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?

<table>
<thead>
<tr>
<th>Problem and Root Causes</th>
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<tbody>
<tr>
<td>• Approximately 329 systems in the State of California chronically serve contaminated water or cannot provide reliable water service due to unsound infrastructure/operations</td>
</tr>
<tr>
<td>• Deficiencies vary: natural contaminants, man-made contaminants, failing infrastructure</td>
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<tr>
<td>• Majority are very small systems and small rate bases resulting in inefficient use of rate revenue</td>
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<tr>
<td>• Inability of system owners, managers and operators to implement complex solutions, repair infrastructure, or secure external funding</td>
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<tr>
<td>• Disadvantaged communities – ratepayer affordability</td>
</tr>
</tbody>
</table>
What are the Statistical Dimensions of the Statewide Challenge?

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

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

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)

**State Water Resources Control Board**
- Notice of Chronic Violations
- Opportunity to Remedy
- Findings of “Chronic Non-Compliance” – Required to dissolve and merge into new public entity

**Private System Dissolution**
- System Valuation
- Dissolution of Private/Mutual Water Companies

**Local Agency Formation Commission**
- Dissolution of public agencies
- Determine merged successor agency boundary comprised of former Public Agencies, Privates and Mutual Water Companies
- Consult with SWRCB-appointed Administrator on Plan for Service development
- Formation Proceedings for New Agency- Appoints Board of Directors

**Water System in Compliance**

**Non-Compliant Public Agencies**

**Non-Compliant Privates/Mutual Water Companies**
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/year\(^1\) 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

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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.
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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General Manager
(951) 928-6130
jonesp@emwd.org
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

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td>Commission Approves RFPs</td>
<td>3/6/2018</td>
</tr>
<tr>
<td>Issue RFPs</td>
<td>3/21/2018</td>
</tr>
<tr>
<td>Pre-Proposal Meetings</td>
<td>3/29/2018</td>
</tr>
<tr>
<td>RFP Due Date</td>
<td>4/12/2018</td>
</tr>
<tr>
<td>Commission Approval</td>
<td>5/1/2018</td>
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</table>
# Proposals Received

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

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

**Sole-source
## Previous contracted amounts

<table>
<thead>
<tr>
<th>Service Contract</th>
<th>Provider</th>
<th>FY15-16</th>
<th>FY16-17</th>
<th>FY17-18</th>
<th>Remaining Budget*</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCTV</td>
<td>Houston &amp; Harris</td>
<td>$45,083</td>
<td>-</td>
<td>$38,000</td>
<td>$29,953</td>
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<tr>
<td>Debris Hauling &amp; Disposal</td>
<td>HazMat Trans</td>
<td>$35,040</td>
<td>-</td>
<td>$35,000</td>
<td>$9,262</td>
</tr>
<tr>
<td>Pipeline Cleaning</td>
<td>Houston &amp; Harris</td>
<td>$318,120</td>
<td>$225,000</td>
<td>-</td>
<td>$191,537</td>
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<tr>
<td>Line Draining &amp; Emergency Clean-up</td>
<td>HazMat Trans</td>
<td>$98,215</td>
<td>-</td>
<td>-</td>
<td>$89,390</td>
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<tr>
<td>Flow Meter Calibration</td>
<td>Douglas Environmental</td>
<td>$34,330</td>
<td>-</td>
<td>$14,825</td>
<td>$7,965</td>
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<tr>
<td>Land Surveying</td>
<td>TKE Engineering</td>
<td>$30,030</td>
<td>-</td>
<td>-</td>
<td>$18,005</td>
</tr>
<tr>
<td>Sample Collection &amp; Analysis</td>
<td>E.S. Babcock Lab.</td>
<td>$62,346</td>
<td>$87,000</td>
<td>$90,000</td>
<td>$44,069</td>
</tr>
</tbody>
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*As of March 2018
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