



County of Santa Cruz

Health Services Agency – Environmental Health

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Drought Response Working Group Agenda
Meeting 3, July 20, 2022 9am-noon

Hybrid via Teams and Redwood Room (701 Ocean Street room 520; masks encouraged)

Working Group members in attendance: Edan Cassidy (SMGWA), Frank Cheap (WAC), Jon Kennedy (MGA), Paul Lego (WAC), Brian Lockwood (WAC), Stephen Rider (PV Water), Becky Steinbruner (at-large small water system customer)

Additional participants: Joe Serrano (LAFCO), Martin Mills (Pure Source Water), Sean Abbey (Santa Cruz County, Water Quality Specialist), Erin McCarthy (Santa Cruz County, Water Resources Planner), Sierra Ryan (Santa Cruz County, Water Resources Manager), Nathan Salazar (Santa Cruz County, Environmental Health Specialist), Ray Pereyra (WAC)

Summary of key points and recommendations discussed during the meeting

- County can help both small and medium water systems prepare for drought by developing tools and resources to support them to develop financial reserves, ideas include:
 - Perform an analysis of the gap in reserve funds for small & medium systems County-wide
 - Provide guidance and tools for completing reserve analyses
 - Require systems to complete reserve analyses, including timeline to demonstrate steps are being taken
 - Require systems to build a reserve over time
 - Help access funding to complete reserve analyses
 - Advocate for state financial assistance
 - Provide grant-writing and/or grant administration support
- Develop tools to support decision-making about consolidations, and to support consolidation process, when that is the preferred option, including:
 - options available
 - consolidation cost-benefit analysis tool
 - Use meaningful phrasing of “consolidation”; it can be an opportunity in some cases
 - process/timeline to demonstrate progress to County
- Educate about how to become more resilient
- Set up long-term financing

- Put role of fee collection on County
- Consider possibility of using County Service Areas as a mechanism to help build financial reserves
- Provide assistance and make resources available County-wide but focus them on areas that have chronic problems that need to be addressed.
- Cover costs of metering, POU treatments (especially for disadvantaged communities), tools and assistance with leak detection, and assistance with water audits.
- Minimize additional reporting requirements unless data is of direct benefit;
- Consider need to update County emergency ordinance (i.e., with defined parameters for activating a groundwater emergency; this could help access funds)
- Consider becoming a member of RCRC (they make information about new legislation available to rural communities)
- Complete a draft report as soon as possible; circulate to Working Group before it goes to the WAC
- Present report to WAC twice- once for initial presentation and once for consideration of adoption
- Present draft report to SSWS at regular forums and to private well owners to get feedback
- Outcomes will be used to generate a chapter for CAAP

Meeting Notes

Working Group members agreed to record the meeting.

Presentation: Joe Serrano, LAFCO

LAFCO helps determine statutory power to provide services; conducts service reviews; developing County-wide water report on all 9 agencies that provide water to residents; planning to guide ways agencies can grow outside their current jurisdictions; LAFCO is a resource.

BS: clarification on AB54?

JS: It is a bill that addresses poor quality water delivered by water systems (mutual water co's); requires the systems to provide information to LAFCO to document their existence and provide assistance w merger if appropriate.

Boundary change requires support from affected residents, agency, County and LAFCO.

Annexation – smaller system becomes part of public system; thoroughly reviewed and depends on level of support/opposition from residents; takes 4 months to 1 year

JK: small water system members have mixed opinions; should look at and discuss cost, change in level of service, and reasons to do the annexation.

JS: Protest proceeding is just for people to express opposition

JR: extraterritorial service agreements (ESAs); residents can access services w/o officially being annexed; usually under special conditions can be done quickly but is temporary solution;

Interties can be done if there is agreement among agencies, LAFCO doesn't get involved, but if it is a private or public system LAFCO gets involved; LAFCO understands the concerns of small systems about losing their identity and independence.

For interties, it is best to establish ESA and advance toward annexation. There are benefits to being annexed, including a voice on the Board; for emergency intertie we should get language from LAFCO to indicate approval and that annexation will be considered if there is interest in that.

PL: What if a small water co joins w a larger system that crosses jurisdictional lines, specifically groundwater basin boundaries?

JS: Groundwater boundaries may not influence LAFCO's decision but need to look into that

BL: Soquel Creek WD does provide some services in PV groundwater basin

SR: SB552 requires small water systems to have backup plan for alternate supply

BS: costs to apply?

JS: for ESA fee application is \$950; Looking into fee waivers;
Annexation and consolidation application fees are based on acreage, fee schedule on website
LAFCO website updated, flow charts show steps to annexation / consolidation.

SR: overall theme is County role in all of this

Presentation: Paul Lego (Water Advisory Commission, San Andreas Mutual Water): Financial considerations and concerns for mutual water companies

- **Many small water systems don't want to annex because rates usually go up**
- **Annexation means big one-time fee and higher water rates – discouraging to customers**
- **Why build financial reserves? Most don't have sufficient reserves**
 - **When something malfunctions will need money immediately**

- **Replacement costs for systems are extremely costly (passing those costs on to customers is extremely costly)**
- **Tools for building reserves and challenges with those tools**
 - **County can help by developing tools for reserve analyses, require and help fund small water co's to do reserve analyses, require them to build reserve over time**

FC: we don't know the extent of financial gaps (lack of reserves for small and medium systems) throughout the County; problem extends beyond the County; could identify size of the gap and help get financial support;

PL: look at cost to connect and multiply by # needed

SA: state smalls have no requirements about reporting on reserves; data gap

NS: reporting requirements are fairly recent and has not been analyzed

PL: big problem but probably manageable with state assistance

Recommendation to do the analysis of financial gap (lack of reserve funding) County wide

MM: County likely does not have authority to require CPUCs to build reserves. CPUCs are not allowed to raise rates to build reserves; are supposed to cover costs up front and then recover those costs through rates; also are limited on rate of return

SR: important to focus on all systems; what is procedure?

MM: in the event of a big failure, we'd have to take out a loan (e.g., State Revolving Fund) which is very administratively burdensome and even prohibitive and then recoup through rates.

JR: small systems often have substandard system and have to upgrade to meet standards of larger system – additional cost; County can help by setting up long term financing of consolidations.

BS: Mello-roos District? Assessment district was path taken;

BS: How to handle ADU connections?

PL: San Andreas is working on that now

Could help to have County be the face of collecting fees instead of neighbors.

8/11/2022

Page 5 of 9

BS: Drought is not the only problem. Increasing regulation and reporting requirements are also a big problem. Already is a big burden and should not be looking at more reporting. Also should be looking at power grid.

PL: SB552 also requires small systems to have backup power and water quality testing costs go up too.

Presentation: Sean Abbey (County Water Resources): State Small Water Systems (SSWS) and how to support them.

- **Brief review of medium system requirements, they should be considered as well**
- **Limited information about water quality of SSWSs**
- **Survey responses from SSWS about type of assistance preferred and concerns about consolidation**
- **Survey responses from medium systems (specifically Community and Non-transient Systems) and large water systems (costs are primary concern; SSWS interested in technical assistance but not in consolidation)**

BS: adding an ADU or neighbor could put SSWS in different category

BS: Q about schools that have a residential connection; What about camps/conferences?

SA: Must have 25 or more people working/learning there for 6 months of the year to be a Non-transient system. A day-care or very small school on a well would not be impacted by SB 552.

JK: I would like to have numbers of different types of connections and private wells to put all this in context in order to know where to put resources, attention and funding.
Seems resources should be focused on those w most people on them

SR: Small water systems (SSWS and mutuals) 8,000 people (mostly mutuals)
8,000 private wells and about 21,000 people on private wells

PL: math works out to \$1B for gap of reserve funds needed for smalls systems; advocate for State to get in front of this

SA: one survey respondent from Summit indicated that connecting to homes w private wells can be more expensive than adding a new connection (can require specific infrastructure); should consider rate for that connection since it was more expensive. Need to consider all of that up front. Communication with SSWSs nearby is important.

BS: medium systems, how does Cal Warn work? ([CALWARN](#))

SA: Is free and notifies neighbors that you are having emergency. Water and wastewater system operators can communicate emergencies through.

BS: How are fire flow standards set, who assess and is it reported?

SR: we'd have to look at other codes for those requirements

BS: Water trucking service should include fire suppression needs as well as domestic.

SR: survey question was about provision of potable water due to loss of source of domestic water

SR: we are posting RFP for water haulers using grant funds to respond to drought-related water supply problems

BS: SCWD considering fees for interconnected water companies

MM: Board may consider a fee for standing interties in near future; the cost may be cost-prohibitive for some companies; some interties are not used regularly and functionality isn't ideal.

Discussion

SR: next meeting will include consideration of how to prepare for emergency impacts to private wells and small systems and will provide summary of action items and recommendations that staff believe they have received and get feedback from Working Group members.

BL: good info and appreciate staff bringing it together for Working Group

BS: question about SSWS survey response that wasn't clear in presentation

SA: respondents also asked about grant availability & a request to share groundwater studies

SR: need to clarify what County would require of SSWS before take on role of applying for grants; some lessons have been learned

MM: state funds are flush now but administrative burden is big; could use grant writer or administrator for small systems; we gave up on SRF loan for metering due to admin burden; consolidation has become a contentious term because of unknowns and additional requirements; rephrase to "how can we decide when consolidation is the best solution for a particular case", can be an opportunity in some cases rather than being forced on people; a lot is about phrasing and how its presented; some water systems may not make sense to consolidate if they are compliant and customers are willing to pay rates

JR: state-wide problem, many more dry wells in other parts of the state; SSWS reserve fund gap will be much larger state-wide; we do have inadequate supply and water quality problems in

parts of County. County provide assistance and make resources available County-wide but focus them on areas that have chronic problems that need to be addressed. Include medium mutuals (15-199 connections) in this effort.

JK: agree to include medium systems; County could provide tools (provide on portal) to take people through reserve analysis, cost-benefit analysis for consolidation, options available for your specific system; financial data – average rates of costs of water in County; help people put costs of water in perspective relative to their anticipated future costs to keep operating their systems; process for people to show us their progress on their process

SA: Rural Community Assistance Corporation (RCAC) have been helpful in providing information about financial considerations for SSWS; readily available resources should be made available

BS: RCAC focused on encouraging consolidation, may not be helpful for people not wanting consolidation

PL: less than about a dozen topics that water systems need more information about (chrom 6, nitrate, PFOS, SWI, dry wells, financial reserves, backup power, metering, water hauling.) Funding could be used for informational website and a set of tools about these topics, how impacts your water company, resources and tools for how to mitigate in your system; Getting funding for reserves will be monumental task, but educating people about how to become more resilient might be the way to go.

SR: outcomes will be used to generate a chapter for CAAP. Maybe 3 chapters (public water systems, SSWS, private wells). Outline threats; short-term opportunities (website, tools available); short-term goals (reserve analysis spreadsheet, drought reporting tool, assistance with grants); develop guidebooks for what to consider when considering consolidation (when to focus on that vs. independence); layout short term, medium, long-term goals, using existing resources and additional resources needed from state

SA: some of that info for a portal is good information regardless of the type of system

PL: others in the state will need these same tools

SR: SSWS forums held regularly; we can present draft to them and get feedback; could also be done for private well owners

BS: drinking water needs assessment (2022) found on State Water Board website; domestic well and SSWS risk is very low for Santa Cruz County in the online document; mapping tool on the website helpful; would be helpful to cover costs of metering, POU treatments (ie. Pajaro/DAC area), tools and assistance for detecting leaks and how to do water audits (SA); spreadsheets where can plug in information to reduce time requirement; info on how to build structure for building reserves, minimize additional reporting requirements unless data is of

8/11/2022

Page 8 of 9

direct benefit; County emergency ordinance may need to be updated - County should consider ability to declare emergency so that can qualify for funding; County level ordinance with well defined parameters for activating a groundwater emergency could benefit county; RCRC – our County not a member but they make new legislation info available to rural communities; our County should be a part of this.

JR: County Service Areas have been used in the past as a way to collect funds, this may be a mechanism to help build financial reserves for SSWS. Water could be added on.

BS: have a draft a soon as possible;

BL: good to circulate draft of report to this working group before it goes to the WAC; could go to WAC 2 times, one for a read through, and one for consideration of adoption.

SR: need to check on CAAP timeframe

Notes From Chat:

[9:42 AM] Edan Cassidy

<https://santacruzlafco.org/>

Santa Cruz LAFCO | Local Agency Formation Commission

The Local Agency Formation Commission of Santa Cruz County determines the most logical provider of public services in Santa Cruz.

[10:04 AM] Martin Mills (Guest)

FYI - The County likely does not have the authority to require CPUC regulated water utilities to build reserves. I don't believe that the CPUC even allows our utility to bill rates that build reserves. We are required to spend the funds first then recover the investment.

[11:18 AM] Stephen Rider

Oxford defines annexing: add (territory) to one's own territory by appropriation. So...the vocabulary could do much better.

[11:23 AM] Joe Serrano

LAFCO law defines annexation as follows Government Code Section 56017: "Annexation" means the inclusion, attachment, or addition of territory to a city or district.

[11:25 AM] Stephen Rider

8/11/2022

Page 9 of 9

As a technical definition, that's great, as a lay definition, Googling "annex" brings up Russia's war in Ukraine, not exactly the best association. Blessed be the GCS56017

[11:26 AM] Martin Mills (Guest)

RCAC - Rural Community Assistance Corporation. They provide a lot of training. We regularly utilize that as operators.

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