

Office of Sustainable Water Solutions Newsletter

January 2017
Issue 11

Drinking Water State Revolving Fund (DWSRF)

<http://www.waterboards.ca.gov/dwsrf>



STATE WATER RESOURCES CONTROL BOARD
REGIONAL WATER QUALITY CONTROL BOARDS

Clean Water State Revolving Fund (CWSRF)

<http://www.waterboards.ca.gov/cwsrf>



Achieving Compliance Through Voluntary Consolidation

In an effort to improve access to clean, reliable, and sustainable water supplies for communities, the State Water Resources Control Board (SWRCB) has been increasing its efforts on consolidating small water systems into larger water systems that have more robust technical, managerial, and financial (TMF) capacity. While the majority of these projects occur between one small water system and a larger water system, the consolidation of multiple small water systems, defined as a regional consolidation project, offers benefits in terms of resource mobilization and cost savings. For many small systems, it's the most cost effective long-term solution to their problems. These projects can take awhile due to the challenges relating to the complex coordination of multiple parties. Open and frequent communication amongst the involved parties is critical to success of any regional consolidation project. Failure to openly communicate and build trust early in the process has resulted in significant delays and in some cases the complete failure of regional consolidations.

In spite of the challenges associated with regional consolidation projects, successes occurred in both the City of Santa Rosa and the City of Yuba City due to the diligent efforts of the city, county, water systems, and SWRCB staff. Each of the projects involved the consolidation of four small water systems with their respective cities.

CITY OF SANTA ROSA

The City of Santa Rosa recently completed a \$3.5 million, Proposition 84 funded, regional consolidation of four small water systems: Rancho Santa Rosa (PWS No. 4900786), Moorland Avenue Apartments (PWS No. 4901195), Sequoia Gardens Mobile Home Park (PWS No. 4900676), and Westfield Community (PWS No. 4900855). Each water system had been in violation of the federal and State arsenic maximum contaminant levels (MCLs) and chose to consolidate with the City to solve their public health problem. The process leading up to the final project completion involved almost a decade of careful planning and construction.



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Applications are continuously being accepted online for wastewater and drinking water projects. Apply online at:

<https://faast.waterboards.ca.gov>



Achieving Compliance Through Consolidation (cont.)

CITY OF SANTA ROSA (cont.)

In 2011, after several years of discussions between the City and the SWRCB's Division of Drinking Water, the City took lead on a Proposition 84 planning project that completed in 2014. The funds were used to enter into water service agreements and develop plans and specifications necessary to consolidate the four small water systems. The designed project included the installation of approximately 9,000 feet of pipeline, connecting the

City of Santa Rosa to the consolidating

water systems. Water meters, fire hydrants, and other appurtenant facilities were also installed to complete the project.

In May 2015, the City began the process of constructing the pipelines needed to complete the regional consolidation project. The project was constructed in phases. Westfield Community connected to the City on March 2, 2016. Moorland Avenue Apartments connected to the City on March, 3, 2016. Rancho Santa Rosa connected to the City on April 14, 2016. Finally, Sequoia Mobile Home Park connected to the City on June 8, 2016. A year after construction began, the project is complete, water is flowing, and the residents of the four small water systems are receiving arsenic-free water from the City of Santa Rosa.



CITY OF YUBA CITY

The City of Yuba City recently completed a \$7.7 million, Proposition 84 funded, regional consolidation project of four small water systems: Country Village North Mobile Home Park (PWS No. 5101007), El Margarita Mutual Water Company (PWS No. 5100102), Franklin Elementary School (PWS No. 5100139), and Wildewood Mutual Water Company (PWS No. 5100109). Each water system had been in violation of arsenic and perchlorate MCLs. The most cost effective solution to these public health problems was to consolidate with the City.

The project included the installation of 9,000 feet of 16-inch pipeline along Franklin Road, 2,300 feet of 12-inch pipeline along George Washington Boulevard, and 1,300 feet of 12-inch pipeline along El Margarita Road. In addition, the project installed approximately 13,500 feet of 8-inch pipeline to replace El Margarita MWC and Wildewood MWC's deteriorating distribution pipes to bring them up to the Sutter County public works standards.

The primary challenge associated with this project was securing full participation from members of El Margarita MWC. The preparation and negotiations necessary to ensure that the old arsenic-contaminated well could be destroyed was expertly handled by the City and ensured that this portion of the consolidation had a high chance of success. Prior to entering into the funding agreement, the City received confirmation from 90 percent of the MWC members that they would participate in the project. Throughout the construction, the City received confirmations from many of the remaining members. When the construction was complete, only three members with their own private wells opted out of the project. Full participation of the residents of a small water system is a major challenge in coordinating a successful regional consolidation. With careful planning and open communication, it is possible to achieve 100 percent participation, especially when construction is occurring on their street. Provided that it doesn't unduly delay the rest of the project, acceptance of late participants in regional consolidations should be seriously considered in order to maximize the impact of the project.



Achieving Compliance Through Consolidation (cont.)

CITY OF YUBA CITY (cont.)

Construction began in the early 2014 with both Franklin Elementary School and Country Village North Mobile Home Park connecting to the City in October 2014. The lateral pipelines for El Margarita MWC and Wildewood MWC were installed in 2015. After the final connections were made, the old wells in El Margarita MWC and Country Village North MHP were abandoned and destroyed in accordance with Sutter County regulations. The old wells in Franklin School and Wildewood MWC were disconnected from their distribution systems and will be used for irrigation. All of the water systems are receiving City water and have returned to compliance.



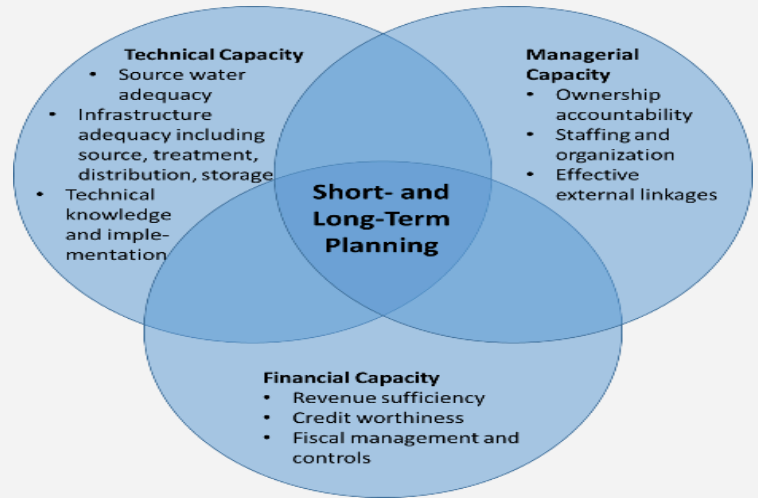
Additional information on how to approach consolidating small water systems is available on our website:
http://www.waterboards.ca.gov/drinking_water/services/funding/documents/srf/dwsrf_policy/appendix_a.pdf

Financial Capacity, the “F” in TMF Capacity

The 1996 federal Safe Drinking Water Act (SDWA) required states to incorporate technical, managerial, and financial capacity (TMF) into public water system operations. For water systems, having capacity means the system has the knowledge, tools, and resources to operate and maintain its system to ensure it can provide safe and reliable drinking water now and into the future. Capacity development and maintaining TMF capacity once attained, is critical to the long-term sustainability of a water system.

In this issue the focus is on the Financial Capacity element of TMF, the “F” in TMF. Financial Capacity is the ability of the system to maintain sufficient revenues to cover operation costs and also the effective management of those resources in the operation of the system. Essentially, the system is financially healthy.

Applicants for the State Water Resources Control Board’s (SWRCB) Drinking Water State Revolving Fund (DWSRF) and Proposition 1 (Prop. 1) drinking water funding are required to demonstrate that both Mandatory and Necessary TMF elements have been addressed prior to completion of a construction project. The Table below shows the Financial elements of TMF and under what situation the element is mandatory or necessary.



Financial TMF Element	SWRCB Financing (DWSRF/Prop. 1)	New Water System	Change of Ownership
Budget/Capital Improvement Plan	Mandatory	Mandatory	Mandatory
Budget Control	Necessary	Mandatory	Mandatory

Mandatory Managerial Elements of TMF Capacity— Mandatory means compliance with the element must be completed prior to the issuance of financing (DWSRF or Prop. 1) or issuance of a water supply permit for a new system or a change of ownership.

Necessary Financial Element of TMF Capacity — Necessary means compliance with the element must be addressed satisfactorily within a timeframe determined by the regulatory agency and/or financing agency . The timeframe is typically not later than six months after the completion of the financed project or permit issuance.

Below are general descriptions of what is expected to meet the Financial elements of a TMF Assessment.

Budget/Capital Improvement Plan - A water system must develop a 5-year budget projection that lists all of the expenses and revenues of the water system. The total expenses include the operations and maintenance expenses of the system such as salaries, power, chemicals, monitoring, and other costs. Expenses also include the administrative expenses such as insurance and debt service as well as funded reserve accounts. These reserve accounts include the reserve for the capital improvement plan (CIP), operations and maintenance reserve, contingency reserve, and other reserve accounts needed to manage the system. Revenues are all of the sources of funds the system receives including income from billing, assessments, hookup charges, reserve fund withdrawals, grants and loans, and other income.

The budget is the financial plan for how an organization will receive and spend money. It is important that the budget accurately reflects all of a systems expenses, including anticipated capital expenditures. Additionally, a system needs to have a rate structure in place which covers their expenses along with a rate plan for setting rates and implementing them to ensure revenues are sufficient to meet expense now and in the future. The budget and rate plan should be reviewed annually.

⇒ Note: Circle TMF diagram above is from the USEPA <https://www.epa.gov/dwcapacity/learn-about-small-drinking-water-systems>

Financial Capacity, the “F” in TMF Capacity (cont.)

Budget/Capital Improvement Plan (cont.)

A sample 5-year budget projection/CIP template is available at the following State Water Resources Control Board website:

http://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/TMF.shtml

Under the Resources and Links section found at the website above, select the Sample 5-year Budget Project/Capital Improvement Plan (CIP) that you are interested in.

Budget Control - Water systems need to have financial policy/planning mechanisms that include, but are not limited to:



- a. **Budget control procedures** in which one person records a transaction and a manager reviews and approves it. Budget controls for cash receipts and disbursement, bank accounts, and payroll also need written budget control procedures.
- b. **Financial reports** prepared for review at board meetings such as: Customer Receivables Report, Check Register Review, Bank Reconciliation Report, Budget Comparison Report, Quarterly Comparative Balance Sheet, and Tax Returns.
- c. **Criteria and withdrawal guidelines** for the maintenance of reserve accounts including CIP Reserve, Operations and Maintenance Reserve, Contingency or Emergency Reserve and other reserves.
- d. **Reporting procedures** to appropriate levels of authority to ensure that there is no commingling of revenue sources.
- e. **Periodic reviews** of the budget status by a Certified Public Accountant or appropriately qualified financial officer of the water system to ensure continuing financial viability. Three years of the most current audited financial reports must be submitted for all SWRCB financing projects.



“A goal without a plan is just a wish”. — Antoine de Saint-Exupery —

Does Your System Need Assistance with Capacity Development and TMF— It is important to the long-term sustainability and viability of a water system to build their TMF capacity. Small systems in particular have difficulty building and sustaining TMF capacity. The SWRCB’s Division of Financial Assistance under its funding programs, has **free** technical assistance available to small public water systems to help build and maintain TMF capacity. Technical Assistance is also available for wastewater systems.

A **no** answer to any of the following financial questions could indicate your system has financial issues. Consider seeking technical assistance to address the issues now.

1. Do you have an annual budget and does it consider prior years’ cost of operation, include in detail, all operating and maintenance expenses, separates water or wastewater system revenues and expenses from other utility revenues and expenses?
2. Do you have audited financial statements?
3. Do your water or wastewater rates cover the full cost of providing service? (Do you understand what the full cost of providing service means?)
4. Do you have written procedures for billing and collection, including a policy governing past due accounts?
5. Do you have reserve funds to address emergencies?
6. Do you have a capital improvement plan for the system?

More information about Technical Assistance can be found at:

http://www.waterboards.ca.gov/water_issues/programs/grants_loans/proposition1/docs/prop1_ta_fact_sheet.pdf

Resource Corner

- ◆ **Sustainable Water Infrastructure** - The U.S. Environmental Protection Agency (USEPA) has information and a list of resources related to sustainable infrastructure for **water and wastewater**. The information can be found at:
<https://www.epa.gov/sustainable-water-infrastructure>
- ◆ Multiple financial tools for **water and wastewater** systems can be found at the USEPA's Water Infrastructure and Resiliency Finance Center website <https://www.epa.gov/waterfinancecenter/financial-technical-assistance-and-tools-water-infrastructure>
- ◆ Hazard Mitigation for Natural Disasters: A Starters Guide for Water and Wastewater Utilities - This interactive guide tells utilities how to mitigate natural disasters and their impacts. The guide is provided by the USEPA and can be found at:
<https://www.epa.gov/waterutilityresponse/hazard-mitigation-natural-disasters>
- ◆ **FREE** - Rural Community Assistance Corporation has free Drinking Water Workshops. The goal of the workshops is to provide information to help small, rural water systems deliver safe, reliable drinking water to their customers and to demonstrate how to properly manage a water system. For information go to:
http://www.rcac.org/wp-content/uploads/2016/07/CA-DW-Broch_July-Dec_2016.pdf
- ◆ **Clean Water State Revolving Fund (CWSRF)** <http://www.waterboards.ca.gov/cwsrf>
- ◆ **Drinking Water State Revolving Fund (DWSRF)** <http://www.waterboards.ca.gov/dwsrf>
- ◆ Sign up at http://www.waterboards.ca.gov/resources/email_subscriptions/swrcb_subscribe.shtml to receive updates and periodic announcements by email, including this newsletter.
- ◆ **California Financing Coordinating Committee (CFCC)** has information about funding sources for various infrastructure projects such as water and wastewater. Funding information can be found at the following website:
<http://cfcc.ca.gov/programs.htm>



Questions or Comments?

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