

Water Partnerships and Consolidation

Darrin Polhemus,
SWRCB-Division of Drinking Water

Division of Drinking Water (DDW)

- 7,500 Public Water Systems (PWS)
- 3,000 Community Water Systems (CWS)
- 77% of the CWS serve less than 1,000 connections
- DDW regulates all types of Water Systems, public & private

Compare with Other Utilities

In California approximately:

- 7,500 Public Water Systems
- 900 Wastewater Treatment Plants
- 75 Electricity Providers¹

¹http://www.energy.ca.gov/almanac/electricity_data/utilities.html#service

Importance of Consolidation

- Small systems have inadequate staffing
- Less resilient to natural disasters
- Difficulty funding infrastructure improvements
- Poor economies of scale
- Difficulty adjusting to regulatory changes
- Majority of MCL violations go to small systems

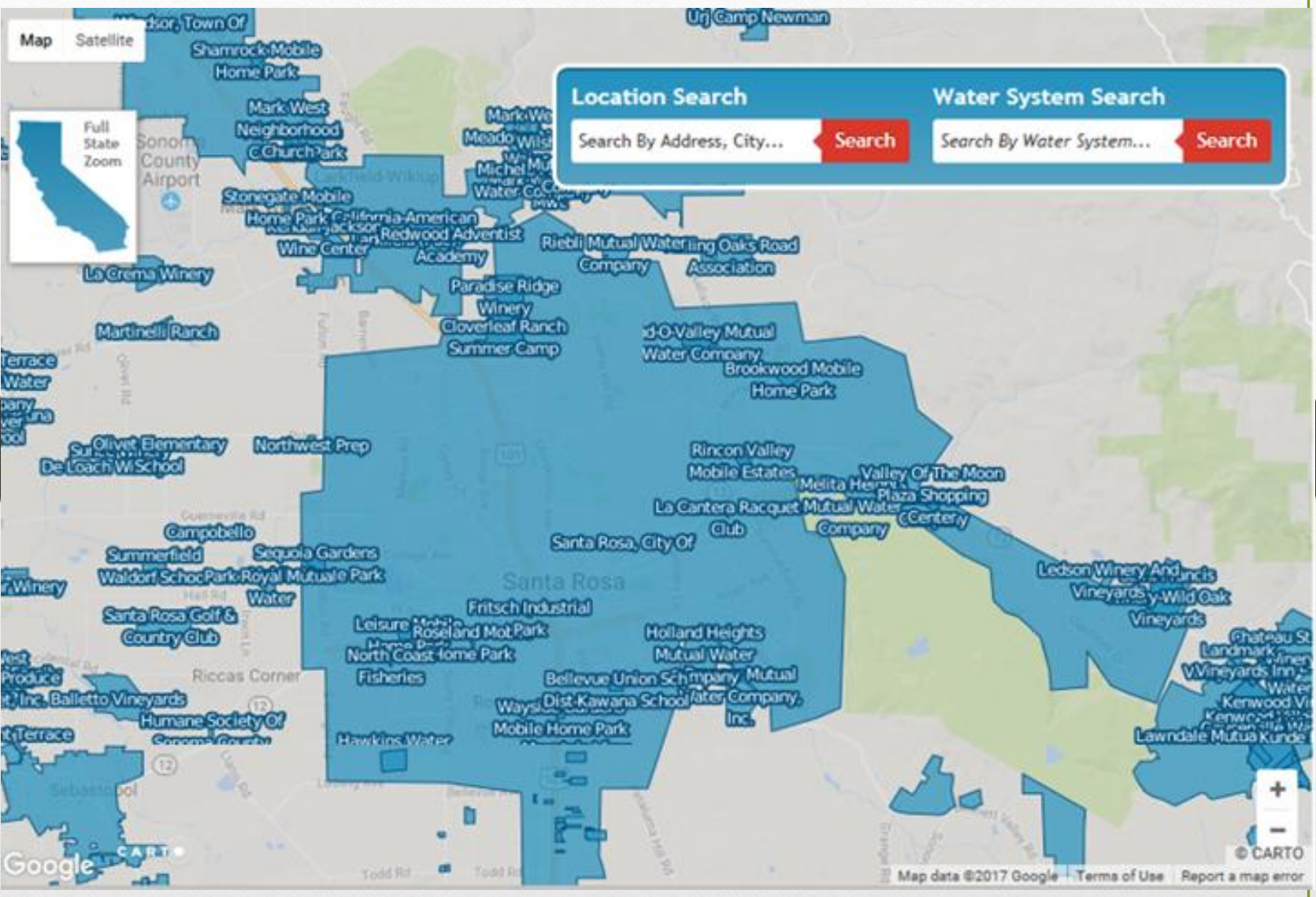
CA Drinking Water Violations

System Size	% of Systems	% of Violations ²
Very small (pop. 25-500)	61%	80%
Small (pop. 501-3,300)	16%	12%
Medium (pop 3,301-10,000)	8%	5%
Large (pop 10,001-100,000)	12%	2%
Very Large (>100,000)	3%	0%

²Violations based on CA Human Right to Water data for communities and schools-8/2017

Water System Sprawl

- Lack of comprehensive land-use planning around water systems at the State, county and city levels
- Water system sprawl just outside cities
 - due to high city development fees
 - unwillingness/inability to serve outside their service area
 - County/city disagreements over tax revenue



Map Satellite



Location Search **Water System Search**

Search By Address, City... Search By Water System...

Google



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Consolidation Solutions

- Past 40 years, 4 consolidations were funded per year
- **Since Jan 1, 2017--33 consolidations statewide**
- In 2016, SWRCB hired two consolidation coordinators
- Created water partnership website
- Supported legislation

Summary of Regulations

- Senate Bill 88/552 (Mandatory Consolidation)
- Liability Protection for Receiving Water Systems
(Section Health & Safety Code 116684)
- Senate Bill 1263 (New Water System Applicants)

Voluntary Consolidation West Goshen Mutual Water Company

Problem:

- TMF failures
- Nitrate violations
- Both wells, aged over 40 years, collapsed and caused severe sand intrusion

Intermediate Solution:

- Temporary Intertie with Cal Water Visalia due to repeated water outages
- Prop 84 emergency grant funding

Long-term Solution:

- Consolidation with Cal Water – Visalia
- Funding agreement issued in 2013 for \$3.5 million (DWSRF & Prop 84)
- Permanent Intertie constructed from 2014 to 2016



Regional Consolidation Project—City of Santa Rosa



- Arsenic violations
- 4 small water systems-700 disadvantaged residents
 - Rancho Santa Rosa
 - Moorland Avenue Apartments
 - Sequoia Gardens Mobile Home Park
 - Westfield Community
- Project: installation of 9,000 feet of pipeline, water meters, and fire hydrants
- Total cost: \$3.5 million, Prop 84 funded
- Primary challenge: planning and construction took nearly a decade to complete
- Construction completed in 2016
- City of Santa Rosa is currently working with DDW on a second round of consolidation projects

Mandatory Consolidation Project Pratt Mutual Water System

- Disadvantaged community
- Arsenic violations
- 2010 study, consolidation best long-term alternative
- Pratt/City of Tulare signed agreement in 2011
- 2013 Pratt was issued construction funding
- Physical intertie was constructed
- Project Cost: \$5 million, Prop 84 funded
- Validity of agreement disputed, entered into litigation

- SB 88 mandatory consolidation order issued, March 2016
- 1,500 residents have been receiving safe drinking water from City of Tulare since May 2016.



Hurdles for Receiving Systems

- Taking in failing distribution systems
- Maintenance of long intertie pipelines
- Concern about costs falling on existing customers
- Ensuring adequate source & treatment capacity
- Loss of water rights or inadequate water rights
- Liability concerns (Health & Safety Code 116684)

Hurdles for Investor Owned CWS

- Initial Water Quality Issues (if system out of compliance)
- Political Issues with Cost Sharing
- Operational Challenges
- Liability Issues related to begin out of compliance
 - Hartwell Case/Class Action Lawsuits

Hurdles for Subsumed Systems

- Water rate increases
 - Consolidation may be the most cost effective and still rate rates
 - Small system rates often have artificially low costs, covering only operations
- Fear of loss of local water control
- Concern about who will pay for inerties
- Concern about who will pay for needed upgrades and meters
- Fear of annexation, loss of existing property uses

General Hurdles

- Service area jurisdictional issues
 - Tax revenue allocation
 - Unwillingness to work together due to historical disagreements
- SB-88 only for disadvantaged communities with unsafe water
- Consolidation requires major community and agency outreach
- Engineers/developers think of new systems not consolidation

Division of Financial Assistance

Voluntary Consolidation

Division of Financial Assistance – Incentives

a. Providing Incentives for Voluntary Consolidation

- i.** 2017-18 Drinking Water Intended Use Plan provides up to \$10M (up from \$5M) in zero percent financing for an eligible construction project for the surviving entity that completes a full consolidation with PWS serving a small DAC or small severely DAC
- ii.** Can fund physical capacity increase for surviving system, to the extent it is needed to replace capacity lost as a result of consolidation
- iii.** Provide priority financing to consolidation projects ranked within the same category

Division of Financial Assistance - Obstacles

- Covering the up-front costs so entity can be legally eligible for funding
- Mutual Water Companies need agreement from shareholders to consolidate
- Ownership issues – Consolidation of a corporate entity not in good standing
- Non-disadvantaged Public Water System (PWS) not eligible for grant funding

Division of Financial Assistance - Incentives

- b. Technical assistance agreements include legal services to make entities eligible for funding and community outreach to overcome resistance

