

**STATE WATER RESOURCES CONTROL BOARD  
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE  
JULY 1, 2008**

**ITEM 4**

**SUBJECT**

CONSIDERATION OF A RESOLUTION PROMOTING STRATEGIES TO ASSIST SMALL AND/OR DISADVANTAGED COMMUNITIES WITH WASTEWATER NEEDS

**DISCUSSION**

Due to their small rate base, small and/or disadvantaged communities cannot provide the economies of scale necessary to build and maintain adequate wastewater systems. Small and/or disadvantaged communities are commonly located in rural, sparsely-populated areas that require greater pipeline and pumping infrastructure. Many small and/or disadvantaged communities are on failing septic systems or have old and undersized wastewater treatment plants that cannot meet current water quality standards. Such systems can cause significant health and safety problems, endanger surface water uses, and pose a threat to groundwater supplies.

As described in the *California Water Boards' Draft Strategic Plan Update: 2008-2012*, the State Water Resources Control Board (State Water Board) is committed to addressing environmental justice issues. Small and/or disadvantaged communities are often populated by low-income and/or minority populations, particularly within many of the small farm worker communities located throughout the Central Valley of California. The State Water Board is committed to addressing the human health and water pollution problems associated with small and/or disadvantaged communities, especially in cases where these problems present an environmental injustice.

The challenges small and/or disadvantaged communities face generally result from a lack of adequate local monetary resources combined with insufficient access to technical expertise. Small and/or disadvantaged communities often lack the funds necessary to retain qualified operators. When their wastewater systems violate water quality requirements, they are unable to come up with the capital to fix the problem and may be unable to pay the fines associated with non-compliance. In addition, many small and/or disadvantaged communities lack the resources and in-house expertise necessary to apply for grants and loans to help make wastewater projects more feasible. Even if communities are able to secure financial assistance, they often do not have the in-house technical expertise to determine the best project alternative or to appropriately plan for long-term operations and maintenance (O&M) needs. More financial, technical, and regulatory assistance is needed to bring small and/or disadvantaged communities into compliance.

Funds have not been allocated for the Small Community Wastewater Grant (SCWG) Program since 2002, when Propositions 40 and 50 were passed, and all SCWG funds are committed. State Water Board staff proposes to evaluate the State Revolving Fund (SRF) Program to create a more affordable alternative funding source for small and/or disadvantaged community wastewater projects. The two most significant issues that affect a community's ability to repay a loan are the interest rate and the term.

Therefore, the State Water Board is evaluating the possibility of offering extended term finance agreements and/or lower interest rates to those communities most in need of financial assistance, in hopes of making the SRF Program a more affordable funding option. In addition, State Water Board staff is evaluating potential incentive programs to encourage counties to pro-actively address small and/or disadvantaged community wastewater problems. For example, offering lower interest loans and/or extended term financing to larger entities that assist small and/or disadvantaged communities could facilitate greater involvement by the counties.

Existing community based nonprofit organizations that help support small, rural, and/or disadvantaged communities with water and wastewater resource planning and management are able to provide communities with technical advice and oversight that the State Water Board, as a regulatory agency, is unable to offer. These nonprofit groups can provide hands-on help and advice to individual communities in need of assistance with planning, financing, and implementing improvement projects. They can assist with financial assistance applications, recommend potential plant design and operation solutions to help communities identify low-cost sustainable treatment technologies, and provide third party review of engineering proposals. It is especially critical that small and/or disadvantaged communities weigh proposed engineered solutions with long-term operations and maintenance costs to the community, as well as their ability to hire and maintain qualified operators. Third party help in this area can help avoid continuing cycles of assistance, violation, and the need for more assistance.

State Water Board staff continues to work with existing community-based nonprofit organizations that provide valuable technical, managerial, and financial assistance to small and/or disadvantaged communities, to determine how the State Water Board can assist their efforts.

State Water Board staff is also working with the California Department of Public Health (CDPH), the Department of Water Resources (DWR), the United States Department of Agriculture (USDA), the United States Environmental Protection Agency (U.S. EPA), and others to identify opportunities to leverage resources.

State Water Board staff, in coordination with Regional Water Quality Control Boards (Regional Water Boards) staffs, has developed a [Small Community Wastewater Strategy](#), which provides an overview of the problems faced by small and/or disadvantaged communities and proposed solutions to address those problems.

## **POLICY ISSUE**

Should the State Water Board direct staff to take all of the following actions:

1. Make the following modifications to the SRF Program to create a more affordable funding source for small and/or disadvantaged community wastewater projects:
  - a. By September 2008, evaluate extended term SRF financing options for small and/or disadvantaged communities and report to the State Water Board;
  - b. By December 2008, refine procedures to process and make disbursements to small and/or disadvantaged community financial assistance recipients within 30 days of submittal of a complete disbursement request; and
  - c. By August 2009, develop SRF Program Regulations that will allow the State Water Board to provide financing at a reduced rate to small and/or disadvantaged communities;
2. By December 2008, distribute the Wastewater User Survey with comprehensive questions to evaluate small and/or disadvantaged wastewater affordability. Determine response rate and provide recommendations to the State Water Board for the next survey;

3. Identify new and supplemental funding sources, particularly to provide technical and compliance assistance support for small and/or disadvantaged communities. Review the State Water Board's Cleanup and Abatement Account (CAA) as part of the current Enforcement Policy Update and recommend any appropriate CAA changes to support small and/or disadvantaged communities;
4. By December 2008, identify, quantify, and prioritize statewide small and/or disadvantaged community technical and financial assistance needs. Update the list of communities in need of assistance, track the status of necessary wastewater compliance projects (planning phase, design phase, etc.), and estimate cost to construct those projects;
5. Work with existing community-based nonprofit organizations that support small and/or disadvantaged communities to determine how the State Water Board can best assist their efforts;
6. By July 2009, work with CDPH staff and community-based nonprofits to identify opportunities to leverage drinking water and wastewater resources within high priority small and/or disadvantaged communities, and encourage funding for projects that address those needs;
7. Encourage regional approaches to solving wastewater problems, when feasible, and to evaluate alternative regulatory mechanisms and potential financial assistance incentive programs, such as reduced interest rate financing, to encourage counties to pro-actively address small and/or disadvantaged community wastewater problems;
8. By February 2009, make available to interested parties, a template Memorandum of Understanding or Joint Powers Agreement to share small and/or disadvantaged community wastewater responsibilities with a larger entity (city, county, etc.);
9. By December 2009, develop a statewide template for Waste Discharge Requirements, with standard language requiring proper O&M of municipal wastewater systems;
10. Coordinate with CDPH, DWR, USDA, U.S. EPA, and others to provide better coordinated assistance to small and/or disadvantaged communities throughout California; and
11. Report annually as requested by the State Water Board, beginning July 2009, on progress made pursuant to the Resolution and any recommendations for additional activities to assist small and/or disadvantaged communities with wastewater compliance.

## **FISCAL IMPACT**

Modifying future policies, guidelines, and regulatory actions may require a minor workload increase. Existing staff resources will be redirected, as necessary, to implement this new requirement. As a result of this Resolution, staff will also be working to identify new and supplemental funding sources to provide assistance to small and disadvantaged communities. If viable funding mechanisms are identified, the fiscal impact of any efforts to be implemented with those funds will be analyzed at that time.

## **REGIONAL BOARD IMPACT**

Yes, all Regional Water Boards. Adopting the Resolution may also require the Regional Water Boards to modify future policies, guidelines, and regulatory actions and may result in a minor workload increase.

## **STAFF RECOMMENDATION**

The State Water Board should direct staff to take all of the following actions:

1. Make the following modifications to the SRF Program to create a more affordable funding source for small and/or disadvantaged community wastewater projects:
  - a. By September 2008, evaluate extended term SRF financing options for small and/or disadvantaged communities and report to the State Water Board;
  - b. By December 2008, refine procedures to process and make disbursements to small and/or disadvantaged community financial assistance recipients within 30 days of submittal of a complete disbursement request; and
  - c. By August 2009, develop SRF Program Regulations that will allow the State Water Board to provide financing at a reduced rate to small and/or disadvantaged communities;
2. By December 2008, distribute the Wastewater User Survey with comprehensive questions to evaluate small and/or disadvantaged wastewater affordability. Determine response rate and provide recommendations to the State Water Board for the next survey;
3. Identify new and supplemental funding sources, particularly to provide technical and compliance assistance support for small and/or disadvantaged communities. Review the State Water Board's CAA as part of the current Enforcement Policy Update and recommend any appropriate CAA changes to support small and/or disadvantaged communities;
4. By December 2008, identify, quantify, and prioritize statewide small and/or disadvantaged community technical and financial assistance needs. Update the list of communities in need of assistance, track the status of necessary wastewater compliance projects (planning phase, design phase, etc.), and estimate cost to construct those projects;
5. Work with existing community-based nonprofit organizations that support small and/or disadvantaged communities to determine how the State Water Board can best assist their efforts;
6. By July 2009, work with CDPH staff and community-based nonprofits to identify opportunities to leverage drinking water and wastewater resources within high priority small and/or disadvantaged communities, and encourage funding for projects that address those needs;
7. Encourage regional approaches to solving wastewater problems, when feasible, and to evaluate alternative regulatory mechanisms and potential financial assistance incentive programs, such as reduced interest rate financing, to encourage counties to pro-actively address small and/or disadvantaged community wastewater problems;
8. By February 2009, make available to interested parties, a template Memorandum of Understanding or Joint Powers Agreement to share small and/or disadvantaged community wastewater responsibilities with a larger entity (city, county, etc.);
9. By December 2009, develop a statewide template for Waste Discharge Requirements, with standard language requiring proper O&M of municipal wastewater systems;
10. Coordinate with CDPH, DWR, USDA, USEPA, and others to provide better coordinated assistance to small and/or disadvantaged communities throughout California; and
11. Report annually as requested by the State Water Board, beginning July 2009, on progress made pursuant to the Resolution and any recommendations for additional activities to assist small and/or disadvantaged communities with wastewater compliance

# D R A F T

## STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2008-

### PROMOTING STRATEGIES TO ASSIST SMALL AND/OR DISADVANTAGED COMMUNITIES WITH WASTEWATER NEEDS

#### WHEREAS:

1. Small and/or disadvantaged communities are often located in sparsely-populated, rural areas and cannot provide the economies of scale necessary to build and maintain adequate water and wastewater systems;
2. Many small and/or disadvantaged communities are on failing septic systems or have old and undersized wastewater treatment plants that cannot meet current water quality standards;
3. Such systems can cause significant health and safety problems, endanger surface water uses, and pose a threat to groundwater supplies;
4. The State Water Resources Control Board (State Water Board) is committed to addressing the human health and water pollution problems associated with small and/or disadvantaged communities, especially in cases where these problems present an environmental injustice;
5. Many small and/or disadvantaged communities lack the resources and in-house expertise necessary to apply for grants and loans to help make wastewater projects more feasible, and often do not have the technical expertise to determine the best project alternative or to appropriately plan and manage long-term operations and maintenance (O&M) needs;
6. The State Water Board recognizes the lack of funding currently available to small and/or disadvantaged communities for wastewater projects, since all Small Community Wastewater Grant Program funds are committed;
7. More financial and technical assistance is needed to bring small and/or disadvantaged communities into compliance;
8. State Water Board staff are working with existing community-based nonprofit organizations, that are able to provide valuable technical, managerial, and financial assistance to small and/or disadvantaged communities, to determine how the State Water Board can assist their efforts;
9. State Water Board staff are working with staff from the California Department of Public Health (CDPH), the Department of Water Resources (DWR), the United States Department of Agriculture (USDA), the United States Environmental Protection Agency (U.S. EPA), and others to identify opportunities to leverage resources; and
10. State Water Board staff, in coordination with Regional Water Quality Control Boards staffs, has developed the *Small Community Wastewater Strategy*, which provides an overview of the problems faced by small and/or disadvantaged communities and proposes solutions to address those problems.

# DRAFT

THEREFORE BE IT RESOLVED THAT:

The State Water Board directs staff to take all of the following actions:

1. Make the following modifications to the State Revolving Fund (SRF) Program to create a more affordable funding source for small and/or disadvantaged community wastewater projects:
  - a. By September 2008, evaluate extended term SRF financing options for small and/or disadvantaged communities and report to the State Water Board;
  - b. By December 2008, refine procedures to process and make disbursements to small and/or disadvantaged community financial assistance recipients within 30 days of submittal of a complete disbursement request; and
  - c. By August 2009, develop SRF Program Regulations that will allow the State Water Board to provide financing at a reduced rate to small and/or disadvantaged communities;
2. By December 2008, distribute the Wastewater User Survey with comprehensive questions to evaluate small and/or disadvantaged wastewater affordability. Determine response rate and provide recommendations to the State Water Board for the next survey;
3. Identify new and supplemental funding sources, particularly to provide technical and compliance assistance support for small and/or disadvantaged communities. Review the State Water Board's Cleanup and Abatement Account (CAA) as part of the current Enforcement Policy Update and recommend any appropriate CAA changes to support small and/or disadvantaged communities;
4. By December 2008, identify, quantify, and prioritize statewide small and/or disadvantaged community technical and financial assistance needs. Update the list of communities in need of assistance, track the status of necessary wastewater compliance projects (planning phase, design phase, etc.), and estimate cost to construct those projects;
5. Work with existing community-based nonprofit organizations that support small and/or disadvantaged communities to determine how the State Water Board can best assist their efforts;
6. By July 2009, work with CDPH staff and community-based nonprofits to identify opportunities to leverage drinking water and wastewater resources within high priority small and/or disadvantaged communities, and encourage funding for projects that address those needs;
7. Encourage regional approaches to solving wastewater problems, when feasible, and to evaluate alternative regulatory mechanisms and potential financial assistance incentive programs, such as reduced interest rate financing, to encourage counties to pro-actively address small and/or disadvantaged community wastewater problems;
8. By February 2009, make available to interested parties, a template Memorandum of Understanding or Joint Powers Agreement to share small and/or disadvantaged community wastewater responsibilities with a larger entity (city, county, etc.);
9. By December 2009, develop a statewide template for Waste Discharge Requirements, with standard language requiring proper O&M of municipal wastewater systems;
10. Coordinate with CDPH, DWR, USDA, U.S. EPA, and others to provide better coordinated assistance to small and/or disadvantaged communities throughout California; and

# **D R A F T**

11. Report annually as requested by the State Water Board, beginning July 2009, on progress made pursuant to this Resolution and any recommendations for additional activities to assist small and/or disadvantaged communities with wastewater compliance.

## **CERTIFICATION**

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Board held on July 1, 2008.

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Jeanine Townsend  
Clerk to the Board