



CWSA

Community Water Systems Alliance

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Case Studies: Regional Agency Assistance for Small Water Systems



March 2021



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ABSTRACT

The Community Water systems Alliance ('CWSA') has conducted a review of three Southern California water providers. Completed to gain an understanding of their efforts and programs directed at assisting small and/or disadvantaged water systems in their region, staff and consultants were interviewed by the CWSA team and the results have been integrated in this report. Participants were interviewed about a variety of topics related to their water system consolidations or assistance projects including collaboration, project funding, time management and resource allocation. The studied group consisted of a range of water system types, allowing for different perspectives and providing an unbiased analysis. CWSA's review found that the state grant funding process can be difficult for some California water suppliers to successfully navigate, among additional conclusions. This information has been generated so that community water systems, the public, local, state and federal representatives, and regulators can learn about the unique challenges facing small water systems. Lessons about the state grant process can be drawn from the reviewed systems' experiences, and a section of the paper includes recommendations for policy updates from these systems who have worked through it.

Keywords: disadvantaged community, community water system, consolidation, state grant funding, regional assistance



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EXECUTIVE SUMMARY

The Community Water Systems Alliance (CWSA) gathered and synthesized information about three water systems leading assistance efforts for smaller water systems to learn about the process, hurdles, and ways to streamline assistance programs to increase their reach and positive impact.

CWSA chose the two regional water purveyors and one community water system for their history of leadership, innovation, and success in work with smaller systems in their respective areas. The State Water Resources Control Board (SWRCB) actively assists small and disadvantaged community water systems. Findings from this review describe that challenges continue to make it difficult for these eligible systems to utilize grant and technical assistance programs, even when a regional water supplier or local water system is willing to supplement the state's support for smaller water systems.

Observed Helpful Water Systems

- South Mesa Water Company (SMWC) - Local
- Mojave Water Agency (MWA) - Regional
- Coachella Valley Water District (CVWD) - Regional

Observed Small Water Systems and Well Owners

- Hillcrest Mobile Home Park
- San Bernardino County small systems
- Westside Elementary School, Oasis Gardens Mobile Home Park, and Thermal Mutual Water Company



KEY TERMS

Consolidation (physical): Joining two or more water systems, a larger system absorbing a small system.

Consolidation (managerial): The absorbed system maintains its governance, original water source, and distribution system, but its operations are transferred to new management.

TA: Technical assistance; non-financial assistance provided by specialists such as information sharing and expertise, instruction, skills training, and consulting.

SDAC: Severely disadvantaged community

SWRCB: State Water Resources Control Board

501(c): Organizations exempt from federal income tax.

SMALL SYSTEM ASSISTANCE PARTNERSHIPS AT A GLANCE

South Mesa Water Company-Hillcrest Mobile Home Park Partnership



Hillcrest Mobile Estates; recently consolidated by South Mesa Water Company

Located in Calimesa, CA, a severely disadvantaged community (SDAC), South Mesa Water Company (SMWC), a highly functional local water system, is working with the SWRCB's support to consolidate Hillcrest Mobile Home Park due to their nitrate contamination issues. SMWC has historically provided Hillcrest Mobile Home Park with an emergency backup connection. However, in recent years, Hillcrest's water quality has deteriorated to the point that the SWRCB urged a consolidation with SMWC.

Due to Hillcrest's condition, this project is taking place under unusual conditions, with SWRCB encouraging the grant application. The SWRCB provided assurances in advance regarding funding and the opportunity to include reimbursement for investments required to complete the application. In 2019 SMWC hired a consultant to complete grant applications, a costly and unaffordable endeavor for Hillcrest alone. SMWC also funded the consultant to assist with a critical income study and the development of memorandums of understanding (MOUs) required for the application. The State Corporations Code constrains SMWC in using its funds to benefit those that are not the company's current shareholders.

SMWC's experience highlights the financial investments required, tax challenges, and process delays that often affect small systems' ability to complete consolidation projects as part of regional assistance efforts.



Mojave Water Agency

Mojave Water Agency Small Systems Assistance Program

Serving the greater Victorville area, Mojave Water Agency (MWA) manages a small system assistance program that offers help with planning, projects, and grant applications. They also provide several free services such as audits and leak detections. The experience of running these programs has yielded insight into the technical, managerial, and financial challenges that small systems face during the projects that weren't previously feasible due to the state grant process.

MWA has helped identify needs and assist disadvantaged communities in San Bernardino county for years. In 2014, the MWA board approved the small water systems assistance program's creation with an initial allocation from the board of directors of approximately \$200,000.

The funds jumpstarted the collaborative process of improving the small systems' health and grant funding eligibility. Initial outreach to local systems allowed MWA to develop a list of projects needed by disadvantaged systems and begin coaching them on best practices.

MWA worked in collaboration with engineering firms such as NV5 to provide those grant writing services and The California Rural Water Association (CalRural) to provide technicians that conduct leak detection as part of the program. MWA's program is "self-governing" for the small water systems that chair and organize regular meetings with MWA staff support.

Coachella Valley Water District Disadvantaged Communities Consolidation Projects



CVWD Board of Directors VP, Castulo Estrada with Assemblymember Garcia during a ceremonial well shut-off ceremony after completing consolidation of the Thermal Mutual Water Company. December 2020.

Located in Riverside County, California, Coachella Valley Water District (CVWD) has completed three consolidation projects to assist located disadvantaged communities gain access to safe, reliable drinking water. As the largest regional water and wastewater agency in the area CVWD has been planning for DAC needs for over 10 years. Their experience provides an in-depth look at the need for creative solutions and patience to complete state-funded water infrastructure projects.

Around 2015 and 2016, CVWD formed an internal staff team to focus on the neighboring rural systems. Working with Riverside County Health Department staff, the team identified and prioritized several projects needing consolidation the most. Westside Elementary School, Oasis Gardens Mobile Home Park, and the Thermal Mutual Water Company are now underway, with CVWD handling contract management with engineering and construction teams.

The three projects were awarded grant funding of \$3.3 million from the SAFER program (Safe and Affordable Funding for Equity and Resilience fund) for the transition of Westside

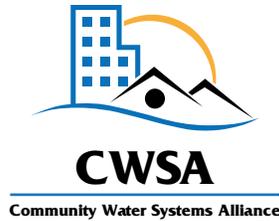


Elementary, 38 residences in Thermal, and 160 mobile home units in the Oasis Gardens mobile home park to their distribution system.

Both CVWD and MWA are State Water Project contractors with local groundwater supplies. The two regional agencies have developed internal committees dedicated to locating and assisting water systems in need to guide them through securing state grant funding. The agencies' processes involve compiling lists of systems with project needs and collaborating with those smaller systems to write grants, conduct environmental and other types of reporting, and manage project implementation. SMWC focuses its assistance on a single consolidation project with grant-writing and SWRCB coordinating aspects. All three agencies contract with outside technical experts to help the small water systems they support. CVWD has also used internal staff resources to help the small water systems.

KEY FINDINGS

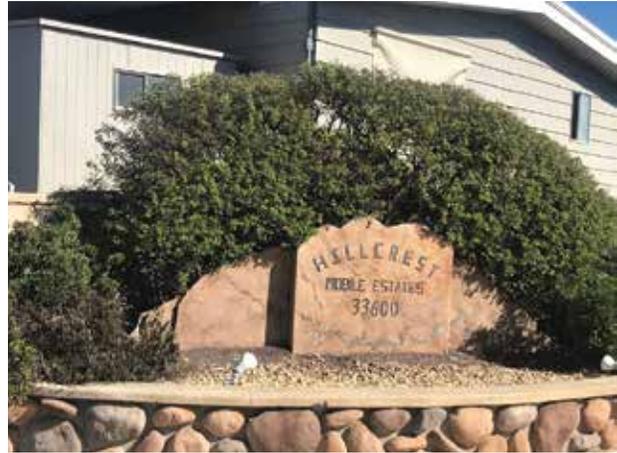
- Comprehensive grant writing and reporting services are a critical need for small systems.
- Small water systems are often distrustful of larger agencies and federal and state representatives. Suspicion builds when agencies focus on administrator placement and consolidation rather than other options that a small system may prefer.
- The process for securing assistance and funding for small water systems can take a long time (often years) and involve multiple complicating requirements, even with the aid of a larger local or regional agency.
- The State of California's grant process is lengthy and cumbersome, even when the state expedites the process and all parties support the project. Fund allocation can lag, forcing larger systems to find gap funding.
- While the grant funding often covers application costs and the needed capital improvements, the initial cost and subsequent waiting period are not feasible for small DAC systems alone.
- The resources and support of a committed regional agency are critical for success and require an equally dedicated board and staff members within that agency.
- Federal and state grants often have prerequisites for funding applications such as income studies to document disadvantaged community status, memorandums of understanding between partners, environmental reviews, and planning or engineering studies. All of these prerequisites are costly and time-consuming. Larger regional agencies in this review have typically carried these costs in support of small systems they assist.



- Extensive community outreach and engagement are essential. Reaching community members in rural areas demands more effort. Partnership with community organizations can help facilitate and amplify communications.
- Outreach to and engagement of local, state, and federal representatives is important and helpful.
- A prioritized and adaptable regional plan with stakeholder input is beneficial.
- Mutual water companies incur tax liabilities on grant funds, which is a disincentive and diminishes the available resources' power to support small systems.

SUMMARY OF POLICY RECOMMENDATIONS

1. *Encourage the SWRCB and other federal and state funding agencies to examine and reconsider the current grant application process.* Potential alternatives for consideration include:
 - Development of grant or loan programs to support small systems with grant writing and reporting
 - Development/expansion of easy-to-apply-for grants for larger systems that wish to assist small systems in their region.
 - A mechanism for early review and pre-approval of potential grant applications for small systems and large systems helping small systems
 - Easy-to-apply-for loans with low or no interest for large and small systems to fund grant writing and prerequisite planning activities and gap funding between award and allocation of grant funds.
 - Development of an alternative to the grant application process that offers a simplified method for common requests with straightforward verification of needs, costs, and a plan to address concerns. An example could be something more like a rebate application or a guided grant application process with a user-friendly interface like TurboTax.
2. *Encourage the SWRCB to expand allocation of federal Environmental Protection Agency Capacity Building funds to larger regional water systems and other NGOs in California regions not currently served by Self Help, the California Rural Water Association (CalRural), and the Rural Community Assistance Corporation (RCAC).*
3. *Encourage the SWRCB to expand SAFER funding to include support for construction.*
4. *Encourage the SWRCB to support regional solutions that account for variation in the state's geography and infrastructure.*



South Mesa Water Company office in Calimesa and the entrance to the Hillcrest Mobilehome Park.

CASE STUDIES

South Mesa Water Company

South Mesa Water Company (SMWC) is a not-for-profit mutual water company organized in 1912 that provides water services to approximately 3,000 residential and business shareholders in parts of the Calimesa and Yucaipa communities. SMWC straddles both San Bernardino and Riverside Counties and draws its supplies from eight groundwater wells and five reservoirs with a total storage capacity of 7.0 million gallons. SMWC also has water rights (approximately 23,000 acre-feet) from the Beaumont Basin.

SMWC has been a leader in ensuring that small systems' needs and concerns are well understood by local and state legislators and regulatory agencies through its general manager's leadership in the California Association of Mutual Water Companies (CalMutuals). SMWC is proud to have the best water quality in the area and a strong track record of success with conservation efforts. While many well-run suppliers in California stave off assisting or consolidating chronically failing systems surrounding them, SMWC has intervened to prevent failure and provide help to those in need.

Hillcrest Mobile Home Park, in Calimesa, opened up in 1970. The founders had the choice of service from SMWC or Yucaipa Valley Water District but opted to drill their own well. Even with their well, Hillcrest has utilized an emergency backup connection to SMWC for the past 50

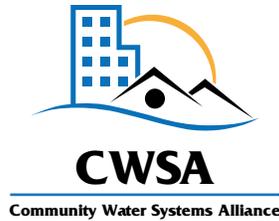


South Mesa Water Company General Manager, Dave Armstrong speaking to Assemblymember Mayes and his team during a visit.

years. Hillcrest Mobile Home Park's water quality is now so low that Hillcrest has been sourcing all of its water from South Mesa Water Company for years. They have been on the state's radar for years because of their poor water quality and their lack of fire flow if a catastrophic event happened. To address these challenges, the state approached SMWC to consolidate Hillcrest Mobile Home Park to provide both water service and fire flow. The state has offered its full support and funding for this project. All parties involved want to expedite this consolidation to help protect Hillcrest Mobile Home Park from the increasingly severe fire seasons that have hit the area in recent years. The project is in progress and expected to be completed by December 2021.

SMWC has been working directly with the SWRCB's Division of Drinking Water (DDW), responsible for coordinating consolidations. As an incentive to consolidate Hillcrest Mobile Home Park, the DDW will facilitate grant funds to SMWC totaling about \$500,000, to install master meters and upgrade pipelines. South Mesa negotiated to include other needed improvements, including replacement of old pipe and a new well. SMWC has applied for \$6 million in funding total and is currently in the approval stages. Considering that SMWC is a severely disadvantaged community with an annual budget of \$2.5 million, the project grant overall is an excellent benefit to the not-for-profit company.

Although DDW, SMWC, and Hillcrest are all working hard to expedite the project, it has not been without challenges. SMWC's general manager has been leading this project and working directly with the Hillcrest owner. The State funding process is taking eighteen months (18) to



complete. The process to permit state funding involved a memorandum of understanding with Hillcrest; verification of South Mesa's service territory status as a disadvantaged community as well as the engineering requirements for connecting Hillcrest to the South Mesa system. Such technical considerations included the household meter connections and ensuring mandated water pressure to ensure fire safety and preparedness. Consultant costs in these preparations were estimated to be approximately \$50,000, but further consultant costs were incurred. Additionally, Hillcrest will be required to place up to \$300,000 in an escrow account in case of a lag in the receipt of SWRCB funds. These requirements are typically insurmountable for small water systems, but they are proceeding because of South Mesa's financial health and well conducted operations.

On a positive note, DDW provided assurances that once approved, grant funds will cover all of the costs including the grant writing, engineers, development of the MOU, and all other expenses incurred by SMWC. This type of assurance is not typically available to systems large or small with similar needs and allocating such a large amount of funds while waiting to receive confirmation a grant would be very difficult for most water suppliers. Although SMWC, as a mutual water company, is a not-for-profit corporation, the State of California does not recognize its 501 (c) 12 federal tax-exempt status and the state grant funds secured may be subject to income tax. The South Mesa Board has been willing to assume this risk given their General Manager's leadership on the CalMutuals board that is trying to gain not-for-profit tax recognition for mutual water companies in California.

The response to the project by the community has been positive. SMWC incorporated public outreach of the consolidation with their income survey. News of the merger was well received because the project will ultimately lower customer water rates as Hillcrest adds to economies of scale.

SMWC has strong relationships with DDW and Hillcrest Mobile Home Park. Before this consolidation was in the works, DDW told Hillcrest that they would need to shut down the trailer parks because the water supply violated safety standards, and water pressure did not meet fire code requirements. SMWC has allowed Hillcrest residents to remain in their homes while providing clean and affordable drinking water. Hillcrest Park owners are willing to do their part by creating an escrow account holding between \$200,000 to \$300,000 to cover a lag in funding before receiving the DDW grant.



Coachella Valley Water District

The Coachella Valley Water District (CVWD) is a special district formed in 1918 to protect and conserve local water sources. Since then, CVWD has grown into a multifaceted agency that delivers irrigation and domestic (drinking) water, collects and recycles wastewater, provides regional stormwater protection, replenishes the groundwater basin, and promotes water conservation.

As the largest regional water and wastewater agency in its area, CVWD has identified and planned for disadvantaged communities' needs in their region for ten years or more. Initially, Coachella Valley Integrated Regional Water Management (IRWM) regional program provided the framework. Around 2015 and 2016, the water district formed an internal staff team to focus on struggling neighboring rural systems. Working with Riverside County Health Department staff, the team identified and prioritized several projects (using criteria they set for the purpose) to help struggling small water systems near CVWD's service area. This effort evolved into the Disadvantaged Community Infrastructure Task Force, broadened to include other public agencies, a school district, and the Torres Martinez tribal authority. With CVWD leadership and participation from many community interests, they created a master plan of community project needs. The team also prioritized projects and prepared for implementation when funding could be secured. CVWD and the task force invested much time and effort looking for money from many sources – including water bonds, U.S. Department of Agriculture [rural development funds], and recently the state's SAFER Program.

CVWD is currently working on three projects that will connect its domestic water distribution system to the Westside Elementary School, Oasis Gardens (160 mobile home units), and the Thermal Mutual Water Company (consolidation). Execution of these projects culminates three years of hard work to secure funding and related approvals. The engineering and construction of these projects are outsourced with contract management by CVWD staff.

Long-term planning laid the groundwork for CVWD's initiative. CVWD Director Cástulo Estrada has strongly emphasized the DAC Infrastructure Task Force's master plan's value. As he stated, they now have a prioritized list of projects for the next decade or more; all they need is the money to execute them.

The time to move these projects from the drawing board to construction is a significant issue. In the instance of Westside Elementary, the school district had approached CVWD much earlier (before the development of the Master Plan) with a request for annexation and extension of water service to the school. About three years before the receipt of project funding, the school district had independently applied for a state grant. But several complications slowed approval of funding and state contracting for what might appear from a distance to be a straightforward project.



Some of the complicating factors include:

Federal government contracting requirements. The Safe and Affordable Drinking Water Fund (going into the SAFER Project) includes money from the Drinking Water State Revolving Fund, which combines federal dollars with state-contributed funds. Federal funds brought specific requirements related to environmental review and outreach to disadvantaged businesses the project had to backtrack to meet. Federal funding imposed Davis-Bacon Labor Act requirements on construction. To meet these requirements was time-consuming and caused significant delays before funds were released.

Project-specific issues. With the Westside Elementary service extension, the school district had applied for a grant to fund the project. Yet, the facilities (piping, etc.) would become CVWD property, so it had to be worked out for CVWD to receive the money. The Thermalito and Oasis Garden project applications projected costs that would exceed the range required for state approval. The project had to be creatively redesigned to combine the two projects into one, bringing the estimate under the cost ceiling.

CVWD worked in conjunction with the community organization Pueblo Unido and the district's engineering consultant to explain plans, schedules (especially the reason for long delays) to residents of Oasis Gardens and Thermalito Mutual. A community organization such as Pueblo Unido may be unlikely to pull together a project without the heavy lifting done by actively involved water agencies. Still, the organization can be quite helpful by facilitating and amplifying communications with affected residents and stakeholders.

Estrada represents CVWD on the SAFER Advisory Group, which likely was helpful by amplifying the voice of advocacy for the Coachella Valley but not decisive in the actual grant approval. Political leaders from the Riverside County Board of Supervisors and the California State Assembly also supported CVWD's efforts, which helped draw visibility to Coachella Valley's impoverished communities' needs.



Marina West takes part in a video produced to help support underrepresented communities in achieving emergency preparedness.

Mojave Water Agency

The Mojave Water Agency (MWA) creation was made possible through an enabling act prepared by the Mojave-Antelope Water Agency Committee. Introduced by State Senator Stanford C. Shaw, the bill gave the people of the High Desert the right to determine the Mojave River's water policies. Governor Edmund G. "Pat" Brown signed the bill into law, and the public voted to create the Mojave Water Agency in 1960.

MWA is the guardian of the High Desert's water supply. The agency is responsible for managing groundwater resources in the Mojave River Basin and Morongo Basin and providing alternative water resources to the region. It is one of 29 State Water Project contractors permitted to deliver water from the California Aqueduct. MWA is also the entity charged with implementing the adjudication, a court-sanctioned groundwater management system designed to bring water used in balance with the available supply gradually.

MWA, like CVWD, has been a regional leader in its service area for several years. Their Small System Assistance Program began with Board approval and an initial allocation of \$200,000 in 2014. Board members living in rural parts of MWA's service area understood the need for someone to step up as a local leader to help small water systems. Residents pay for access to MWA's importation of State Water Project water. The board felt that it was only right that someone could generate tangible resources for disadvantaged communities (DAC) systems that relied on unsafe and unaffordable water supplies.

The initial allocation of funds provided by MWA's board allowed agency staff and consultants to conduct outreach to connect with stakeholders. They initiated a gathering of water systems based throughout San Bernardino county with capital improvement needs that allowed MWA to

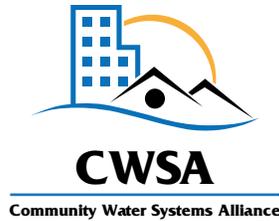


catalog the projects' list. The projects were then categorized by project type and ranked by the relative demand for action. The small system assistance program has found that information from the Integrated Regional Water Management (IRWM) plan is a useful tool to help them collaborate with local agencies and stakeholders to achieve mutually beneficial solutions. They have also found that IRWM funding is available for many of their systems and is used as one of their main funding vehicles. This allowed the agency to strategically target their efforts, offering aid to those in critical situations whose projects they believed would be funded through state and other grants.

The generation of a project list was the starting point for the Small System Assistance Program (SSAP). MWA's SSAP now offers several services to DAC systems. Their grant writing services were first on the list. MWA hired grant writers such as consultant Marina West and engineering firm NV5 to work with nearby systems to generate grant applications for their projects. West is now the general manager of Bighorn-Desert View Water Agency and serves as chair of the SSAP's Technical Advisory Committee (TAC).

Grant programs and applications can cost tens of thousands of dollars to complete, given the significant data and information requirement. One of the largest obstacles that water suppliers with limited technical and financial capacities must overcome is completing the initial application. MWA pays the grant writers' costs, with the expectation of SWRCB reimbursement. In addition to the financial hurdle, this is a prime example of the grant acquisition process's realities. MWA had enough financial capacity to continue operating normally without impacting the overhead costs as they waited for reimbursements. Still, the countless DAC systems in their service area would never have been able to pay for the application and then wait months or years to possibly receive those funds back. While the grant funding received would cover the application costs and the needed capital improvements, the initial cost and subsequent waiting period are not feasible for small DAC systems.

In 2017, a \$500,000 grant boosted MWA's SSAP and jump started their leak detection program. The funds allowed them to contract with the California Rural Water Association (CRWA) to send technicians throughout their service area conducting leak assessments on interested DAC systems. As disadvantaged systems often lack the leak-detecting automated technology of their larger counterparts, most small rural systems would need staff and/or consultant walkthrough, which can take significant time and result in substantial costs. The grant-writing aspect of the SSAP may seem different from the leak detection offerings and system audits, but they all have the same goal: utilization of grant funding. Leak detection can be critical as unexplained water loss would decrease the infrastructure's perceived ability to take on a capital improvement project efficiently. Furthermore, system audits will ensure that the grantee would have the financial



and managerial capability to implement a capital improvement project if grant funding is received. As previously touched on, MWA absorbs all the up-front costs associated with leak detection, system audits, and grant-writing in anticipation of associated funding from the state. State funding can take a very long time to arrive. West said that the grant application and reimbursement process takes years. While these would be exceptional cases, West mentioned that she had been involved with projects that waited a decade to receive reimbursement. In 2018 SWRCB told MWA that it would expedite reimbursements and any shovel-ready projects would be funded immediately. However MWA recalls waiting eight or nine months for recompensation. MWA General Manager Kathy Cortner noted that reimbursement has come on average about six months after submission during her tenure.

Naturally, the time frame varies, and the full application process takes much longer, she explained. Cortner noted that the most time-consuming aspect is completing and submitting the solicitation package to seek funding. It is approximately an 18-month process from the start of the application and the acquisition of reimbursements. There is often a significant waiting period between submitting a grant application and approval. Water systems also must factor in the time required to complete the necessary application materials. West noted that some water suppliers view the time- and resource-intensive process as a gamble with no guarantee of reimbursement. Process timing can strain project feasibility, as hired contractors such as well-drillers need payment to stay committed and not abandon the project. MWA is currently working on the solicitation packet for stage 2 of Proposition 1 integrated regional water management (IRWM) funding. It plans to use this grant opportunity to continue its current efforts on behalf of small water systems.

MWA's service area includes many remotely located retail suppliers that do not hold community meetings. Community outreach often involves posting information at various local post offices or other visible locations where members of small remote communities convene, such as coffee shops, community centers, or schools. When possible, MWA held meetings at community centers to provide a forum for discussion. The TAC's meetings now led by West are open to the public, and at times the gatherings have attracted the participation of residents. With the roll-out of their initial assistance plan, MWA saw 80 to 100 participants, far more than a regular TAC meeting. West generally observed positive responses and relationships with entities being consolidated.

Through their years of experience, MWA has drawn many lessons that they believe SWRCB and DDW may want to consider. MWA officials observe that to receive funds, larger agencies are required to consolidate smaller water systems. Given the expansive and often bare service territory devoid of basic utilities and great distances between many water systems,



consolidation is usually not physically possible. Furthermore, in many cases, the looming possibility of consolidation or assignment of a state administrator creates fear and uncertainty for many small system officials. MWA is not convinced that a statewide policy framework is appropriate due to the variation in California's geography and infrastructure.

Generally, West believes that the state needs to make the process much easier. The state grant process is not easily accessible, especially for small systems with limited resources. When a grant is approved, the delays in funding complicate projects. More transparency and promptness regarding state funding would make the process much more accessible. MWA has found IRWM to be an effective funding vehicle that allows them to acquire funding without fear of consolidation or unwanted mandates.

Mojave Water Agency sees the Safe and Affordable Funding for Equity and Resilience (SAFER) program as an option for future assistance. Still, changes must be adopted to be inclusive of varying geography and system needs. MWA has observed that small water systems in the region are distrustful due to the program's priorities, including administrator placement and consolidation, when they feel there are other viable options such as increased technical assistance so they can acquire funding to carry out their capital improvement projects. With SAFER, Mojave is pleased that small water systems may have an alternative if SSAP were to be discontinued. "The SAFER program may be the path forward," said Cortner. More flexibility will be required in consideration of factors that are unique to various parts of California.



CVWD Board of Directors VP, Castulo Estrada reviewing plans with Westside Elementary School president Dr. Timothy C. Steele.

CWSA Case Studies Common Lessons

CWSA's outreach confirms that there is an interest in some larger water systems in providing assistance and support to small systems in their regions. CWSA further learned that doing so currently requires a significant managerial, technical and financial commitment from the large system. It also involves active collaboration with community members, local and statewide elected officials, and the SWRCB. Unfortunately, the current processes for securing financial resources needed to address the needs of small water systems are out of reach for the small systems and slow and arduous to navigate for the large water systems with the capacity to lend a hand.

Time

- The entire grant application process can take years from beginning to end, creating new, unanticipated issues for systems to work through. The grant process takes an average of 18 months from application to initial grant notice to reimbursement, and longer for reimbursements for expenses front-loaded by the helping water system.
- The lengthy time window associated with the grant application process requires that larger systems absorb significant (\$50,000-\$500,000) upfront costs.

Coordination

- Grant-writing assistance is a fundamental need for small systems. Larger systems supporting small systems have provided this assistance either through a staff member with time and ability to do so or engagement of consultants.



Workers conducting repairs.

- Navigating the grant application process and project completion requires administrative management and coordination with the State, which typically has been addressed by larger systems through a staff member that has the ability and time to manage projects or engagement consultant on behalf of the small system.

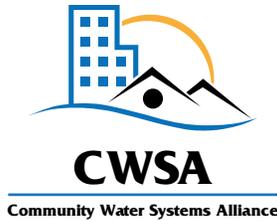
Collaboration

- *Collaboration with community organizations is important for project success.*
 - CVWD attributes public satisfaction with the projects in part to their meetings with community organizations like Pueblos Unidos and engineering consultants to discuss schedules and plans (especially the reason for long delays).
 - MWA's efforts to connect with colleagues and communities in need are central to their assistance program. The gathering of local water systems through their TAC to discuss needs not only helped MWA assemble a project list, but it helped form a sense of community while also educating small water system officials about the options available to them.
 - SMWC similarly employed public outreach methods to gauge community responsiveness to Hillcrest Trailer Park's consolidation project through an income survey. The open dialogue allowed them to keep residents informed about their water supply.
- *Making issues clear to local and state elected officials can be critical to project success so that systems have a voice in rulemaking discussions.*



Costs

- *Seeking and providing help for small water systems is expensive.* One of the most commonly observed hurdles for the regional water suppliers discussed in this study is the cost of providing support.
- *Grants to mutual water companies are subject to state tax.* To date, the State has failed to recognize the 501 (c) 12 federal tax-exempt status of mutual water companies. Grant funds allocated to mutual water companies are subject to tax, which is a disincentive and diminishes the value and impact of grant awards.
- *Larger systems that step forward to assist smaller systems typically need to invest their resources to provide back up and gap funding* to address the lag in the receipt of grant funding. The financing lag deters local and regional water systems wishing to help small water systems. MWA recounted that even when the State promised compensation quickly for shovel-ready projects, funds arrived eight or nine months later. In some cases, reimbursements took years. The delay can cause unnecessary strain on the feasibility of capital improvement projects on several fronts. Small water systems do not have the cash flow to proceed with projects and wait for reimbursements. In turn, the systems cannot disburse payment to hired contractors such as well-drillers, and projects may be deserted entirely due to delays.
- *The source of funds can cause additional funding requirements.* Funding from the SAFER program contains federal funds and comes with more stringent reporting and compliance requirements. CVWD completed its environmental review documentation for a second time to comply with these stricter requirements.
- *Project costs often exceed maximum funding limits.* CVWD's Thermal and Oasis Gardens projects exceeded the cost ceiling, and they had to be creatively redesigned as one project to meet the maximum funding limits.



Policy Recommendations

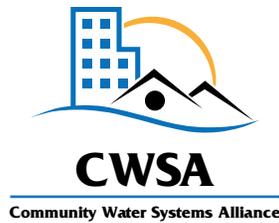
1. *Encourage the SWRCB and other federal and state funding agencies to examine and reconsider the current grant application and progress reporting process.* The officials interviewed agreed that small water systems lack the technical and financial resources necessary to complete grant applications for help maintaining and replacing aging infrastructure, addressing contamination, and meeting other critical needs. The components required for an application, such as planning documents and engineering reports, are too complex for small systems to complete alone.

Potential alternatives for consideration include:

- Development of grant or loan programs to support small water systems with grant writing. One of the most challenging components of the state grant process is the initial application process. Designing a program that can help with capacity building and grant writing would make it possible for small water systems to access available funding to address critical needs.
- Development or expansion of easy-to-apply-for grants for larger water systems that wish to assist small systems in their region.
- A mechanism for early review and pre-approval of potential grant applications for small systems and their helpers to provide assurances of grant development costs reimbursement and grant funding. This mechanism could be similar to the process underway with SMWC and the local trailer park they support.
- Easy to apply for low or no-interest loans for large and small systems to fund grant writing and prerequisite planning activities as well as gap funding between award and allocation of grant funds.



- Development of turn-key funding for commonly occurring needs with very simple verification of needs, costs, and plan to address concerns **as an alternative to submitting a grant application.** (Something more like a rebate application or the grant version of Turbo Tax)
 - *Encourage the SWRCB to expand allocation of federal EPA Capacity Building funds to larger regional water systems who are assisting small systems and other NGOs such as the California Association of Mutual Water Companies and the Community Water Systems Alliance who have a presence in regions of the state not currently served by Self Help, the California Rural Water Association (CalRural) and the Rural Community Assistance Corporation (RCAC).*
2. *Encourage the SWRCB to expand SAFER funding to include support for construction.* CVWD advised that a large portion of the SAFER fund is allocated for technical assistance. They also believe that making those funds available to water districts for construction may be advantageous.
 3. *Encourage the SWRCB to support regional solutions that account for variation in the state's geography and infrastructure.* Mojave Water Agency has also observed an inclination of the SWRCB to disburse funds for consolidation projects. This is one of the identified priorities of the SWRCB but is not a viable option for systems in some service areas, given the distances between the systems. Furthermore, the possibility of consolidation can cause unease for some systems. The development of communications explaining each type of solution's needs could improve public reception of programs such as SAFER.



Community Water Systems Alliance Background

The Community Water Systems Alliance ('CWSA', 'The Alliance') is an initiative in California to provide a voice in Sacramento for water systems serving disadvantaged communities that are reliably and affordably providing water to low income and income limited residents such as seniors.

The Community Water System Alliance consists of small and large special districts, community service districts, and municipal utilities allied around the principle of large water systems helping small ones. CWSA was formed in 2018 by member agencies ranging from Watsonville to Twentynine Palms in response to a need for an association to provide a voice for smaller, older non-mutual water company purveyors.

In its first year, CWSA visited over 30 legislators, and recommended options to fund various bills introduced by legislators to help underperforming water systems – including options for using funds from the Greenhouse Gas Reduction Fund. Since then CWSA has continued to actively engage with California legislators and advocate for issues such as the amendment of AB134 (Rendon, 2019) to highlight regional approaches and the pattern of large systems helping small systems as we have seen in OC and Southern California. CWSA also remained very active in the State Water Resources Control Board's hexavalent chromium economic feasibility study.

There is much more legislative action in which CWSA has been involved, but along with legislative efforts we are also constantly working to provide resources for member agencies to give them the support they need to be successful. For example, as communication with elected officials is very important to these processes, The Alliance has developed and held training sessions to provide members with tools to effectively discuss policy issues impacting them with their elected officials and regulators. CWSA will continue expanding its membership and legislative efforts in 2021.



CWSA

Community Water Systems Alliance

For more information
please feel free to visit the CWSA website at
communitywatersystemsalliance.wildapricot.org
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Thank you for your continued interest in the project.