Draft Policy for Developing the Fund Expenditure Plan

for the

Safe and Affordable Drinking Water Fund
Prepared by:
THE DIVISION OF FINANCIAL ASSISTANCE

STATE WATER RESOURCES CONTROL BOARD
STATE OF CALIFORNIA

January 3, 2020
This page intentionally left blank.
# Table of Contents

I. INTRODUCTION 2

II. PURPOSE AND OBJECTIVE 3

III. HUMAN RIGHT TO WATER 4

IV. CLIMATE CHANGE 4

V. CALIFORNIA CLIMATE INVESTMENT REQUIREMENTS 4

VI. TRIBAL CONSIDERATIONS 5

VII. ELIGIBILITY FOR FUNDING 5

VIII. KEY TERMS AND DEFINITIONS 6

IX. FUNDING TERMS AND CONDITIONS 10

X. RESPONSIBILITIES OF THE DIVISION OF DRINKING WATER (DDW) AND DIVISION OF FINANCIAL ASSISTANCE (DFA) 10

XI. FUND EXPENDITURE PLAN DEVELOPMENT 10
   A. Advisory Group ................................................................. 10
   B. Drinking Water Needs Analysis .............................................. 11
   C. Identification of Water Systems Needing Solutions .................. 12
   D. Evaluation and Prioritization of Solutions for Systems in Violation ........................................... 12
   E. Evaluation and Prioritization of At-Risk Systems ............................ 13
   F. The Safe and Affordable Drinking Water Fund Solution List ..................... 14
   G. Report of Prior Year Expenditures ........................................... 15
   H. Metrics .................................................................................. 16
   I. Public Hearing ........................................................................ 16
   J. Report to the Legislature .......................................................... 16

XII. PETITION PROCESS FOR CONSIDERATION OF CONSOLIDATION 17

XIII. SAFER DRINKING WATER RESOURCES 17
I. INTRODUCTION

This Policy is adopted by the State Water Resource Control Board (State Water Board) for its development of the fund expenditure plan for the Safe and Affordable Drinking Water Fund (the Fund), as part of the State Water Board’s larger Safe and Affordable Fund for Equity and Resiliency (SAFER) Drinking Water Program. The SAFER Drinking Water Program’s goals are to provide safe drinking water in every California community, for every Californian. The Fund was established to help water systems provide adequate and affordable short and long term drinking water supplies for all Californians using continuously appropriated state funds from the Greenhouse Gas Reduction Fund (GGRF) and the General Fund. The fund expenditure plan is an annual document required by the Safe and Affordable Drinking Water statute. The fund expenditure plan is based on a drinking water needs assessment, developed in consultation with the Department of Finance, and adopted by the State Water Board to document past and planned expenditures and prioritize projects for funding.

The State Water Board administers the SAFER Drinking Water Program primarily through its Division of Drinking Water (DDW), Division of Financial Assistance (DFA), and Office of Public Participation (OPP). The State Water Board sets drinking water standards and adopts regulations for drinking water systems. DDW issues permits and enforces compliance with the California Safe Drinking Water Act, including ordering consolidations and administrator services. Through DFA, the State Water Board offers a number of financial assistance programs to assist with the provision of safe drinking water. OPP provides community engagement assistance to support effective public participation in State Water Board’s decisions and actions.

The Fund complements the State Water Board’s existing suite of financial assistance programs, which are generally limited to addressing capital infrastructure. The Fund may be used for various types of assistance for disadvantaged communities, voluntary participants, and Public Water Systems (PWS) with demonstrated failure or risk of failure, including but not limited to projects that: (1) provide interim access to safe water sources; (2) contract or provide a grant to an administrator to address or prevent failure to provide safe and affordable drinking water; (3) improve water delivery infrastructure; (4) provide technical assistance to disadvantaged communities; (5) consolidate systems; and (6) fund operation and maintenance for disadvantaged and low-income communities.

The statutory basis for the Fund is established in Section 53082.6 of the Government Code; Sections 39719, 100827, 116275, 116385, 116530, 116540, 116686, and Chapter 4.6 (commencing with Section 116765) of the Health and Safety Code; and Chapter 7 (commencing with Section 8390) of the Public Utilities Code.

Notwithstanding any provision of this Policy, the State Water Board will implement the Fund consistent with federal law and policy, and state law and policy.
Draft Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

The provisions of this Policy are effective upon adoption by the State Water Board, unless otherwise required by federal or state statute, guidance, regulation, or agreement.

II. PURPOSE AND OBJECTIVE
The primary purpose of the SAFER Drinking Water Program is to help to bring true environmental justice to California and help to address the continuing disproportionate environmental burdens in the state by creating a fund to provide safe drinking water for every Californian. The Fund will assist water systems in providing a safe, adequate and affordable supply of drinking water to communities in both the near and long terms by accelerating implementation of solutions, moving water systems to more efficient modes of operation, and providing operation and maintenance support once solutions are in place.

Near term goals for the SAFER Drinking Water Program include ensuring safe drinking water via replacement water, appointing administrators to assess the status and needs of failing systems and identifying opportunities to increase efficiency, consolidating systems and extending service, and accelerating implementation of capital projects. Long-term goals are to support water system improvements including system upgrades, consolidation, linking smaller systems to larger ones, and building technical and managerial capability to make systems safe, efficient, and sustainable.

The purposes of the fund expenditure plan are to: (1) identify public water systems (PWS), community water systems (CWS), state small water systems and regions where domestic wells consistently fail or are at risk of failing to provide adequate safe drinking water, the causes of failure, and appropriate remedies; (2) determine the amounts and sources of funding needed to provide safe drinking water or eliminate the risk of failure to provide safe drinking water; and (3) identify gaps in supplying safe drinking water, and determine the amounts and sources of funding to eliminate those gaps.

The purpose of this Policy is to establish and document the State Water Board’s direction on how the fund expenditure plan will be developed. This Policy will identify and define key terms and metrics; describe how proposed remedies will be identified, evaluated, prioritized, and included in the plan; establish a petition process for consideration of consolidation orders for disadvantaged communities; and include a public hearing requirement.

The State Water Board convened an Advisory Group to provide input into the development of this Policy, the fund expenditure plan, and overall implementation of the Fund.
III. HUMAN RIGHT TO WATER

Section 106.3 of the Water Code provides that it is the policy of the state that every human being has the right to safe, clean, affordable and accessible water adequate for human consumption, cooking, and sanitary purposes. This section requires the State Water Board to consider this state policy when adopting policies and grant criteria. The State Water Board has considered the provisions of Section 106.3 of the Water Code in establishing this Policy. This Policy is consistent with Section 106.3 of the Water Code, as the core of the SAFER Drinking Water Program is to ensure that every Californian has access to safe and affordable drinking water. Further information, including an interactive map showing the compliance status of water systems, can be found at the State Water Board’s Human Right to Water Portal at https://www.waterboards.ca.gov/water_issues/programs/hr2w/.

IV. CLIMATE CHANGE

The State Water Board seeks to reduce the effects of climate change and to promote sustainable water resources for future generations. In 2017, the State Water Board adopted Resolution No. 2017-0012 specifying a range of actions the State Water Board’s divisions and offices will take to implement its climate change program. In addition, Section 39719(3)(b) of the Health and Safety Code requires that GGRF monies be used to improve climate change adaptation and resiliency of disadvantaged communities or low-income households or communities. This Policy is designed to support those efforts.

V. CALIFORNIA CLIMATE INVESTMENT REQUIREMENTS

GGRF expenditures must meet the requirements of Section 39712(b) of the Government Code, consistent with Division 25.5 (commencing with Section 38500) of the Health and Safety Code, where applicable and to the extent feasible, The State Water Board will meet these requirements by funding projects that:

- Improve public health by working to assure all public water supplies meet drinking water standards
- Reduce exposure to local environmental contaminants found in the drinking water supply
- Provide job development and training to disadvantaged and low-income communities
- Provide educational and community capacity building opportunities through community engagement and leadership
- Benefit individuals living in disadvantaged and low-income communities
Draft Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

- Increase resiliency and adaptation to climate change and lessen the impacts of climate change (reduced surface water flows, declining groundwater basins, increasing environmental contamination, drought, wildfires) by enhancing the long term sustainability of drinking water systems.
- Incorporate greenhouse gas emissions reductions in projects through energy efficiency and renewable energy components.
- The State Water Board will satisfy the requirements of Government Code Section 16428.9(a) before any GGRF funds are spent by describing in an Expenditure Record and Attestation Memorandum how program expenditures will improve climate change adaptation and resiliency of disadvantaged communities or low-income households or communities. The State Water Board will work with the California Air Resources Board to determine a methodology to track and report improvements from Safe and Affordable Drinking Water Fund projects and develop a reporting template for this new program.

VI. TRIBAL CONSIDERATIONS
Engagement with California Native American Tribes will be prioritized in outreach, program design and funding elements of the SAFER Drinking Water Program. California Native American Tribes are eligible recipients of monies from the Fund. Outreach will be made to California Native American Tribes, and their water system needs will be evaluated for funding based on the same criteria as other eligible recipients. In order to fund a project with a California Native American Tribe, the State Water Board may require a limited waiver of sovereign immunity strictly to ensure compliance with the terms of the financial assistance agreement. In addition, the State Water Board will work with California Native American Tribes to access water quality data and water system operational information, if available.

VII. ELIGIBILITY FOR FUNDING
Eligible recipients include public agencies, nonprofit organizations, public utilities, mutual water companies, California Native American Tribes, administrators, and groundwater sustainability agencies. Funding provided to a public utility that is regulated by the Public Utilities Commission or a mutual water company must have a clear and definite public purpose and benefit the customers of the water systems and not the investors or shareholders.

Projects funded with transfers from the Greenhouse Gas Reduction Fund must be for the purposes of facilitating reductions of greenhouse gas emissions in California or improving climate change resiliency and adaptation for GGRF Disadvantaged
Draft Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

Communities, GGRF Low-income Communities, or GGRF Low-income Households. (See Health & Saf. Code, § 39719, subd. (b)(3)(B).

VIII. KEY TERMS AND DEFINITIONS
The Policy includes the following defined terms:

“Adequate supply” means sufficient water to meet residents’ health and safety needs at all times. (Health & Saf. Code, § 116681, subd. (a).)

“Administrator” means an individual, corporation, company, association, partnership, limited liability company, municipality, public utility, or other public body or institution whom the State Water Board has determined is competent to perform the administrative, technical, operational, legal, or managerial services required for purposes of Health and Safety Code section 116686, pursuant to the Administrator Policy Handbook adopted by the State Water Board. (Health & Saf. Code, §§ 116275, subd. (g), 116686, subd. (m)(1).)

“Affordability threshold” means a maximum level for rates and fees charged by water systems to supply, treat and distribute potable water that complies with federal and state drinking water standards to disadvantaged communities. The affordability threshold will be established by the State Water Board in the fund expenditure plan.

“California Native American Tribe” means federally recognized California Native American tribes, and nonfederally recognized Native American tribes on the contact list maintained by the Native American Heritage Commission for the purposes of Chapter 905 of the Statutes of 2004. (See Health & Saf. Code, § 116766, subd. (c)(1).)

“Community water system” or “CWS” means a PWS that serves at least 15 service connections used by yearlong residents or regularly serves at least 25 yearlong residents of the area served by the system. (Health & Saf. Code, § 116275, subd. (i).)

“Consistently fails” means a failure to provide an adequate supply of safe drinking water. (Health & Saf. Code, § 116681, subd. (c).)

“Consolidation” means joining two or more public water systems, state small water systems, or affected residences into a single public water system, either physically or managerially. (See Health & Saf. Code, § 116681, subd. (e).)

“Contaminant” means any physical, chemical, biological, or radiological substance or matter in water. (Health & Saf. Code, § 116275, subd. (a).)

“Cost-effective” means achieving a sustainable result at the most reasonable cost.

“Designated water system” means a public water system or state small water system that has been ordered to consolidate pursuant to Health and Safety Code Section
Draft Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

116682 or that serves a disadvantaged community, and that the State Water Board finds consistently fails to provide an adequate supply of affordable, safe drinking water. (Health & Saf. Code, § 116686, subd. (m)(2).)

“Disadvantaged community” or “DAC” means the entire service area of a community water system, or a community therein, in which the median household income is less than 80 percent of the statewide annual median household income level. (Health & Saf. Code, § 116275, subd. (aa).)

“Domestic well” means a groundwater well used to supply water for the domestic needs of an individual residence or a water system that is not a public water system and that has no more than four service connections. (Health & Saf. Code, § 116681, subd. (g).)

“Executive Director” means the Executive Director of the State Water Board.

“Fund” means the Safe and Affordable Drinking Water Fund established pursuant to section 116766 of the Health and Safety Code.

“Fund expenditure plan” means the plan that the State Water Board develops pursuant to Health and Safety Code section 116768 et seq.

“Greenhouse Gas Reduction Fund” has the same meaning as in Section 39710 of the Health and Safety Code.

“GGRF Disadvantaged Community” or “GGRF DAC” means a disadvantaged community identified by the California Environmental Protection Agency pursuant to Health and Safety Code section 39711.

“GGRF Low-income Communities” means census tracts with median household incomes at or below 80 percent of the statewide median income or with median household incomes at or below the threshold designated as low income by the Department of Housing and Community Development’s list of state income limits adopted pursuant to Section 50093 of the Health and Safety Code. (See Health & Saf. Code, § 39713, subd. (d)(2).)

“GGRF Low-income Households” means households with household incomes at or below 80 percent of the statewide median income or with household incomes at or below the threshold designated as low income by the Department of Housing and Community Development’s list of state income limits adopted pursuant to Section 50093 of the Health and Safety Code. (See Health & Saf. Code, § 39713, subd. (d)(1).)

“Human consumption” means the use of water for drinking, bathing or showering, hand washing, oral hygiene, or cooking, including, but not limited to, preparing food and washing dishes. (Health & Saf. Code, § 116275, subd. (e).)

“Loan” means and includes any repayable financing instrument, including a loan, bond, installment sale agreement, note, or other evidence of indebtedness.
Draft Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

“Low-income household” means a single household with an income that is less than 200 percent of the federal poverty level, as updated periodically in the Federal Register by the United States Department of Health and Human Services under authority of subsection (2) of Section 9902 of Title 42 of the United States Code.

“Maximum contaminant level” means the maximum permissible level of a contaminant in water. (Health & Saf. Code, § 116275, subd. (f).)

“Median household income” or “MHI” means the household income that represents the median value for the service area of a PWS. For consolidation projects, the MHI of the service area of the individual participating PWS(s) are used. For projects involving the extension of water from an existing PWS to geographical areas not served by a PWS (including the service area of one or more State Small Water Systems or parcels served by domestic wells or surface water sources), the MHI of the existing PWS’s service area is used.

“Primary drinking water standard” has the same meaning as in subdivision (c) of Health and Safety Code section 116275.

“Public Water System” or “PWS” means a system for the provision to the public of water for human consumption through pipes or other constructed conveyances that has 15 or more service connections or regularly serves at least 25 individuals daily at least 60 days out of the year. A PWS includes any collection, pretreatment, treatment, storage, and distribution facilities under control of the operator of the system that are used primarily in connection with the system; any collection or pretreatment storage facilities not under the control of the operator that are used primarily in connection with the system; and any water system that treats water on behalf of one or more public water systems for the purpose of rendering it safe for human consumption. (Health & Saf. Code, § 116275, subd. (h).)

“Replacement water” includes, but is not limited to, bottled water, vended water, point-of-use, or point-of-entry treatment units. (Health & Saf. Code, § 116767, subd. (q).)

“Resident” means a person who physically occupies, whether by ownership, rental, lease, or other means, the same dwelling for at least 60 days of the year. (Health & Saf. Code, § 116275, subd. (t).)

“Safe drinking water” means water that meets all primary and secondary drinking water standards, as defined in Health and Safety Code section 116275.

“Secondary drinking water standards” means standards that specify maximum contaminant levels that, in the judgment of the State Water Board, are necessary to protect the public welfare. Secondary drinking water standards may apply to any contaminant in drinking water that may adversely affect the public welfare. Regulations establishing secondary drinking water standards may vary according to geographic and other circumstances and may apply to any contaminant in drinking water that adversely
Draft Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

affects the taste, odor, or appearance of the water when the standards are necessary to ensure a supply of pure, wholesome, and potable water. (Health & Saf. Code, § 116275, subd. (d).)

“Service connection” means the point of connection between the customer’s piping or constructed conveyance, and the water system’s meter, service pipe, or constructed conveyance, with certain exceptions. (See Health & Saf. Code, § 116275, subd. (s).)

“Small community water system” or “Small CWS” means a CWS that serves no more than 3,300 service connections or a yearlong population of no more than 10,000 persons. (Health & Saf. Code, § 116275, subd. (z).)

“Solution List” means a list of projects in the fund expenditure plan that are expected to receive assistance from the Fund in a particular state fiscal year.

“State small water system” means a system for the provision of piped water to the public for human consumption that serves at least five, but not more than 14, service connections and does not regularly serve drinking water to more than an average of 25 individuals daily for more than 60 days out of the year. (Health & Saf. Code, § 116275, subd. (n).)

“State Water Board” means the State Water Resources Control Board.

“Technical, Managerial and Financial Capacity” or “TMF” means the ability of a water system to plan for, achieve and maintain long term compliance with drinking water standards, thereby ensuring the quality and adequacy of the water supply.

“Vended water” means any water that is dispensed by a water-vending machine, retail water facility, or water from a private water source, or other water as defined in Section 111170 of the Health and Safety Code that is not placed by a bottler in sealed containers, and that is dispensed by a water-vending machine, retail water facility, water hauler, or any other person or facility for drinking, culinary, or other purposes involving a likelihood of the water being ingested by humans. Vended water does not include water from a public water system that has not undergone additional treatment. Water sold without further treatment is not vended water and shall be labeled in accordance with Health and Safety Code Section 111170. (Health & Saf. Code, § 111070, subd. (b).)

“Waterworks Standards” means regulations adopted by the State Water Board entitled “California Waterworks Standards” (Chapter 16 (commencing with Section 64551) of Division 4 of Title 22 of the California Code of Regulations). (Health & Saf. Code, § 116275, subd. (q).)
IX. FUNDING TERMS AND CONDITIONS

The fund expenditure plan will include general program requirements and conditions that must be met to obtain funding. These requirements and conditions will be posted and updated on the State Water Board’s website. Applicants should check the website for updates.

The State Water Board will require regular project reporting and may set additional requirements as conditions of funding, including but not limited to: preparation of a project assessment and evaluation plan; system technical, managerial, or financial audits; expectations for rate setting, improvements to reduce cost and increase efficiencies; evaluation of alternative treatment technologies, any reports, data, information, and certifications that may be reasonably required, and a consolidation or extension of service feasibility study. The State Water Board may also fund those solutions that it determines to be the most sustainable and consistent with maintaining an affordability threshold.

X. RESPONSIBILITIES OF THE DIVISION OF DRINKING WATER (DDW) AND DIVISION OF FINANCIAL ASSISTANCE (DFA)

The State Water Board administers the Safe and Affordable Drinking Water Fund through the Division of Financial Assistance and implements the Safe and Affordable Drinking Water Act through its Division of Drinking Water. The Deputy Director of the Division of Financial Assistance, or designee, is authorized to execute financial assistance agreements with monies from the Safe and Affordable Drinking Water Fund in accordance with this Policy and the Fund Expenditure Plans. The Deputy Director of the Division of Drinking Water, or designee, issues permits and enforces the State Water Board’s remedies against public water systems for non-compliance with the California Safe Drinking Water Act, including the ordering of consolidations and administrator services. In addition, the State Water Board sets drinking water standards and adopts regulations for drinking water systems.

XI. FUND EXPENDITURE PLAN DEVELOPMENT

The statute governing development of the fund expenditure plan contains a number of requirements. This section describes how the State Water Board will develop the information to meet those requirements.

A. Advisory Group

The State Water Board will consult with an advisory group to assist in meeting the purposes of the fund expenditure plan. The advisory group will be governed
Draft Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

by a charter that will specify the duties of the advisors, and the frequency and methods of interaction with the State Water Board and the public.

i. Representatives of each of the following are included in the advisory group:
   ii. Public water systems
   iii. Technical assistance providers
   iv. Local agencies
   v. Non-governmental organizations
   vi. Residents served by CWS in disadvantaged communities (DACs), state small water systems, and domestic wells
   vii. The public

B. Drinking Water Needs Analysis

A drinking water needs analysis was initially funded by Chapter 449 of the Statutes of 2018, which requires that it be completed by June 2021. The drinking water needs analysis will be updated as information is developed. The drinking water needs analysis and advisory group input will be the basis for the fund expenditure plan, and will cover, at a minimum, three elements:

i. Element 1: Identification of PWSs in violation or at risk including:
   1) PWSs with on-going violations
   2) PWSs at risk of failure based on factors as developed by the State Water Board

ii. Element 2: Identification of domestic well and state small water systems at-risk. The State Water Board will use the following resources:
   1) State Water Board, U.S. Geological Survey, County Health, and Department of Water Resources, or other available data regarding estimates of domestic wells impacted by contaminants
   2) Outreach to obtain inventory, locational, and water quality data on state small water systems

iii. Element 3: Cost analysis for interim and long-term solutions – a methodology will be developed to estimate the most sustainable and cost-effective solutions to drinking water problems identified in Elements 1 and 2.
C. Identification of Water Systems Needing Solutions

Water systems needing solutions to provide safe and affordable drinking water will be identified in the fund expenditure plan by utilizing the following:

i. Public water systems identified as being currently in violation of one or more federal or state primary drinking water standards with an enforcement action taken; with failures to meet primary or secondary drinking water standards; or that fails to provide a pure and wholesome water supply. These systems consistently fail to deliver safe and affordable drinking water.

ii. Public water systems at risk as determined by risk criteria identified in the Drinking Water Needs Analysis

iii. Review of a map created by the State Water Board Division of Water Quality of aquifers that are at high risk of containing contaminants that exceed safe drinking water standards that are used or likely to be used as a drinking water source for a state small water system or domestic well

iv. Review of a map created by the Department of Water Resources of areas at high risk for drought and other resiliency factors

v. State Water Board notification of local health officers and county planning agencies regarding high-risk aquifers within their jurisdictions

vi. Outreach and testing of domestic wells serving low-income households

vii. State small water systems and individual wells as determined through review of data collected from January 1, 2014 to the present and electronic data collected annually thereafter

viii. Water systems serving DACs that must charge rates above the affordability threshold established by the State Water Board.

D. Evaluation and Prioritization of Solutions for Systems in Violation

Water systems in violation, as identified above, will be evaluated and prioritized by risk level in accordance with the following criteria:

i. Immediate health risk

ii. Untreated or at-risk sources

iii. Other chronic compliance or water shortage problems

Solutions will be prioritized within each risk category identified above. Overarching considerations include cost effectiveness, affordability, readiness of
Draft Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

funding recipients to proceed, and pursuit of long term, sustainable solutions. Solutions may include, but are not limited to, a mix of the following:

i. Interim water supplies
ii. Administrator
iii. Preliminary work: feasibility studies and planning
iv. Regionalization, physical consolidation/extension of service, or managerial consolidation
v. Repairing, replacing and upgrading failing water system equipment, pipes, or fixtures
vi. Optimization of systems
vii. Long-term operations and maintenance support upon system optimization
viii. Remove financial barriers to provide access to capital

E. Evaluation and Prioritization of At-Risk Systems

Water systems will be evaluated and categorized by risk level in accordance with the following criteria:

i. Systems with source water contaminants with notification levels and/or response levels, where a new or revised maximum contaminant level (MCL) is being proposed, or contains contaminants of concern
ii. Inadequate technical, managerial or financial capacity
iii. History of past violations
iv. Secondary risks including waterworks standards and potential for infrastructure failure
v. Other identified risk factors

Solutions will be prioritized within each risk category identified above. Overarching considerations include cost effectiveness, affordability, and pursuit of long term, sustainable solutions. Solutions may include, but are not limited to, a mix of the following:
Draft Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

i. Interim water supplies  
ii. Administrator 
iii. Preliminary work: feasibility studies and planning  
iv. Regionalization, physical consolidation/extension of service, or managerial consolidation  
v. Repairing, replacing and upgrading failing water system equipment, pipes, or fixtures  
vi. Optimization of systems  
vii. Long-term operations and maintenance support, upon system optimization, for designated water systems  
viii. Access to capital to remove financial barriers

Based on the Needs Assessment and other available information, DFA will provide grant funding to technical assistance providers and community outreach organizations to assist with evaluating and prioritizing systems and identifying solutions. DFA may consult with individuals with knowledge of a water system’s needs, including but not limited to, Water Boards staff, technical assistance providers, Advisory Group members, and other professionals, to assist with evaluating the TMF capacity of systems and identifying opportunities for consolidation, capital funding needs, and other efficiencies that may be gained. This group will engage with the community to provide a pathway for input into the assessment and determination of solutions.

F. The Safe and Affordable Drinking Water Fund Solution List

A wide range of projects and activities are eligible for funding through the Fund. The fund expenditure plan will identify eligible projects, activities and costs as well as ineligible costs.

The Fund Solution List will be developed in connection with the Drinking Water State Revolving Fund (DWSRF) Program annual Intended Use Plan (IUP). The Solution List will include systems in violation and at-risk systems, with solutions in prioritized order. Funding will then be assigned to maximize availability. Capital improvement projects will generally be funded through the DWSRF or other State Water Board capital funding sources (e.g., general obligation bonds), except where the project or recipient does not qualify for the funds. DACs that can meet DWSRF credit thresholds by raising rates will be expected to do so, except where raising rates would exceed the affordability threshold. Consolidation of non-DAC communities which will result in decreases of greenhouse gas emissions may be funded. Funding will be mainly in the form of grants, with some loans potentially available to incentivize consolidations or refinance existing debt at a more favorable rate.
The Fund Solution List will also identify systems and projects for which other entities, such as responsible parties or dischargers pursuing alternative compliance pathways, have an obligation to provide funding support. The State Water Board will evaluate those systems and projects to determine whether a timely solution will be provided by those entities with a funding obligation; whether the State Water Board should fund the project and seek reimbursement from the entity with the funding obligation; or whether the State Water Board should co-fund the project with the entity with the funding obligation.

Water systems may require multiple capital improvement projects in order to maximize efficiency and become sustainable. State Water Board staff, working with technical assistance providers and the communities, may prioritize and phase projects in order to provide safe drinking water as soon as feasible, depending on funding availability. In order to accelerate provision of long-term solutions, DFA staff may fund multiple project phases for efficiency.

G. Report of Prior Year Expenditures
The fund expenditure plan will include a summary of applicants; the status, type and location of each project funded in the prior year; and the amount and type of funds from each source spent on each project in the prior year. The State Water Board will provide this information to the Department of Finance for inclusion in their annual report required under Section 39720 of the Health and Safety Code.
H. Metrics

Three metrics will be incorporated to measure the success of the program, including:

i. The number of communities and schools served with interim supplies of safe drinking water, including but not limited to:
   1) Point-of-use/Point of Entry devices
   2) Hauled water
   3) Bottled drinking water, and
   4) Vending machines.

ii. The number of communities and schools with executed and completed preliminary planning assistance projects, including but not limited to:
   1) Technical assistance workplans
   2) Administrator contracts
   3) Planning agreements, and
   4) Planning projects.

iii. The number of communities and schools with long-term solutions completed, including but not limited to:
   1) Executed consolidation agreements or orders
   2) Construction funding agreements executed
   3) Water systems returned to compliance, and
   4) Non-construction funding agreements executed to support alternative solutions, remove financial barriers, and provide long-term operation and maintenance.

All metrics will include the number and populations of public water systems, state small water systems, and individual residences supplied by dry or contaminated domestic wells or unsafe surface water supplies supported by the funding.

Additional metrics will be identified as the program evolves.

I. Public Hearing

The State Water Board will hold at least one public hearing before adopting each fund expenditure plan.

J. Report to the Legislature

The State Water Board will provide the first fund expenditure plan to the Joint Legislative Budget Committee and the chairpersons of the fiscal committees in
Draft Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

each house of the Legislature by March 1, 2021 and will similarly provide subsequent annual fund expenditure plans by March 1 of each year. The State Water Board may submit the fund expenditure plans either in the Governor’s Budget documents, or as separate reports. The fund expenditure plan will be posted on the State Water Board’s website.

XII. PETITION PROCESS FOR CONSIDERATION OF CONSOLIDATION

Members of a disadvantaged community may petition the State Water Board to consider ordering consolidation of the community’s water system. Any such petition must include the following information:

- Contact information, including name and address, of the petitioner;
- Signatures of community members supporting the consolidation;
- Available water system water quality data;
- The relative location of the water system to adjacent and/or nearby water systems; and
- The reason(s) the petitioner seeks consolidation.

Petitions which include significant community support will have a greater likelihood of being accepted and acted upon by the State Water Board.

Upon receipt of a petition, the Division of Drinking Water will review the petition and make recommendations relative to its final resolution. The State Water Board will notify the petitioner within 90 days of the receipt of the petition if the State Water Board will consider consolidating the water system named in the petition pursuant to Health and Safety Code section 116682. A petition is deemed denied if there is no response from the State Water Board by 90 days from the date the State Water Board received the petition. If the petition is denied, the State Water Board will keep the petition on file in the event future consolidation opportunities arise.

XIII. SAFER DRINKING WATER RESOURCES

Information regarding the SAFER Drinking Water Program and funding can be found on the State Water Board’s website.

The State Water Board, in consultation with the Advisory Group, will develop tools and resources for tracking projects and expenditures, and progress bringing safe and affordable drinking water to all Californians.