



February 3, 2020

Ms. Jeanine Townsend
Clerk to the Board
STATE WATER RESOURCES CONTROL BOARD
P. O. Box 100 Sacramento, California 95812-2000
Via: commentletters@waterboards.ca.gov

Re: COMMENTS – Draft Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

Dear Ms. Townsend:

The California Association of Mutual Water Companies (“CalMutuals”) and the Community Water Systems Alliance (CWSA) appreciate this opportunity to provide feedback jointly, on the *Draft Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund*. CalMutuals and CWSA represent over 300 water supply systems that are either small (under 3,000 connections) and/or serving disadvantaged communities throughout California.

As you are likely aware, mutual water companies are not-for-profit community-owned utilities, many with water rights originating with California’s statehood – all but 36 of CalMutuals’ members have under 500 service connections. CWSA’s members mostly serve disadvantaged communities.

First of all, we would like to note that in the section of the draft policy focused on *Eligibility for Funding* (p. 5) the draft policy states that “Funding provided to public utility that is regulated by the Public Utilities Commission or a mutual water company must have a clear and definite public purpose and benefit the customers of the water systems and not the investors or shareholders”. We fully support the intention of the articulated criteria but wish to clarify that in the case of mutual water companies, the customers and shareholders are one and the same, and many are owned and serve communities that are disadvantaged with volunteers serving to administer the companies.

CalMutuals and CWSA generally support the identified purpose and objectives of the SAFER Drinking Water Program and the associated fund; as well as the commitment to the Human Right to Water and efforts to reduce the effects of climate change.

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We are pleased that the State Water Resources Control Board made immediate progress in assembling an Advisory Group to provide input into the development of the policy and its implementation. We note that professionals and residents selected to serve as part of the Advisory Group are disproportionately from the Central Valley. While we recognize the acute needs facing small water systems in the Central Valley we believe it is incumbent on the SWRCB to develop a plan that addresses the needs of small water systems statewide and works to find creative approaches to stretch the limited resources available to serve the largest number of systems as well.

In reflecting on the *Funding Terms and Conditions* and *Needs Analysis*, CalMutuals encourages the SWRCB to consider moving forward in a manner that breaks from business as usual. We do not believe that focusing time and attention through 2021 on developing another needs analysis “from scratch” as outlined, will be constructive or the most effective use of resources. We would like to suggest an “Assessment to Action Approach” (*Assessment to Action*). As CalMutuals and CWSA envision it, *Assessment to Action* would utilize existing assessments, in coordination with the District Engineers of the Division of Drinking Water, to define the action steps with already identified water systems that need help and/or intervention. The County Drought Advisory Group (CDAG) under the Department of Water Resources (DWR) has completed a risk analysis that includes risk factors that are relevant to the Affordable Drinking Water Fund. The Water Research Foundation (WRF) is also about to publish a study by the Pacific Institute and the California Urban Water Agencies Association (CUWA) that includes risk factors and identifies where the most acute need resides for small systems in California. The WRF study also outlines systems in need that are in proximity of larger systems that can help them.

We have found that the Division of Drinking Water’s Division Engineers have thorough knowledge of small system needs in their areas. It would be far more efficient to supplement their ability to determine how to target resources to known water systems that are failing than to “reinvent the wheel.”

The Water Replenishment District of Southern California (WRD), for example, is using a method akin to *Assessment to Action* as the basis for using funds from SB955 (Gipson) to determine the technical steps for improving and/or consolidating identified individual water systems in Southeast Los Angeles County. WRD framed its needs and consolidation assessments as an evaluation of the unique needs for the target companies. This approach yielded concrete options, plans and budget estimates to address the identified needs. WRD’s *Assessment to Action*-type approach has led to the turn-around of three previously troubled mutual water companies in Maywood California, which have achieved some of the lowest risk ratings for small systems in the state, below a factor of one (1), in the drought vulnerability evaluation recently released by CDAG.

An *Assessment to Action*-type approach has also yielded timely benefits in the County of Los Angeles’ take-over of the crumbling Sativa Water District near Compton. The involvement of DDW’s District Engineer was key to this success as was WRD.

Relying on *Assessment to Action*, we urge the SWRCB and the SAFER Drinking Water Program Advisory Board to identify a representative selection of regional water suppliers from across the state to participate in a pilot program that engages existing rankings to determine needs assessment as a planning tool for identification and implementation of specific solutions for systems in need. We believe this *Assessment to Action* approach will maximize resources, expedite assistance to water systems and the state in addressing the critical needs to provide safe drinking water for all, and take into and proactively address the limited capacity of many small systems to engage in these efforts independently. This approach would position the most at risk systems to more quickly and effectively address more significant needs such as well and pipe rehabilitation or replacement or treatment systems to address contaminants.

Further we encourage the SWRCB to think creatively about alternative approaches to fund priority common needs for small water systems. By and large the traditional grant application process is beyond the reach of struggling small systems because the application and grant reporting requirements are very technical and costly. Additionally, grants are problematic for mutual water companies given that the California tax code does not recognize their 501 (c) (12) not-for-profit status. Mutual water companies that accept grants may burden their customers/ shareholders with tax liabilities, a setback for economic justice the program aspires to achieve. This is akin to taxing grants provided to food banks and other community co-ops. The current California tax code will likely also complicate efforts to consolidate or otherwise invest in such water systems.

CalMutuals and CWSA believes it is possible to identify common managerial, technical and non-construction infrastructure needs that could be addressed with more accessible approaches. For example, the draft policy calls for small water systems that are able to fund or assist in funding solutions through rate increases. Many small systems would have to engage professional assistance to follow the policy. Formal rate studies are currently out of reach for many small water systems as they require engagement of expensive consultants. One of CalMutuals' charter members has explored non-traditional consulting support that was provided remotely through online tools and telephone consultation that provided needed data and analysis for the Board and management team to recalibrate rates. Tools like this might be made available to small systems that have a need at no cost or on a sliding scale based on ability to pay through a simple application process that is akin to a rebate application or the California Financing Coordinating Committee (CFCC) Common Funding Inquiry Form. We believe that this approach could be employed to address such things as budgeting and financial management tools and support, and purchase and installation of water meters, point of use devices and SCADA Systems.


CalMutuals recently has partnered with medium sized special districts to share resources to support small systems. One of our partners, plans to make its finance and accounting team available to assist mutual water company members who are in need, with billing support at marginal cost. We appreciate that the SWRCB shares our view that engagement of larger systems to assist smaller systems is an important element in the efforts to be undertaken to achieve the goals of the SAFER Drinking Water Program. Given this, we strongly encourage the SWRCB to include, as part of its needs assessment efforts, some outreach to larger systems to

secure an understanding of what resources they might have ability and interest to share with struggling systems in their region, to include capacity to support consolidation.

Finally, we encourage the SWRCB to more fully develop the process for consolidation where there is existing interest by small water systems to do so. The recent experience by the County of Los Angeles in its interim management of the Sativa Water District makes clear that restoring a failing system to fully address the needs of the community it serves is no small matter and likely requires significant investment of time, professional expertise and money. While CalMutuals supports consolidation as one of many solutions to be employed, we do not see consolidation as a one size fits all solution and will work to ensure that consolidations occur only where the system wishes to do so and that for mutual water companies the consolidation appropriately addresses fair compensation to shareholders for water rights and realistic and affordable rates for water.

CalMutuals and CWSA stand ready to assist the SWRCB in achieving our shared goals.

On behalf of CalMutuals and CWSA,
Sincerely yours,

A handwritten signature in black ink, appearing to read 'Adán Ortega', with a period at the end.

Adán Ortega
Executive Director
California Association
of Mutual Water Companies

cc:

Ms. Lisa Yamashita-Lopez, President, CalMutuals
Mr. David Armstrong, Vice President, CalMutuals
Mr. Ray Kolisz, Chair, CWSA
Ms. Marina West, Vice Chair, CWSA
Mr. Alf Brandt, Senior Counsel, Speaker of the Assembly
Mr. Castulo Estrada, Member, SAFER Advisory Committee
Mr. Nicholas Schneider, Member, SAFER Advisory Committee
Ms. Katie Porter, Member, SAFER Advisory Committee
Mr. James Ciampa, General Counsel, CalMutuals and CWSA
Mr. Gabriel Dima Smith, Legislative Director, CWSA
Ms. Maria Kennedy, Advisor, Water Replenishment District of Southern California