



# Providing Safe Drinking Water Through the Consolidation of Water Systems

Joint Workshop of the California Public Utilities Commission and the State  
Water Resources Control Board

August 17, 2017

# Today's Discussion Topics

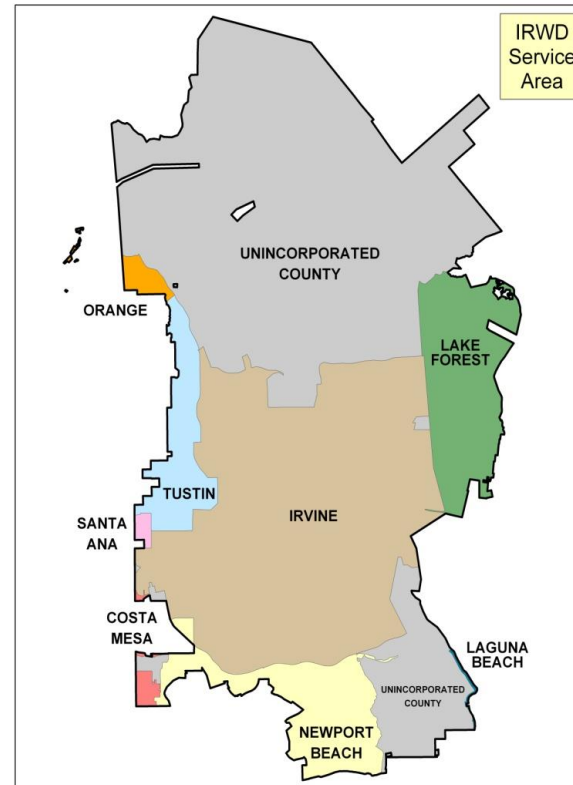
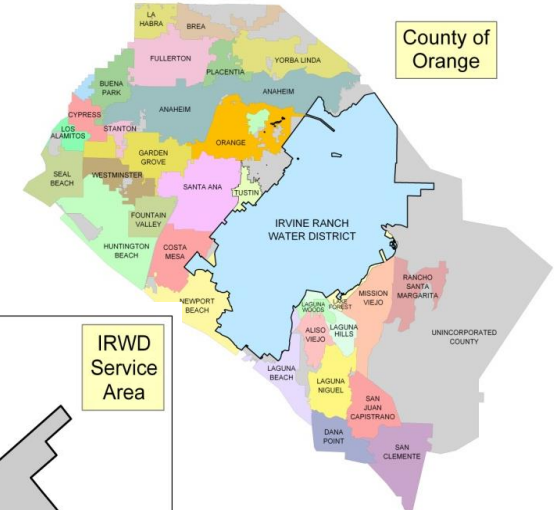
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- Background on successful IRWD and EMWD consolidations
- What were the drivers and key considerations for combining these agencies?
- Relating this experience to the state-wide challenge
- Additional governance concept to address the State's failing water system dilemma
- Summary



# About Irvine Ranch Water District

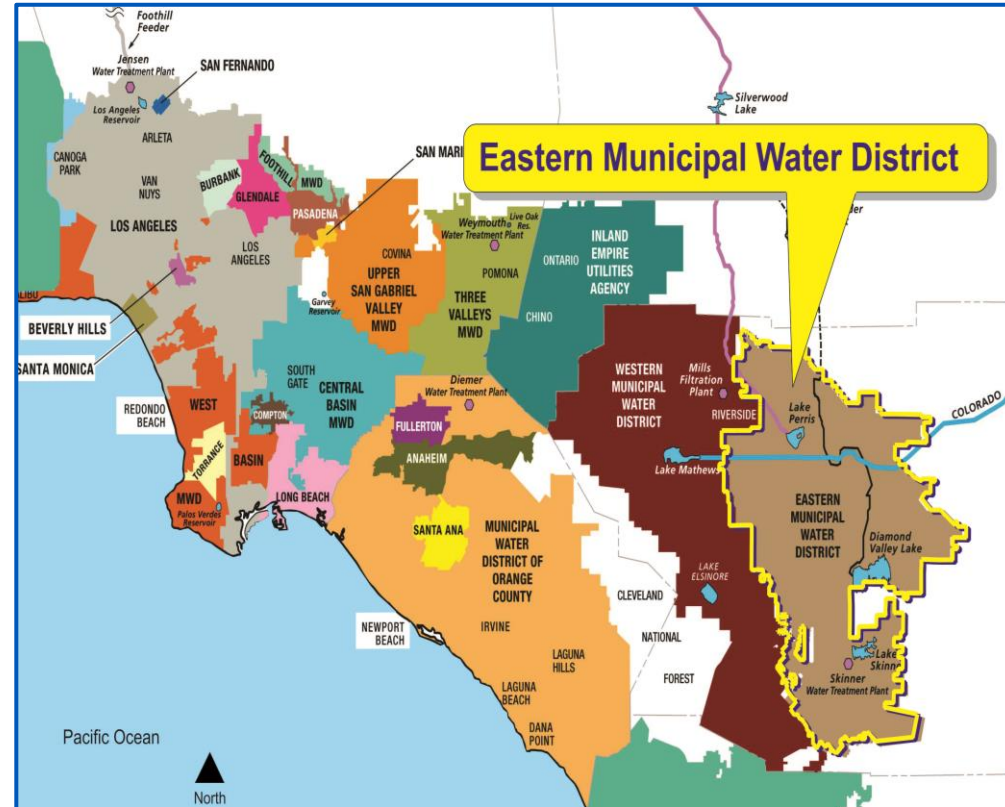
- Formed in 1961
- California Water District providing:
  - Water
  - Recycled water
  - Wastewater
- Current Customer Base
  - Residential Pop: 390,000
  - Daytime Pop (est.): 500,000
  - Service Connections: 109,000
- Size of District
  - 179 square miles
  - All/part of six cities, unincorporated County



# About Eastern Municipal Water District



- Formed in 1950
- MWD Member Agency
- Municipal Water District providing:
  - Water
  - Wholesale /Retail
  - Wastewater
  - Recycled water
- Current Customer Base
  - Residential Pop: 804,000
  - Daytime Pop (est.): 700,000
  - Retail service Connections:
    - 146,000 - water
    - 239,000 - sewer
- Size of District
  - 555 square miles
  - All/part of seven cities, unincorporated County





# Summary of Combined Agencies - Irvine Ranch Water District

## Carpenter Irrigation District

Consolidation Date: January 1999

Services:  
Irrigation Water

Customers: 9

Service Area: 1,335 ac

Employees: 2

## Orange Park Acres Mutual Water Company

Consolidation Date: June 2008

Services:  
Domestic Water

Customers: 1,500

Employees: 2 (w/contract operators)

## Santa Ana Heights Mutual Water Company

Consolidation Date: July 1997

Services:  
Domestic Water

Customers: 10,100

Employees: 4

## Santiago County Water District

Consolidation Date: July 2006

Services:  
Domestic Water

Customers: 2,500

Employees: 4.5

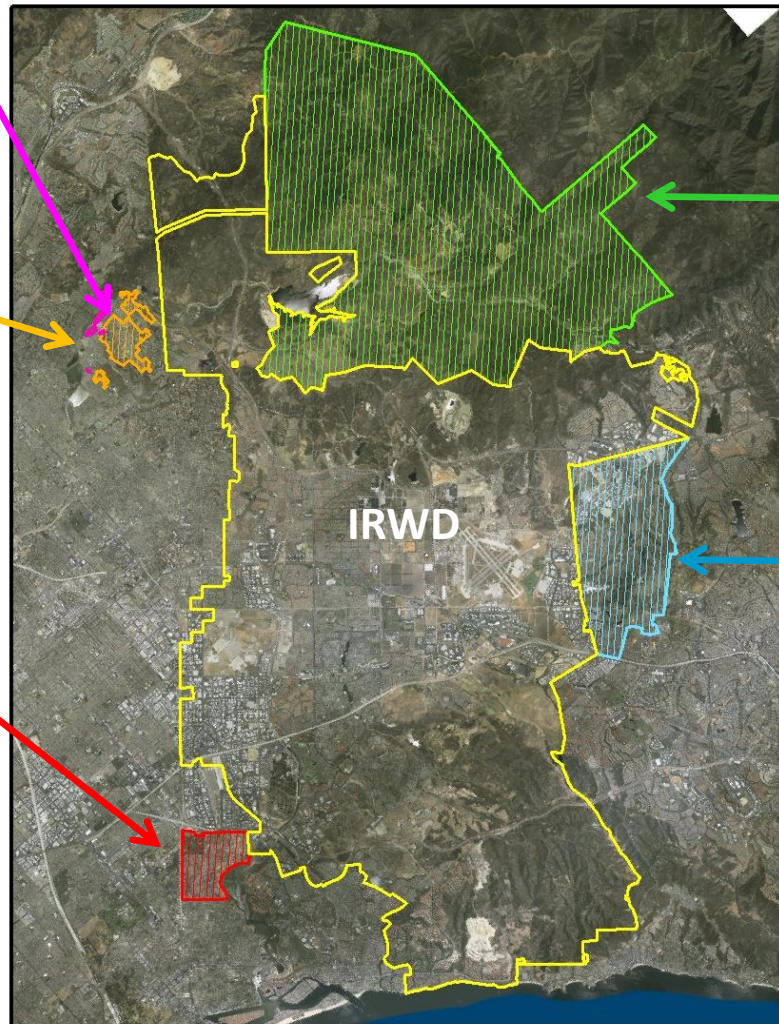
## Los Alisos Water District

Consolidation Date: January 2001

Services:  
Domestic Water  
Wastewater  
Recycled Water

Customers: 43,000

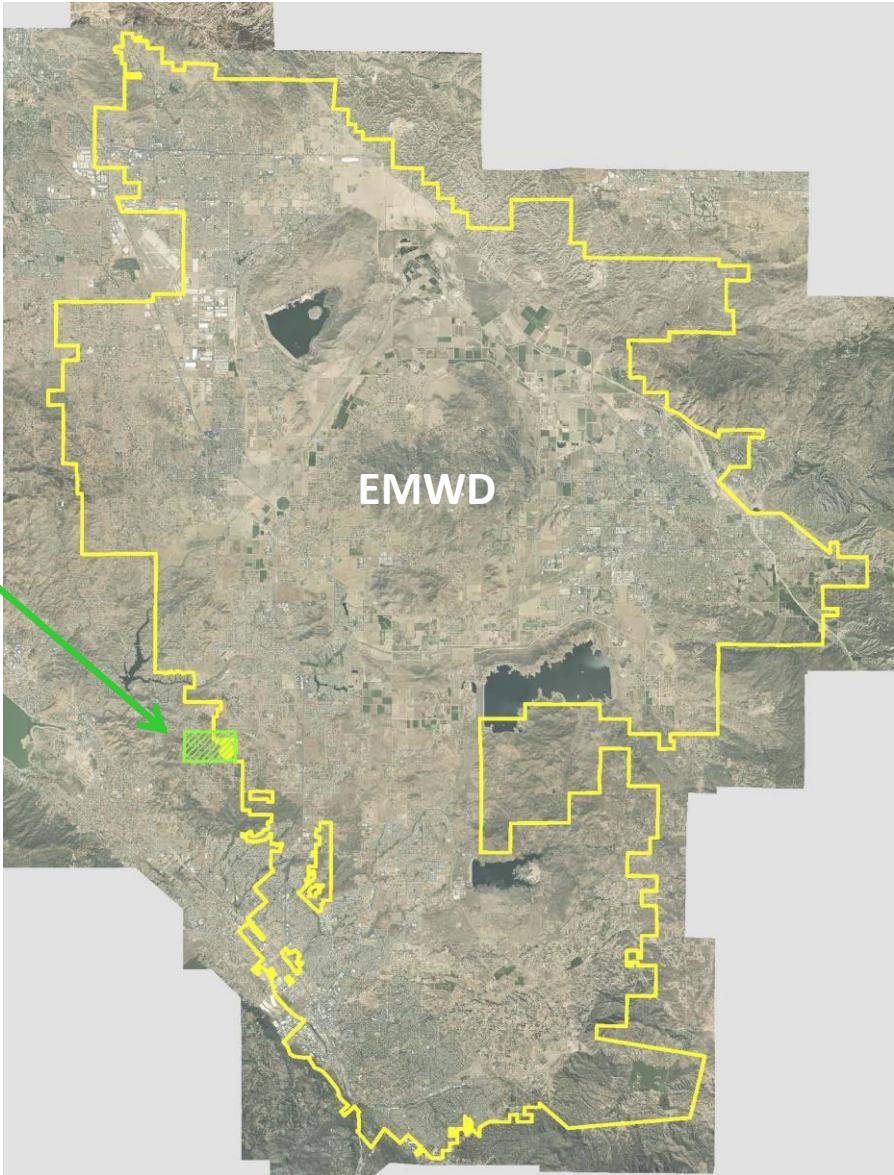
Employees: 42



# Summary of Combined Agencies - Eastern Municipal Water District

## County Water Company of Riverside

Dissolution Date: December 2015  
Private Water Company (in receivership)  
Services:  
• Domestic Water  
Customers: 140  
Area: 1,032 ac.  
Employees: 2 contract





# What Were the Drivers for Combining These Agencies?

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- Water rate pressures from high per-customer costs relating to administrative overhead, regulatory compliance, scale efficiency and financing capability/expense
- Providing improved water quality and levels of service
- Enhancing water supply diversity, system reliability
- Water system condition inconsistencies and the ability to afford and/or finance replacements and refurbishments



# Combining Agencies Effectively

## *Seven Key Considerations for Successfully Joining Agencies Together*

- Willing Parties
- Governance and Representation
- Recognition of Equity
- Transition Plan for Rates and Charges
- Integration of the Workforce
- System Integration and Improved Levels of Service
- Community Issues and Involvement



Consistent with State Board Water Partnership  
Toolbox and Regionalization Approach



# Case Study: County Water Company of Riverside

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- County Water Company of Riverside (CWC)
  - Privately held Water Company
  - System: ~140 services
  - Area of service: ~1,032 acres
  - Severely disadvantaged community
- CWC Facilities
  - Substandard 50,000 gallon tank
  - Failing, branched distribution system – no isolation capacity
  - Inadequate fire flow and only one hydrant
  - Single source of supply (well) with frequent outages
  - Well water contamination Notices of Violation
    - ✓ Nitrate levels ranging ~ 60 – 75 mg/l (MCL = 45 mg/l)
    - ✓ Bacterial contamination



# County Water Company System Deficiencies

Equipment Storage



Well Building Exterior



Inoperable Well Meter



Well Site



Single Fire Hydrant



Substandard Water Tank

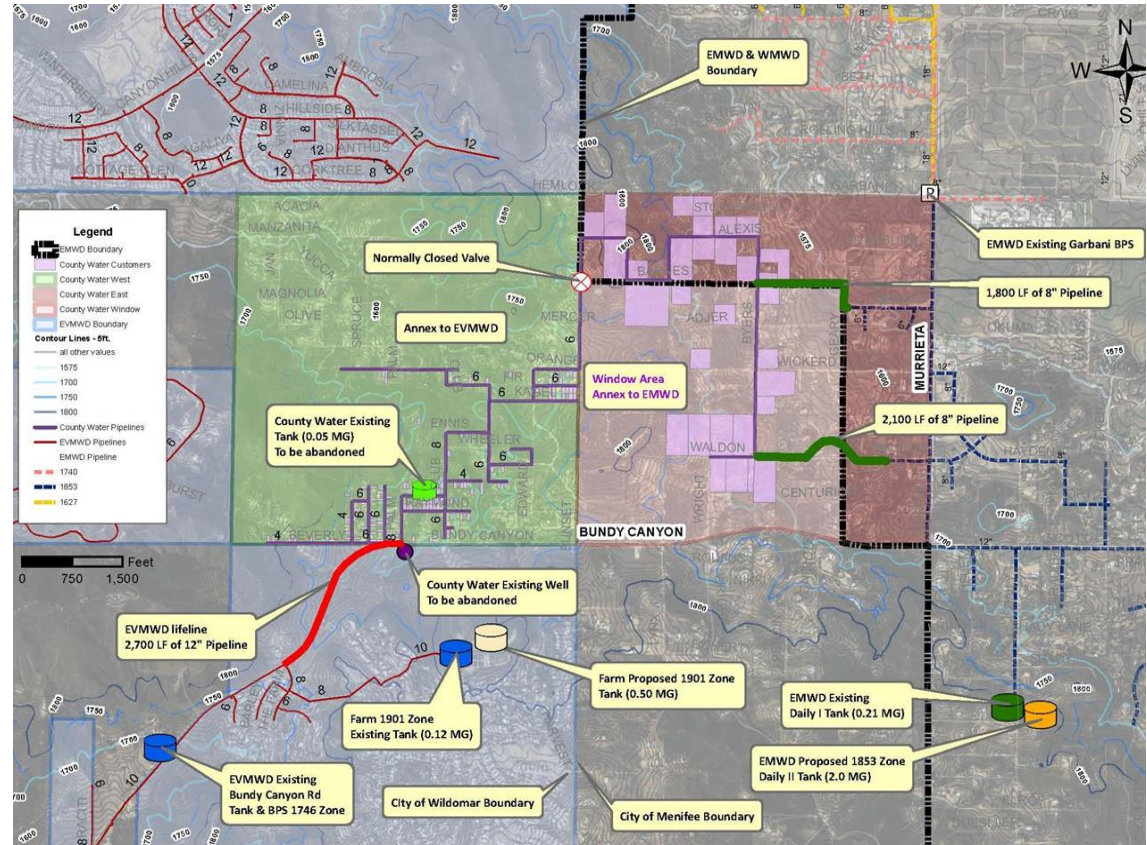




# County Water Company Dissolution

## Solution:

- Immediate temporary water supply
- \$5.8 million in system improvements with SWRCB grants
- CWC stipulated to be put into Receivership; assets transferred
- LAFCO annexations to two Districts (EMWD and Elsinore Valley MWD)
- Passed SB 1130 (Roth) in 2014 re: liability



CWC lacked “technical, managerial and financial” capabilities

# How Does this Relate to the Statewide Challenge?

## Statistical dimensions of the problem

Non-compliant systems (Population)*	Number of Systems	Percent
10,000 or greater	9	3%
1,000 to 9,999	41	13%
100 to 999	155	51%
Under 100	<u>101</u>	33%
Total =	306	

*84% of the non-compliant systems serve less than 1,000 people (~ 400 services)*

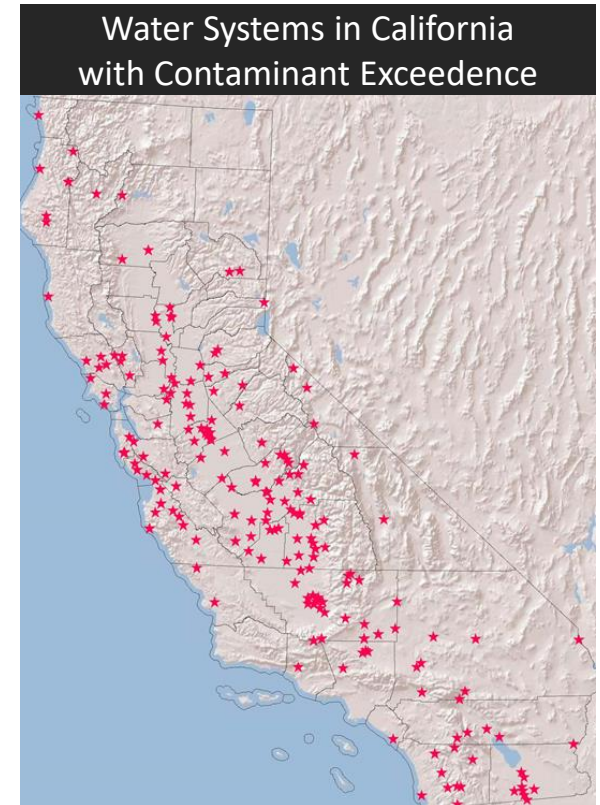
\* SWRCB State Drinking Water Data Base, July 2017 database

*Approximately 70% of these non-compliant systems are privately owned or mutual water companies*



# What are the Common Issues and Challenges with Most of these Non-compliant Systems?

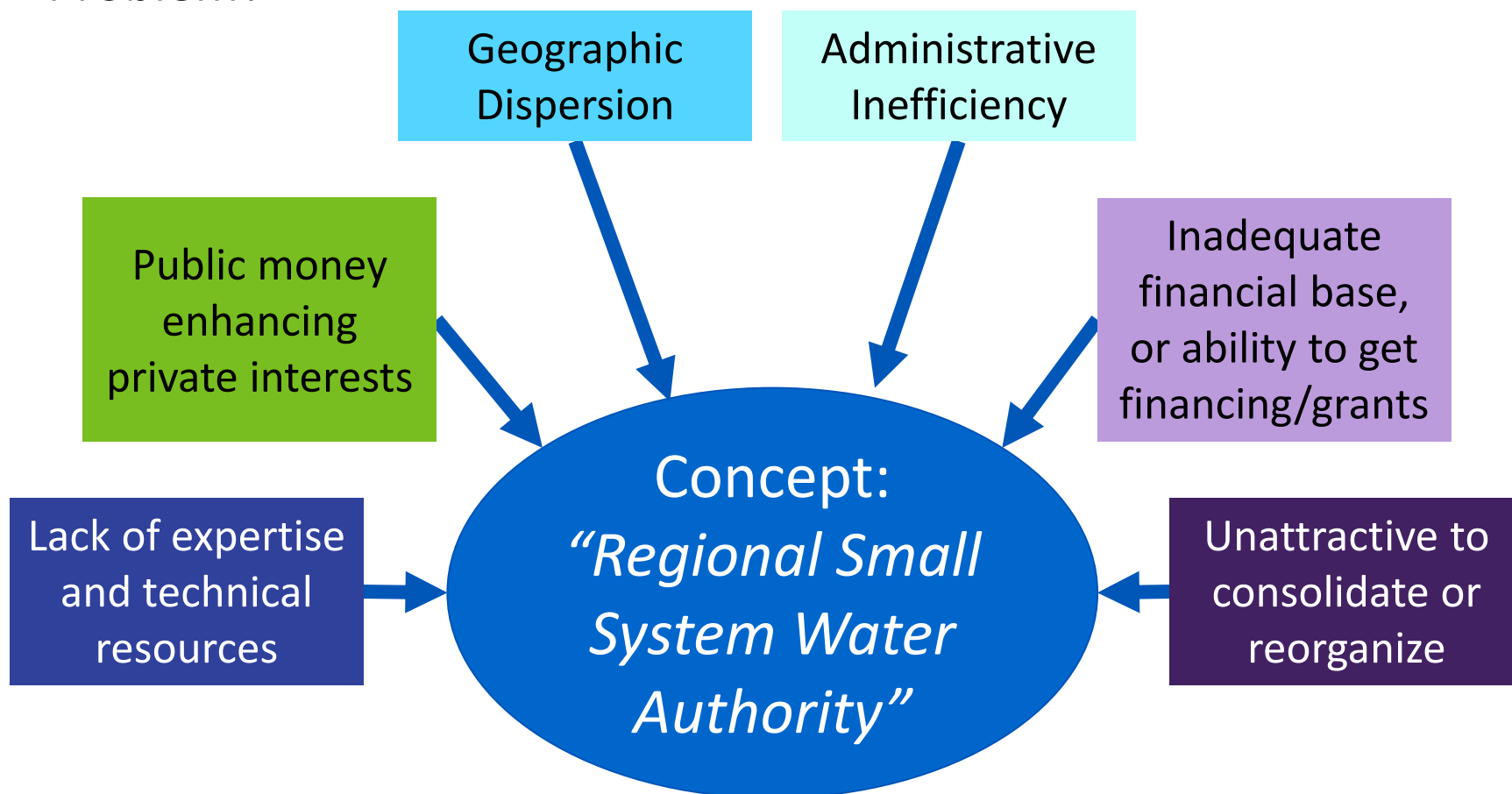
- Lack technical, managerial and financial capabilities
- Relatively high administrative overhead
- Small “orphan” systems - geographic dispersion
- Consolidation, regionalization and mutual aid too complex and daunting
  - Public/private/mutual incompatibility
  - JPA provisions (Section 6525) limited
- Mutual and private systems receiving public money “bail-out” for failure
  - Disincentive to maintain, invest
  - Public funds enhancing privately held asset



*Governance is a foundational problem that must be addressed before funding needs are established*

# Governance Options to Address Problem

- Is there a Public Governance Structure that Could Better Fit the Problem?



# How might a “Regional Small System Water Authority” work?

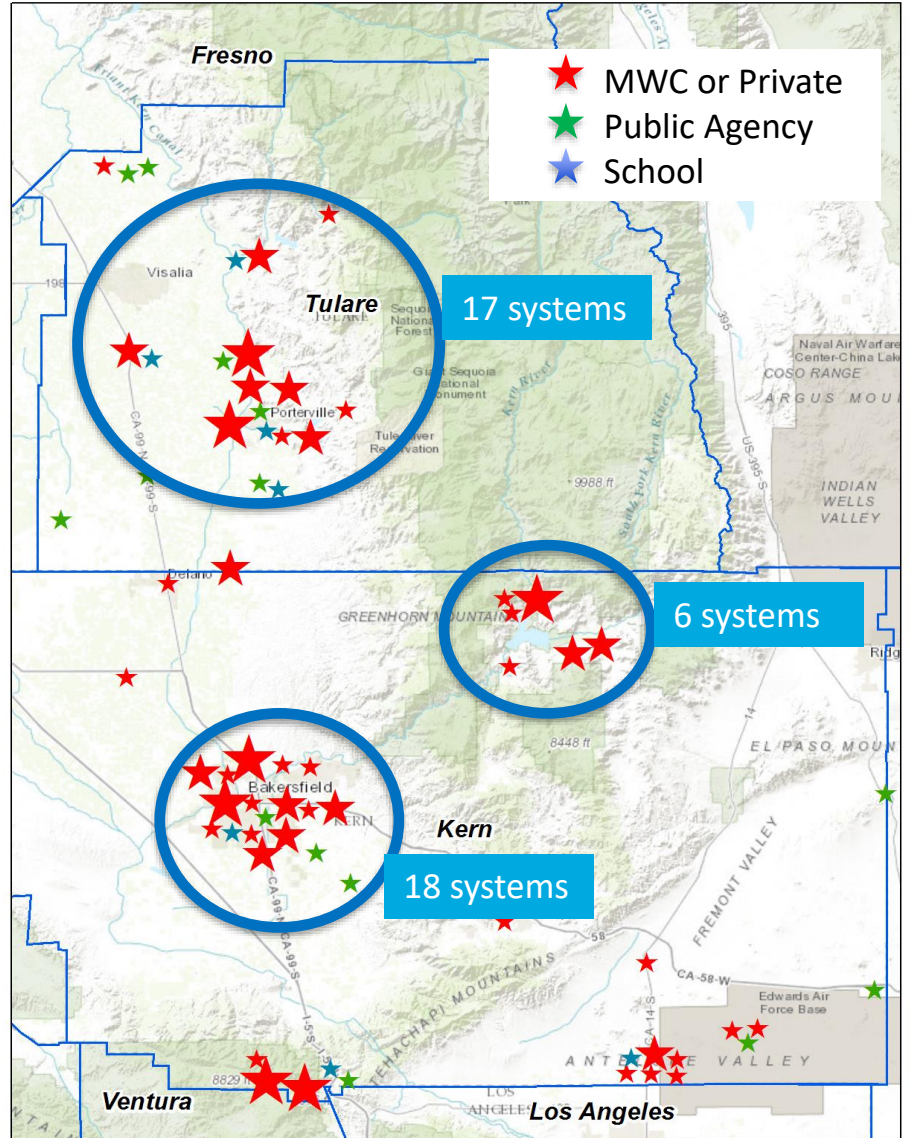
- Could be formed by legislature under special statute:
  - Multiple non-contiguous system boundaries under one consolidated public entity
  - Independent Special District
  - County or sub-county level
  - Ratemaking and G.O. taxing authority
  - Authority to apply for grants and loans and/or issue tax free public financing
  - Out of compliance mutuals, privates or small publics receiving public funding required to dissolve and join
  - Representative governance (division or former agency)



# “Regional Small System Water Authority” Concept Benefits

- Consolidation efficiencies of scale, and technical/managerial expertise
- Public governance
- Not a forced consolidation between unequal parties
- Substantial reduction in number of small systems
- Larger rate base, alternative revenue streams (taxes, bond proceeds, grants, SRF, etc.)
- Ability to better determine needs for State supplemental funding (i.e. Public Goods Charge or GF) after revenues, grant funding and affordability considered

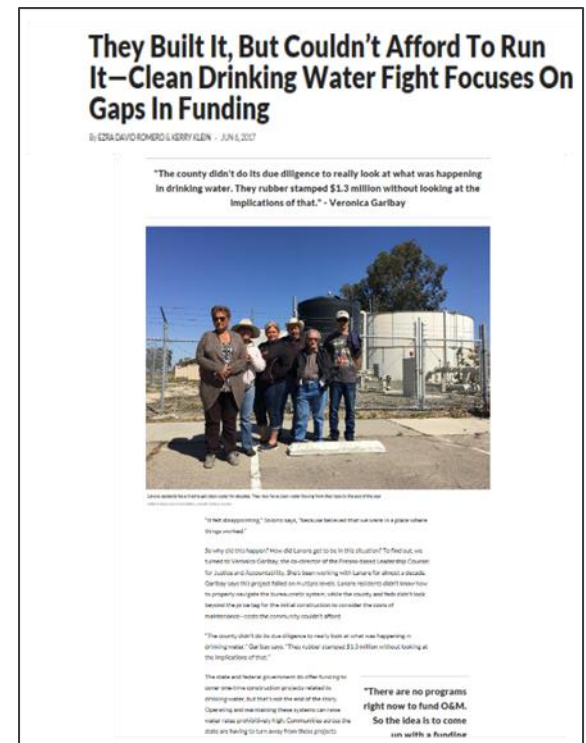
## Example Grouping of Non-compliant Systems





# Summary

- Consolidations and reorganizations are an important tool in addressing the failing water systems throughout the State
- Majority of problem lies with small and/or private or mutual systems
- Resolving the governance of these systems is the “elephant in the room” - sustainability is key
- State should consider additional statutory governance structures to supplement existing mechanisms for consolidations and reorganizations
- Supplemental capital and on-going funding needs can be best determined after a better governance system is established





# Contact Information

Paul D. Jones II, P.E.  
General Manager  
(951) 928-6130  
[jonesp@emwd.org](mailto:jonesp@emwd.org)