



ACT 12 DELIVERS BENEFITS FOR PENNSYLVANIA COMMUNITIES

Facing failing infrastructure, an aging workforce, and increasingly stringent water quality and environmental mandates, a growing number of local governments across Pennsylvania no longer want to run their own water and wastewater utilities. The voluntary sale of water and wastewater systems to dedicated water professionals is a proven way for local governments to access the resources and expertise needed to address their growing utility challenges.

Passed and signed into law with overwhelming, bipartisan support in 2016, Act 12 reformed Pennsylvania's antiquated accounting rules that previously forced local governments to sell distressed water and sewer systems at rock bottom prices.

By modernizing utility valuation rules in Pennsylvania, Act 12 allows local governments and taxpayers to get a fair deal for the water and wastewater systems they wish to transfer to private sector water professionals.

WHAT ARE THE BENEFITS OF ACT 12 UTILITY VALUATION REFORMS?

Safe and reliable infrastructure

Pennsylvania's professional water companies have an unmatched record of providing superior water quality to customers. A recent analysis of EPA water quality data from Pennsylvania found that water systems run by specialized water companies in the Commonwealth were 37% less likely to violate federal safe drinking water standards than systems run by local governments.

Help for troubled systems

Act 12 has provided lifelines to troubled systems facing enforcement orders from state and federal regulators, allowing them to regain system compliance and retire utility debt. Without Act 12 reforms, these systems would be valued at next to nothing, severely limiting the benefits of a sale – harming taxpayers and customers.

Professional operators with a singular focus

While local governments have numerous competing priorities beyond water services, water companies are able to singularly focus their professional expertise squarely on providing high-quality water service to communities.

Strong consumer protections

Act 12 requires all system transactions to be reviewed by the Pennsylvania Public Utility Commission (PUC) in a transparent, open process. The PUC can reject an unreasonable purchase price or any sale that is not in the best interest of the public.

Access to capital for local priorities

Under Act 12, Pennsylvania municipalities get a better deal for their assets and can put those resources toward local priorities. Even municipalities that do not face urgent utility challenges have found voluntarily selling water and wastewater systems to be an effective way to offload utility risk, monetize assets, and focus resources on other local needs. This may include paying down debt, funding pension obligations, making other infrastructure improvements, investing in economic development initiatives, or expanding local government services.

HOW HAVE PENNSYLVANIA COMMUNITIES BENEFITTED FROM ACT 12?

- **McKEESPORT:** The sale of the local wastewater system allowed McKeesport to pay off debt, fund pensions, and avoid municipal bankruptcy – all while gaining an additional \$40 million in proceeds to allocate toward other local priorities like economic revitalization. In addition, McKeesport gained a professional operator and tens of millions of dollars in badly needed infrastructure investments for its wastewater system that the mayor said would have been very difficult to fund and execute without a sale.
- **EXETER:** The sale of the municipal wastewater system enabled Exeter Township to avoid a 32.6% property tax increase; pay off substantial debts; pay for future capital projects, including equipment replacement, township building relocation, and storm sewer improvements; improve the Township's credit rating; and still leave \$48 million in proceeds in the bank. Local officials confirmed that the rate increases customers experienced to fund system upgrades would have been much higher had the township retained the system and made the necessary improvements without professional expertise.
- **LIMERICK:** Increasing operating costs and the need to fund major capital projects to better serve a rapidly growing population led Limerick officials to sell its local wastewater system in 2018. The community netted \$70.5 million in proceeds from the sale which were used to fund a new township building, police headquarters, public works department garage, and road improvements. The Chairwoman of the Board of Supervisors stated at the time of the sale: "To pay for all that would have required us to double the township's taxes or more."
- **EAST NORRITON:** With the local sewer system needing \$20 million in new investments to comply with state and federal requirements, local officials turned to Pennsylvania water professionals to plan and execute the improvements. Instead, East Norriton received \$21 million in proceeds from the sale of its wastewater system, which it used to improve Township roads and bridges and stabilize property taxes and a professional water company invested in the system. A Township analysis showed that the sale resulted in lower rate increases for residents than if the necessary system improvements were made under government ownership.

- **CHELTENHAM:** Despite millions of dollars in repair efforts that were driving the Township into debt, the local sewer system remained out of compliance, resulting in a moratorium on new sewer connections and fines by state agencies for the release of raw sewage into the environment. In 2019, state regulators approved the sale of the wastewater system, enabling the Township to leverage private sector expertise to plan, permit and execute more than \$50 million in infrastructure repairs without raising taxes on residents – and all while local taxpayers benefited from over \$50 million in net proceeds.
- **NEW GARDEN:** Facing aging infrastructure and major capital needs to urgently expand capacity and avoid major releases of raw sewage into local waterways, New Garden Township transferred its wastewater system to a Pennsylvania water company in 2019. While customer rates increased to fund necessary improvements in the system, New Garden officials stated that rates would likely be higher if the system were still run by the government and sale proceeds were not available to help fund improvements.

Sources

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