



AB 2050 (Caballero)

Providing Safe, Clean Affordable and Accessible Water
through Governance and Service Delivery Solutions

Presentation to Santa Ana River Project Authority
(SAWPA) - Agenda Item 5A

May 1, 2018



What is the Problem We're Trying to Solve?

Problem and Root Causes

- Approximately 329 systems in the State of California chronically serve contaminated water or cannot provide reliable water service due to unsound infrastructure/operations
- Deficiencies vary: natural contaminants, man-made contaminants, failing infrastructure
- Majority are *very small* systems and small rate bases resulting in inefficient use of rate revenue
- Inability of system owners, managers and operators to implement complex solutions, repair infrastructure, or secure external funding
- Disadvantaged communities – ratepayer affordability



What are the Statistical Dimensions of the Statewide Challenge?

Non-compliant systems (Population)*	Number of Systems	Percent
10,000 or greater	12	3%
1,000 to 9,999	46	14%
100 to 999	150	46%
Under 100	<u>121</u>	37%
Total =	329	

83% of the non-compliant systems serve less than 1,000 people (~ 400 services)

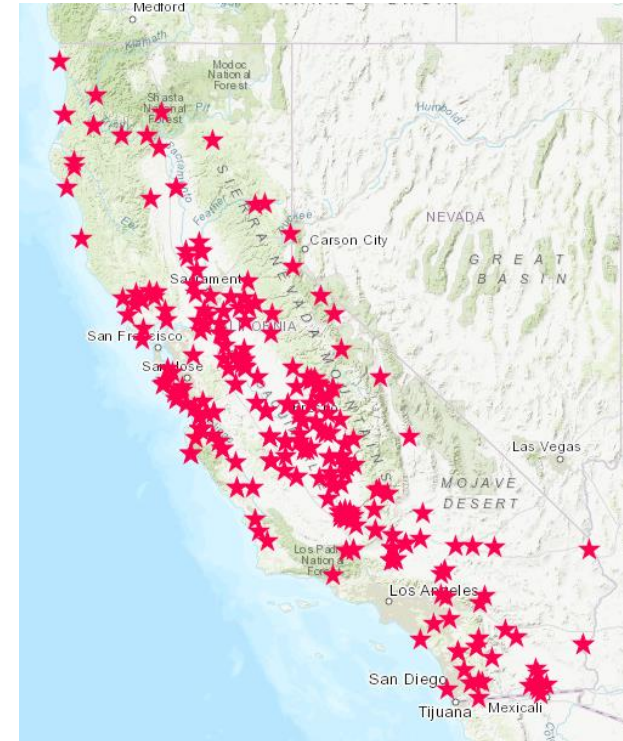
* SWRCB State Drinking Water Data Base, November 20, 2017 database

These non-compliant community water systems cross all sectors including public agencies and schools (~40%) and privately owned or mutual water companies (~60%)

What are the Common Issues and Challenges with These Non-compliant Systems?

- Inadequate technical, financial and managerial staff
- Very high per-customer administrative overhead:
 - Overhead rates for systems serving less than 1,000 people can be > **60%**
 - Systems 5,000 - 10,000 < **35%**
- Regionalization and mutual aid can be overly complex/costly
- Individual consolidations important tool but require compatible host agencies

Water Systems in California with Contaminant Exceedances



Reforming the service delivery and governance model is prerequisite to defining new long-term supplemental funding needs

Legislative Proposal: AB 2050 (Caballero)

- Co-sponsored by EMWD and the California Municipal Utilities Association - introduced February 6, 2018
- Three main components:



1. Establish new type of public water entity (“Small System Water Authority”) in the Water Code:
 - Multiple contiguous/non-contiguous systems
 - Independent special district at county or sub-county level
 - Appointed/elected Board
 - Enhanced internal and external financial capabilities
2. Specify process and timeline to equitably dissolve failing systems and form into newly defined public agencies that are viable and sustainable:
 - Sequential actions by State Board, qualified appointed Administrators and LAFCOs



Small System Water Authority Formation - AB 2050 (Caballero)



Non-Compliant Privates/Mutual Water Companies



Non-Compliant Public Agencies



Legislative Proposal: AB 2050 (Caballero)



3. Provide Post-formation Oversight Process

- Implementation of LAFCO Plan for Service and Board elections
- Net value compensation, as appropriate, to former Private/Mutual Owners
 - Considers assets/liabilities and costs to bring system into compliance
- State Board/Treasurer/LAFCO provides independent review of start-up and report to the legislature
 - Two years after formation
 - Recommendations for needed supplemental funding/sources



AB 2050: Small System Water Authority – Financial Tools and Enhancements

Internal Agency Sources

- General Obligation (G.O.) taxing authority
- Tax-exempt Municipal debt supported by credit enhancement
- Standby charges
- Rates and Charges - enhanced by reduced overhead and economies of scale:
 - Consolidation of managerial, financial, legal, compliance, etc.
 - *Example:* reducing overhead from > **60%** to < **35%** of rate revenue for a 7,500 service system
 - Generates **\$1.5 million/year¹** in additional **operating revenue**

External Agency Funding

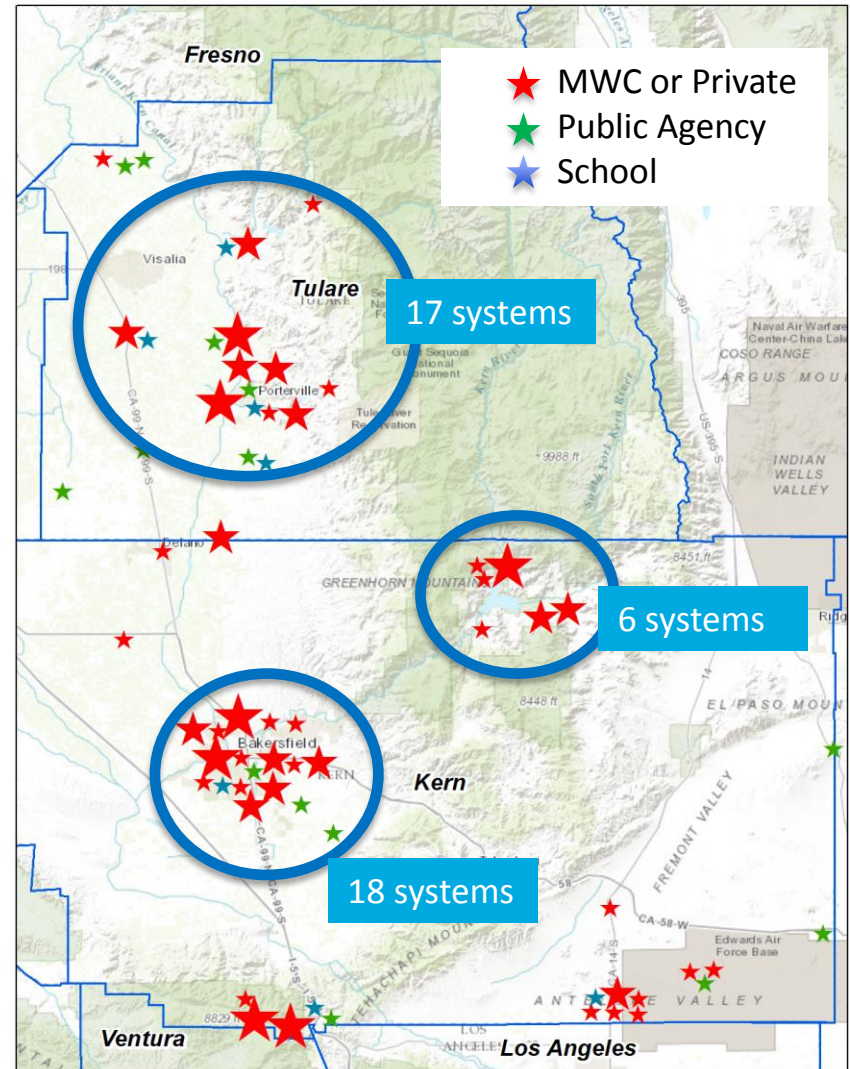
- State grants from water bonds:
 - Proposition 1 and Proposition 68 (qualified)
 - **\$770 million SDW and \$1.37 billion GW funding**
 - DAC set-asides
- SRF No/Low-Interest Loans and Principal Forgiveness grants
- Start-up and formation funding from **\$6.1 billion GF budget surplus**
 - State Safe Drinking Water Account (Environmental Protection/SWRCB)
 - LAFCO supplemental budget augmentation

1. Assumes average Central Valley water bill of \$69/mo. per CPUC “Comparative Analysis of Utility Services and Rates in California”, April 14, 2015

AB 2050: Small System Water Authority - Summary

- Merger of like entities into viable public water agency
- Participatory public governance
- Substantial reduction in number of small failing systems
- Merger provides economies of scale – frees-up operating rate revenue
- Establishes staff with technical and managerial expertise
- New internal and external financial resources
- New tool in addition to existing consolidation options

Example Grouping of Non-compliant Systems

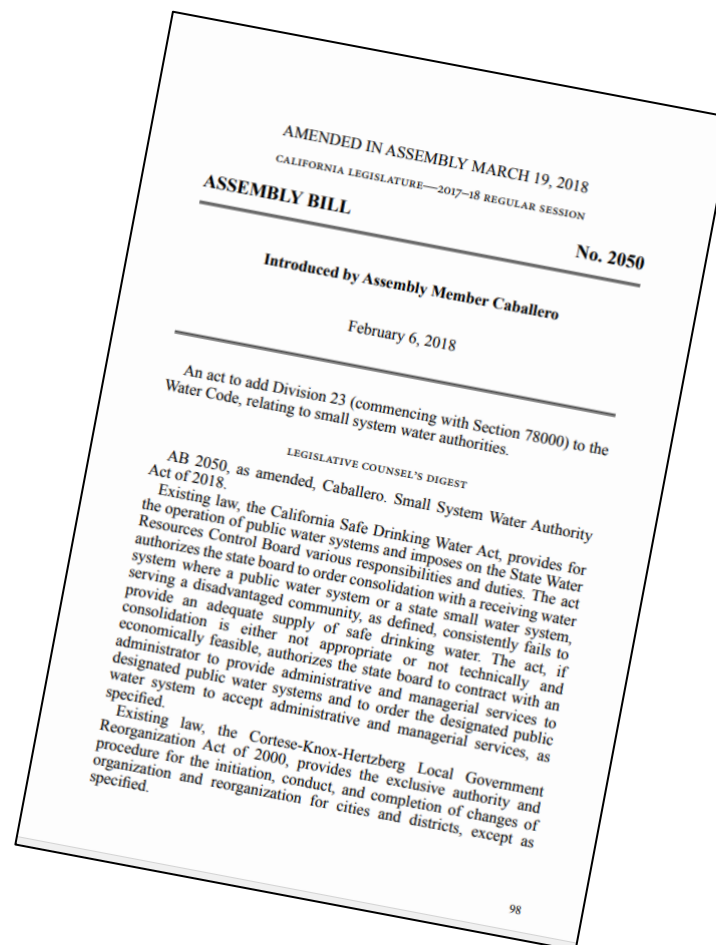


Larger stars denote proportionately larger populations of small systems noted as “Out of Compliance” on State Water Board database.

Legislative History: AB 2050 (Caballero)

Status:

- Co-sponsored by the California Municipal Utilities Association
- Introduced February 6, 2018 by Assembly Member Anna Caballero (D- Salinas)
- Passed out of two policy committees:
 - Assembly Environmental Safety and Toxic Materials (4/10/18)
 - Assembly Local Government Committee (4/25/18)
- Will next be taken up in:
 - Assembly Appropriations Committee (5/16/18)



Support and Opposition - AB 2050 (Caballero)

Support:

- California Municipal Utilities Association (CMUA) - (Co-Sponsor)
- Eastern Municipal Water District (Co-Sponsor)
- Association of California Water Agencies (ACWA) - (Support and Amend)
- California Association of Mutual Water Companies (CALMUTUALS) - (Support if Amended)
- California Special Districts Association (CSDA)
- Calleguas Municipal Water District
- City of Riverside (Office of the Mayor)
- City of Sacramento
- Cucamonga Valley Water District
- Irvine Ranch Water District
- Jurupa Community Services District
- Las Virgenes Municipal Water District
- Long Beach Water Department
- Municipal Water District of Orange County
- The Metropolitan Water District of Southern California
- Monterey Peninsula Water Management District
- Northern California Water Association
- Orange County Water District
- Rancho California Water District
- Regional Water Authority (Support and Amend)
- Rural County Representatives of California
- Santa Margarita Water District
- **Santa Ana Watershed Project Authority**
- Three Valleys Municipal Water District
- Western Municipal Water District
- Clean Water Action (Testified in Support)
- California State Association of Counties (CSAC) (Testified in Support)
- Rural County Representatives of California (RCRC) (Testified in Support)

Opposition:

- Howard Jarvis Taxpayers Association





Questions?

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Inland Empire Brine Line

Service Contracts Approval

May 1, 2018

Recommendation

That the Commission authorize the General Manager to issue the following Work Orders and Task Orders and extend the expiration date for the existing General Services Agreements with Houston & Harris, Innerline Engineering, and HazMat Trans.

- Work Order 2019-04 to E.S. Babcock Laboratories in the amount of \$86,454 for sample collection and analysis services;
- Work Order 2019-01 to Western Municipal Water District in the amount of \$80,000 for sample collection support;
- Task Order HOU240-04 to Houston & Harris in the amount of \$96,448 for On-Call CCTV Services;
- Task Order INN240-03 to Innerline Engineering in the amount of \$151,020 for On-Call Pipeline Cleaning Services; and
- Task Order HAZ240-09 to HazMat Trans in the amount \$96,665 for line draining and emergency response services.

Service Contracts

- *Pipeline cleaning:* Vacuum trucks, water trucks, and traffic control for Brine Line cleaning operations.
- *Line draining and emergency clean-up:* Tanker trucks for line draining during planned maintenance and emergencies, as well as material support during SSOs.
- *Debris hauling and disposal:* Removal of dewatering bins and hauling to disposal site.
- *Pipeline inspection (CCTV):* Line inspection as required per the Brine Line Sewer System Management Plan.
- *Flow meter calibration:* Annual calibration of dischargers flow meters.
- *Surveying:* On-call surveying services as required.

Schedule

Activity	Date
Commission Approves RFPs	3/6/2018
Issue RFPs	3/21/2018
Pre-Proposal Meetings	3/29/2018
RFP Due Date	4/12/2018
Commission Approval	5/1/2018

Proposals Received

On- Call Service Contract	Service Provider	Proposal Amount
CCTV	Houston & Harris	\$96,448
	Innerline Engineering*	\$135,050
	Nor-Cal Pipeline Services*	\$185,400
Debris Hauling & Disposal	HazMat Trans	\$34,800
	United Storm Water Inc.	\$72,345
Pipeline Cleaning	Houston & Harris	\$228,668
	Innerline Engineering	\$151,020
	Pro-Pipe	\$283,100
	United Storm Water	\$260,820
Line Draining & Emergency Clean-up Services	HazMat Trans	\$96,665
Flow Meter Calibration	Douglas Environmental	\$25,960
Land Surveying	Calvada Surveying	\$28,970
	Hunsaker & Associates	\$42,480
	Meyer Land Surveying	\$37,050
Sample Collection and Analysis**	E.S Babcock	\$86,454

*Includes optional 3D Scanner Inspection for Pipes and Maintenance Access Structures.

**Sole-source

Previous contracted amounts

Service Contract	Provider	FY15-16	FY16-17	FY17-18	Remaining Budget*
CCTV	Houston & Harris	\$45,083	-	\$38,000	\$29,953
Debris Hauling & Disposal	HazMat Trans	\$35,040	-	\$35,000	\$9,262
Pipeline Cleaning	Houston & Harris	\$318,120	\$225,000	-	\$191,537
Line Draining & Emergency Clean-up	HazMat Trans	\$98,215	-	-	\$89,390
Flow Meter Calibration	Douglas Environmental	\$34,330	-	\$14,825	\$7,965
Land Surveying	TKE Engineering	\$30,030	-	-	\$18,005
Sample Collection & Analysis	E.S. Babcock Lab.	\$62,346	\$87,000	\$90,000	\$44,069

*As of March 2018

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