and recommend classes to benefit the Town employees. The Town Council voted to have a line item added to the Town operating budget to finance training by town employees. Through this process, the local operators have been in the process of obtaining education to sit for the state licensure examination, which will be necessary to fulfill the conditions of the USDA Rural Development funding package.

**Program Outcomes**

The Accident Water Project aimed at improving compliance status with state primacy agency mandates, training town employees to pass state operators licensure, conduct a rate analysis and study of this utility and possibly explore privatization as a means of management of the existing WTP.

The RCAP TA Provider and the MAC helped the Town to negotiate with MDE and USDA about potential funding for the multiple issues it faced. It was clear that with a MHI of significantly less than the statewide MHI, the Town would qualify for substantial grant and subsidized loan funding. This was especially true given that outside credit from other sources was not available at favorable rates and terms.

**Resources**

The Town, as an eligible public body, qualified for Rural Development Water and Waste disposal

loan and grant funding at the poverty interest rate. With knowledge that the project will serve 198 households and two businesses, Rural Development has provided funding in the amount of \$1,690,100 -- \$480,000 in loan funds and \$1,210,100 in grant funds -- to help with improvements to the wastewater system. At the poverty interest rate the loan term is 40 years at 4.5 percent interest. The loan/grant aims to upgrade existing facilities and to alleviate excessive inflow and infiltration of the system in order to meet health and safety standards. Other Federal and State sources have also contributed to this project. The total funding package to date is as follows:

Loan:	\$480,000 - USDA RUS
Grant:	\$1,210,100 - USDA RUS
Other:	*\$500,000 - MDE Grant
	\$500,000 - CDBG
	\$250,000 - ARC Grant
Total:	\$2,940,100

**Organizational Impacts**

As stated on the USDA web site (<http://www.rurdev.usda.gov/rd/earthday/2003/md-accident.html>), the improvements to the wastewater system will enhance the quality of life for the residents and will help prevent harmful nutrients from reaching Bear Creek and the Youghiogheny River. The process of addressing this issue with the community through multiple TA entities has also helped to build the local capacity both through operator training and licensing of local employees, but also through jointly carrying out studies that documented both the technical and managerial challenges facing the Town. While the community has continued to consider privatization (a private-public partnership with Thrasher engineering) for the actual operations and maintenance of the system, the opportunities for operator training of local staff provide critical capacity to either manage the system locally or oversee operations by the contractor.

RCAP and USDA have benefited from this project that has had both environmental and social impacts. The project provided USDA RD with a success story in terms of awarding resources to address these issues holistically. The multi-

dimensional aspects of this project demonstrate the important different roles that the multiple intermediary organizations (RCAP, MAC, MEFC, MRWA) play in assisting small communities with water and wastewater issues. The project has also shown that these entities do have a role in helping small communities to make decisions about management options—including privatization. This can include helping communities with training of local staff and helping to address issues of development of water rates.

### Lessons Learned

The Town of Accident's water project has demonstrated the importance of looking at multiple aspects of water and wastewater. The project has allowed the organizations to explore the opportunities of capacity development as a way of addressing multiple water system issues at the community level. Several intermediaries played multiple roles ranging from finding funding, to interpreting engineering assessments, to rate setting, to deciding on how the water and wastewater system should be operated and maintained. Intermediaries are critical in helping communities to address multiple water and wastewater issues, especially when the keys to resolving problems involve both technical capacity and social organization. Clearly, intermediaries have a role in helping communities not only to grapple with compliance issues, but with decisions about privatization of water system management. Ultimately, privatization will not be a substitute for building the local capacity for water system management. However, this same

capacity development process may provide communities with an option to reject privatization or takeover by a larger, neighboring water/wastewater facility.

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