



December 21, 2018

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

**Re: Proposed Amendment to the Policy for the DWSRF**

Dear Ms. Townsend,

On behalf of the above organizations, we thank you for the opportunity to comment on the proposed Amendment to the Policy for Implementing the Drinking Water State Revolving Fund. As organizations that work with and for disadvantaged communities (DACs) that lack safe drinking water, we are interested in assuring that the Policy Amendment improves access to safe drinking water and infrastructure funding for California's most vulnerable populations.

We want to first start by acknowledging the positive developments that have occurred since adoption of the 2014 Policy Amendment. The Legislature has provided the Board with additional tools to assist public water systems, including the authority to mandate consolidation of water systems that fail to provide safe drinking water to their customers; the ability to deny permits to systems that cannot show the ability to sustainably operate; and e flexibility to appoint administrators to run struggling water systems. The Governor and the Legislature also mandated the establishment of the Office of Sustainable Water Solutions to ensure that resources are consistently dedicated to helping small water systems come into compliance with safe drinking water requirements; and the voters provided significant funding for that Office through their approval of technical assistance funding in Proposition 1. The State Water Board adopted resolution #2016-0010, identifying how it plans to implement the Human Right to Water, and created the Human Right to Water Portal that publicly tracks water systems that are out of compliance with safe drinking standards. The Division of Financial Assistance has implemented the Safe Drinking Water Small Community Emergency Grant (SDWSCEG) Fund

and the Policy contains sources of funding for the Fund. This demonstrates the positive change that can occur when all levels of government work cooperatively towards a common goal.

#### Positive changes

We appreciate the expanded objective, identified in the introduction, to “prevent future” public health risk. Our organizations are extremely interested in understanding how we can help systems remain in compliance rather than wait until problems occur, and look forward to working with you on this effort.

Extended Small Community Water Systems: We appreciate the inclusion of the definition of an Extended Small Community Water System within the Policy. We were happy to see its initial inclusion in the 2017-2018 DWSRF IUP so adding it to the Policy helps ensure its longer-term use. We know that many larger (although still relatively small) DAC communities also struggle to afford the provision safe and affordable water to their customers, and could benefit from the opportunity to apply for principal forgiveness.

Public School eligibility: we appreciate inclusion of language classifying public schools as SDACS in need of principal forgiveness.

Private laterals: The inclusion of private laterals as an eligible cost is extremely important as the cost often proves to be one of the most significant financial barriers to small system and private well community consolidation. Without this, the State could invest heavily in a consolidation which eventually is incomplete because the individual homeowners cannot afford the several thousands of dollars’ worth of infrastructure needed to connect their homes to the new system.

Consolidation project costs: it would be helpful to include soft costs for government approvals and community engagement as part of eligible costs for consolidation projects. Since many, if not most, consolidation projects do not require a Prop 218 public process, additional resources may be required to provide adequate public notice and engagement.

Extended financing terms: Increasing the financing terms to upwards of 40 years for DACs will help lessen the financial burden of paying off a state loan. However, we do want to note that any sort of financing to SDACS must always be in the form of principal forgiveness as the repayment of a loan, even a no-interest loan with a long pay-off period, can cause water rates to become unaffordable and become too heavy of a burden upon the system and its customers.

Test wells: Test wells play an important role when a community impacted by either a dry well or contaminated well needs to drill a new well in order to provide safe drinking water to their customers. However, the cost of drilling, possibly multiple, test wells can become expensive, so potential coverage under a planning grant can help further reduce costs for a community. We support inclusion of this needed measure as an eligible cost

Rate study: We appreciate the change in requirements from a 20-year rate study to a 5-year as part of a funding eligibility determination. Long-term rate studies are important and there is a need to demonstrate long-term sustainability. However, we remain concerned that long-term rate studies for small systems may be more speculative than accurate, and largely serve to disqualify a system from obtaining funding. While we approve of this change, we hope that in future we can identify long-term assistance for DAC and SDAC communities in order to avoid this difficult choice.

#### Necessary changes

Comprehensive List: We think the criteria of including systems on the comprehensive list are clear and understandable. We are concerned that removing systems from the list after four quarters, while it ensures that the list is up-to-date, may mask problem systems. We suggest including in the annual report to the board, as part of the Intended Use Plan adoption, as list of systems removed from the Comprehensive list and an explanation of the causes for removal.

Private laterals: As stated above, we are happy to see private laterals listed as eligible costs for construction grants, however the language in the Policy is appears to have caused some confusion. On page 39, the Policy states that “installation or replacement of Private Laterals to an existing residential or school system to an Eligible System” are eligible costs, yet the corresponding footnote states that the Eligible Entity must incur the costs of the private lateral. We understand this to mean that the system is the one who would receive the state funding for the private laterals, and not the homeowners. As currently written this creates confusion for SWRCB staff, advocates and communities. We propose the following language for footnote 3 to better reflect Staff’s intentions: “To establish and maintain DWSRF eligibility for the installation of a Private Lateral, and Eligible System will be the recipient of the state financing and will be tasked with working with the property owners for the installation of the Private Lateral and must ensure its operation and maintenance for its Useful Life.”

Wastewater: Often communities without safe drinking water may also lack adequate wastewater services and infrastructure. This can lead to further contamination of drinking

water sources and public health impacts. Many of the same funding needs identified for disadvantaged community drinking water solutions, including preplanning and planning, technical assistance, capital costs, and O&M are needed for wastewater as well. It would be helpful for this document to at minimum contain language indicating the Board's intent to integrate some DWSRF actions with the Clean Water State Revolving Fund. In particular, it would be extremely sensible and efficient from a cost perspective to address both water and wastewater questions in a given community, particularly one that is severely disadvantaged, at the same time whenever possible. We note that the regional boards will have authority on January 1, 2019 to order extension of sewer service to communities reliant on domestic wells, reducing the impact of political intransigence as a barrier to septic-to-sewer projects. The SWRCB should maximize resources for drinking water and wastewater projects in disadvantaged communities by coordinating activities under the DWSRF and CWSRF. We think that the Office of Sustainable Water Solutions could be tasked with conducting this type of review for the systems under their supervision.

Multiple benefit project: One definition that is not included, and should be integrated into the IUP, is a "multiple benefit project." While the IUP integrates the concept of "projects that provide regional benefits," a project can have multiple benefits without being a region-wide project. We encourage staff to include both a definition of "multiple benefit project" as well as integrate the concept into the priority system.

Thank you for the opportunity to comment on this document. We look forward to working with you to continue to improve the program.

Sincerely



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