

CITY OF WATSONVILLE

"Opportunity through diversity; unity through cooperation"



State Water Resources Control Board
Attn: Jeanine Townsend, Clerk to the Board
1001 I Street, 24th Floor
Sacramento, CA 95814

March 31, 2016

To Whom It May Concern:

The City of Watsonville is located in southern Santa Cruz County and provides drinking water to approximately 65,000 customers. Despite the fiscal challenges associated with being an economically disadvantaged community, the City has always been successful in providing safe, clean drinking water to our residents.

As of July 1, 2014, the City was mandated to comply with the new hexavalent chromium maximum containment limit (MCL) of 10ppb. 90% of the City's drinking water is supplied by 12 groundwater wells, 8 of which are impacted by hexavalent chromium and will require treatment to meet the new regulatory standards. The anticipated cost of treatment facilities will be approximately \$20 million. As a disadvantaged community (DAC), this is a significant burden on the community.

The City submitted an SRF application to the SWRCB Drinking Water Program but, unfortunately, we are ineligible for grant funding because the grant eligibility requirement from that program is calculated by the water rate affordability and not just the City's DAC status. Because of this, the City was eagerly anticipating funding eligibility from the Prop 1 Groundwater grant program.

Due to the proposed Proposition 1 Groundwater Funding guidelines, the City's hexavalent chromium groundwater treatment projects would not be eligible for funding from this program but instead would be considered for the Drinking Water Program. However, that means the City would not be eligible for any grant funding.

The City would like the State Board to consider the following before adoption of the grant guidelines:

- Allow economically disadvantaged communities' hexavalent chromium groundwater projects to be considered for Proposition 1 groundwater funding and not be automatically assigned to the drinking water program
- Allow 50% grants to disadvantaged communities based on the water rate affordability criteria

Thank you of your consideration.

Sincerely,

Steve Palmisano

Director of Public Works and Utilities



City of Watsonville

A Disadvantaged Community Facing Funding Crisis

COMMUNITY HIT HARD BY STATE MANDATE

Over 65,000 customers depend on our water system. Watsonville's Disadvantaged Community faces huge financial challenges in funding the State Chromium 6 mandate.

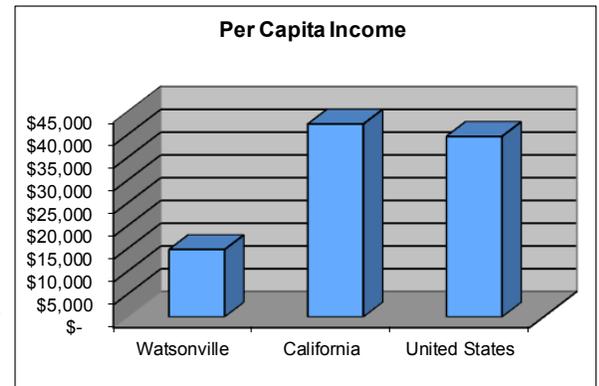
The capital costs to treat the 6 affected City wells is approximately \$25 million dollars. This could be catastrophic for a City whose annual capital improvement budget is only half a million dollars.



PROPOSITION 1 FUNDING CHALLENGES

After lengthy investigation, it was a devastating blow to find that :

- **Our community would not be eligible for principal forgiveness or Proposition 1 grants (through SRF) based on the SWRCB's calculation of water affordability and the water rate factor.**
- **Even with a recent 85% rate increase to our residents, we still do not qualify.** This is a huge impact on our Disadvantaged Community that already has nearly 1,000 water connections in jeopardy of shutoff each year.



Prior to adoption of the 2015 Intended Use Plan the City was invited to meet with Assembly member Alejo, Department of Financial Assistance and SWRCB as technical experts and present this funding criteria issue.

DFA suggested that the City would be eligible for low interest loans but not for principal forgiveness or grants through Proposition 1 due to the water rate factor and because we weren't categorized as a "severely disadvantaged community."

We were also informed that once the loan terms were offered, the City could file an appeal to potentially receive principal forgiveness. Assembly member Alejo is supportive of this appeal.

OUR REQUEST:

1. **Allow all State recognized disadvantaged communities to be eligible for grant funding based on median household income (less than 80% State MHI).** This method has been effective in distributing funds to communities in need and should not be discarded as a grant eligibility determination tool.
2. **Consider lowering the water rate affordability factor to 1%-1.5%**
3. **Provide an allowance of 50% principal forgiveness for all eligible DACs.** The proposed water rate affordability factor could be used to increase the principal forgiveness above 50% (as specified in draft Intended Use Plan).

We ask that the Board consider the recommendations carefully so that all disadvantaged communities facing such hardship are given an opportunity to comply with the mandate without causing financial devastation.

Contact : Steve Palmisano, City of Watsonville Public Works and Utilities Director

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