



Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

AGENDA

SOUTHEAST WATER COALITION

SPECIAL MEETING OF THE ADMINISTRATIVE ENTITY

**CITY OF WHITTIER
EMERGENCY OPERATIONS CENTER
13200 PENN STREET
WHITTIER, CA 90602**

**THURSDAY, JULY 18, 2019
11:30 AM**

- 1. ROLL CALL**
- 2. PUBLIC COMMENTS**
- 3. CONSENT CALENDAR**

*****Consent Calendar items will be considered and approved in one motion unless removed by an Administrative Entity Member for discussion.*****

- a. **SEWC ADMINISTRATIVE ENTITY MINUTES OF MAY 16, 2019
SPECIAL MEETING**

Recommendation: Approve minutes as submitted.

*****End of Consent Calendar*****

4. AUTHORIZATION TO RETAIN AN AUDIT FIRM TO COMPLETE THE FISCAL YEAR 2018-2019 SOUTHEAST WATER COALITION (SEWC) AUDIT

Kyle Cason, AE Chair, City of Whittier

Recommendation: That the Administrative Entity take the following action:

Recommend to the Board of Directors to authorize the City of Whittier's Director of Finance, serving as SEWC Treasurer and Controller, to award a sole source contract to White Nelson Diehl Evans, LLP to administer the annual audit of SEWC financial statements for Fiscal Year 2018-2019.

5. RECEIVE AND FILE AN UPDATE ON THE CENTRAL BASIN MUNICIPAL WATER DISTRICT (CBMWD) RETAIL METER CHARGE

Kyle Cason, AE Chair, City of Whittier

Recommendation: That the Administrative Entity take the following action:

Receive and file an update on the Central Basin Municipal Water District (CBMWD) Retail Meter Charge.

6. LEGISLATIVE UPDATE

Kyle Cason, AE Chair, City of Whittier

Recommendation: That the Administrative Entity take the following action:

Receive and file an update on current water-related bills under consideration in the State Legislature.

7. AUGUST 1, 2019 BOARD OF DIRECTORS AGENDA

Kristen Sales, KJServices Environmental Consulting

Recommendation: Consider Draft SEWC JPA Board of Directors Agenda

8. WRITTEN COMMUNICATIONS

9. ADMINISTRATIVE ENTITY MEMBER COMMENTS

AMERICANS WITH DISABILITIES ACT: In compliance with the Americans with Disabilities Act of 1990, the City of Whittier is committed to providing reasonable accommodations for a person with a disability. Please call Veronica Barrios with the City of Whittier at (562) 567-9501, if special accommodations are necessary and/or if information is needed in an alternative format. Special requests must be made in a reasonable amount of time in order that accommodations can be arranged.

The next meeting of the Southeast Water Coalition Administrative Entity will be on Thursday, September 19, 2019, 11:30 am, Palm Park Aquatics Center, 5703 Palm Ave., Whittier, CA 90601.

I, Veronica Barrios, City of Whittier, do hereby certify, under penalty of perjury under the laws of the State of California that the foregoing notice was posted pursuant to Government Code Section 54950 Et. Seq. and City of Whittier Ordinance at the following locations: Whittier City Hall, Whittier Public Library, and the Whittwood Branch Library.

Dated: July 17, 2019



Veronica Barrios
Administrative Secretary
Department of Public Works

**MINUTES OF THE
SOUTHEAST WATER COALITION
JOINT POWERS AUTHORITY
SPECIAL MEETING OF THE ADMINISTRATIVE ENTITY**

**CITY OF WHITTIER
PALM PARK AQUATIC CENTER
5703 PALM AVE.
WHITTIER, CA 90601**

**TUESDAY, MAY 16, 2019
11:30 AM**

The special meeting of the Southeast Water Coalition Joint Powers Authority Administrative Entity was called to order at 11:31 a.m. by AE Chair Kyle Cason. At the time the meeting was called to order a quorum of members were present. Roll call was taken with the following Administrative Entity members present:

1. ROLL CALL

Gina Nila, AE Vice-Chair	City of Commerce (arrived at 11:45am)
Dan Mueller	City of Downey
Jason Wen	City of Lakewood
Derwin Dy	City of Lakewood
Julian Lee	City of Norwalk
Adriana Figueroa	City of Paramount
James Coiner	City of Pico Rivera
Gladis Deras	City of South Gate (via conference call at 12pm)
Wendell Wall	City of Vernon
Kyle Cason, AE Chair	City of Whittier

Others in Attendance	
Sarina Morales-Choate	City of Santa Fe Springs
Kristen Sales	KJServices Environmental Consulting

2. PUBLIC COMMENTS

No Public Comments were received.

3. **CONSENT CALENDAR**

Administrative Entity (AE) Chair Kyle Cason (Whittier) called for a motion to approve the Consent Calendar.

Julian Lee (Norwalk) made a motion to approve the Consent Calendar. The motion was seconded by Kyle Cason (Whittier). With abstentions from Adriana Figueroa (Paramount), Wendell Wall (Vernon), and Dan Mueller (Downey), the motion was approved by a unanimous voice vote of the Administrative Entity members.

4. **RESOLUTION 2019-02 TO MOVE LOCATION OF ADMINISTRATIVE ENTITY MEETINGS**

Administrative Entity (AE) Chair Kyle Cason (Whittier) introduced this item.

AE Chair Cason stated that at the Board of Directors meeting on April 4, 2019, the Board voted against changing the location of all SEWC meetings to the Palm Park Aquatic Center. Since the AE members still prefer to conduct AE meetings at Palm Park, the Board voted to table the discussion until their June 6, 2019 Board meeting, when the AE would present a new Resolution that would change only the AE meeting location.

AE Chair Cason asked for a motion to recommend the Board of Directors approve 2019-02 at the June 6, 2019 meeting. The motion was made by Adriana Figueroa (Paramount) and seconded by Jason Wen (Lakewood). The motion was approved by a unanimous voice vote of the Administrative Entity.

5. **FISCAL YEAR 2019-2020 SOUTHEAST WATER COALITION (SEWC) DRAFT BUDGET**

Administrative Entity (AE) Chair Kyle Cason (Whittier) provided an overview of this item.

AE Chair Cason stated that the attached draft budget for FY 2019-2020 had been updated since the previous meeting, and includes an increase in the line items for the Financial Audit and Program Management Services. AE Chair Cason stated that the contribution to member fees remains the same as the two previous FYs, at a credit of \$5,000. AE Chair Cason then opened the floor up to questions or comments from the AE members. Receiving no comments, AE Chair Cason asked for a motion to recommend the Board of Directors approve the Fiscal Year 2019-2020 SEWC Draft Budget at their next meeting on June 6, 2019.

The motion was made by Adriana Figueroa (Paramount), and seconded by Dan Mueller (Downey). The motion was approved by a unanimous voice vote of the Administrative Entity.

6. CITY OF GARDENA VS. REGIONAL WATER QUALITY CONTROL BOARD, LOS ANGELES REGION

AE Chair Kyle Cason (Whittier) provided an overview of this item.

AE Chair Cason stated that the City of Whittier is involved in this lawsuit, since their City Attorney Bruce Lindsey is participating with Duarte and working with Gardena's attorney in the suit. AE Chair Cason stated that since the 2012 Permit could potentially be thrown out, which would affect all the SEWC member cities, this item should be discussed at the Board level.

Adriana Figueroa (Paramount) stated that she would not oppose hearing an update on the court case at the Board of Directors meeting, but asked if stormwater regulations were really relevant to SEWC's mission. AE Chair Cason answered that since the ruling would affect all SEWC member cities, this would be a good opportunity to present at SEWC, since all the cities' Council Members would be there. AE Chair Cason stated it would be a good opportunity for education on stormwater issues. Adriana Figueroa stated that a discussion might be premature, since the court has not issued its ruling to the cities and the Regional Water Board yet. Adriana Figueroa restated that SEWC is not the venue for this issue.

AE Chair Cason stated that his Board Member wanted an update, and suggested their City Attorney Bruce Lindsey provide the presentation to the SEWC Board. Adriana Figueroa stated that the presentation would have to represent both sides of the lawsuit with a non-Whittier attorney, and suggested perhaps someone from the Regional Water Control Board should be present. Dan Mueller (Downey) asked if a consultant like John Hunter could present on this issue, but Jason Wen (Lakewood) responded that Hunter presenting would be a conflict of interest.

Jason Wen supported the idea of giving a presentation at the Board level, stating that SEWC is the only regional groundwater group where elected officials are part of the makeup, unlike the Gateway Water Quality Authority. Adriana Figueroa added that the Gateway Council of Governments will be discussing the court case at their meeting in June, 2019. She stated that the judgment on the case says that the new permit must consider the financial implications of the regulations, but the financial burden will probably fall back on the cities for stormwater cleanup. Dan Mueller agreed, stating that the stormwater regulations would probably come back in a different form, even if Permit 2012 is invalidated.

AE Chair Cason stated that Nick Ghirelli, of SEWC Legal Counsel Richards, Watson & Gershon, was involved with interested parties. Adriana Figueroa suggested that Mr. Ghirelli give the presentation to the Board, since he has familiarity with SEWC and has knowledge of the court case and stormwater regulations in general.

Gina Nila (Commerce) asked if stormwater issues were included in SEWC's mission, or if this legal ruling was more of an individual city issue. She stated that

the City of Whittier has a history of disagreeing with the County's MS4 Permit and asked if SEWC could remain unbiased. She further stated that cities have to take into consideration potential funding sources that will come from the implementation of Measure W.

Dan Mueller stated he agreed with a regional approach to stormwater issues, adding that a collective perspective is best. Adriana Figueroa added that the 2012 Permit ruling could potentially affect the expenditure portion of each cities' Measure W funds. Julian Lee (Norwalk) stated that he was in favor of having a presentation at the Board level, but added this issue with a special exception; in the future, SEWC needs to stick to groundwater issues only.

AE Chair Cason asked for a motion to invite Nick Ghirelli to the June 6, 2019 SEWC Board meeting to provide an update on City of Gardena vs. Regional Water Quality Control Board, Los Angeles Region. The motion was made by Jason Wen (Lakewood) and seconded by Dan Mueller (Downey). With abstentions from Adriana Figueroa (Paramount) and Gina Nila (Commerce), the motion was approved by a unanimous voice vote of the Administrative Entity.

7. **LEGISLATIVE UPDATE**

AE Chair Kyle Cason (Whittier) provided an overview of this item.

During this item, Gladis Deras (South Gate) called in to the meeting via teleconference. Kristen Sales (KJServices Environmental Consulting) gave a summary of all the legislation in the staff report and the current status of each bill.

Ms. Sales stated that the Governor's Budget Trailer Bill language had been amended on May 14, 2019 to add a fee structure to the proposed water tax in the Safe and Affordable Drinking Water program. Ms. Sales further stated that the Senate sent an alternate proposal that would fund the Safe and Affordable Drinking Water program with a \$150 million continuous General Fund appropriation, instead of a water tax.

Adriana Figueroa (Paramount) suggested that since the Budget Trailer Bill had been amended, the SEWC Board of Directors send another letter of opposition to the new revisions.

AE Chair Cason asked for a motion to recommend the Board of Directors send a letter opposing the new BTB language. The motion was made by Adriana Figueroa (Paramount) and seconded by Julian Lee (Norwalk). The motion was approved by a unanimous voice vote of the Administrative Entity.

8. **PROGRAM MANAGEMENT SERVICES AGREEMENT**

Administrative Entity (AE) Chair Kyle Cason (Whittier) asked Kristen Sales (KJServices Environmental Consulting) to step out of the room while this item was

discussed.

After the Administrative Entity members discussed the item, Ms. Sales returned to the room. AE Chair Cason stated that the AE had voted to award the Program Management Services Agreement to KJServices, but instead of the standard two-year contract, add the amendment of an optional, mutual, three-year extension at the discretion of the Administrative Entity.

The motion was made by Adriana Figueroa (Paramount), and seconded by Gina Nila (Commerce). The motion was approved by a unanimous voice vote of the Administrative Entity.

9. **EMERGENCY ITEM -- CENTRAL BASIN MUNICIPAL WATER DISTRICT WATER METER CHARGE**

Gina Nila (Commerce) asked for a motion to add an emergency item to the meeting, regarding the Central Basin Municipal Water District water purveyors meeting on May 15, 2019. The motion was approved by a unanimous voice vote of the Administrative Entity.

Gina Nila stated that at yesterday's CBMWD meeting, Kevin Hunt presented two options for a water meter charge. The first option was a Fixed Meter Charge of \$4.68 per meter per year. The second option was a Fixed Meter Charge of \$3.61 per meter per year, plus one day a month of CB staff furloughs. Ms. Nila stated that no further budget cuts are on the table for negotiation. Ms. Nila stated that both options were unacceptable, and Adriana Figueroa (Paramount) agreed.

Ms. Figueroa stated that Kevin Hunt has the votes on the CB Board to approve the fixed meter charge, and that the purveyors' appointed At-Large representative John Oskoui might vote in favor of the charge as well. Ms. Figueroa asked the AE members to contact Mr. Oskoui and encourage him to vote against the fixed meter charge. Ms. Figueroa stated that the item will go to the CBMWD Board of Directors for a vote on May 28, 2019.

Jason Wen (Lakewood) suggested that the AE members rally against the proposed meter charge. Mr. Wen stated Central Basin needed to do a 33% reduction in employee costs to free up \$1 million. He added that recycled water costs have been increasing every year, and there is no sunset provision for the fixed meter charge.

Gina Nila asked if there was an option to contact Assemblymember Cristina Garcia and implement more legislative changes to the Central Basin Board. Jason Wen asked if it was possible to set a time limitation on the fixed meter charge. Adriana Figueroa suggested setting a cap on the charge and adding a sunset clause. Julian Lee (Norwalk) stated that there is no way for Central Basin to recover their budget deficit in five years without cutting labor costs.

AE Chair Kyle Cason (Whittier) asked for a motion to present an update on the

Fixed Meter Charge and May 28, 2019 CBMWD Board of Directors meeting at the next SEWC Board meeting on June 6, 2019. The motion was made by Adriana Figueroa (Paramount) and seconded by Julian Lee (Norwalk). The motion was approved by a unanimous voice vote of the Administrative Entity.

10. **JUNE 6, 2019 BOARD OF DIRECTORS AGENDA**

Ms. Kristen Sales (KJServices) provided an overview of the following items to present at the next Policy Board meeting on June 6, 2019:

- 1) Approval of 2019-2020 SEWC Draft Budget
- 2) Approval of Program Management Services Agreement w/KJServices
- 3) Resolution 2019-02
- 4) Letter of Opposition to Budget Trailer Bill Revisions to Safe and Affordable Drinking Water program
- 5) Update on Central Basin Board Meeting 5/28 re: Fixed Meter Charge
- 6) Nick Ghirelli to present on Gardena vs. Regional Water Control Board
- 7) Receive and File Update on WRD Replenishment Assessment Rate

11. **WRITTEN COMMUNICATIONS**

The Administrative Entity received written communications via email from Legislative Consultant Jason Gonsalves, regarding updates on the Budget Trailer Bill and Senate actions.

12. **ADMINISTRATIVE ENTITY MEMBER COMMENTS**

No Administrative Entity Member Comments were received.

13. **ADJOURNMENT**

AE Chair Cason adjourned the meeting at 1:26 p.m.

CHAIR

ATTEST:

**SOUTHEAST WATER COALITION
JOINT POWERS AUTHORITY
AGENDA REPORT**

Date: July 18, 2019
To: Southeast Water Coalition Administrative Entity
From: Kyle Cason, Chair, City of Whittier

Subject: Authorization to Retain an Audit Firm to Complete the Fiscal Year 2018-2019 Southeast Water Coalition (SEWC) Audit

Recommendation: That the Administrative Entity take the following action:

Recommend to the Board of Directors to authorize the City of Whittier's Director of Finance, serving as SEWC Treasurer and Controller, to award a sole source contract to White Nelson Diehl Evans, LLP to administer the annual audit of SEWC financial statements for Fiscal Year 2018-2019.

Discussion

The Southeast Water Coalition Joint Power Agreement, Section 7.1 stipulates:

The controller of the Coalition shall cause an independent annual audit of the Coalitions' finance to be made by a certified public accountant in compliance with Government Code Section 6505.

Since 2008, White Nelson Diehl Evans LLP (WNDE) has administered SEWC's annual audits. WNDE has prepared comprehensive audits at reasonably low fees and is recommended to administer the next (Fiscal Year 2018-2019) annual audit on a sole source basis due to their experience in performing such audits for SEWC.

WNDE has submitted a scope of work and fee proposal for the Fiscal Year (FY) 2018-2019 Audit for an amount for \$4,650. WNDE also proposed an additional fee of \$800 to prepare the State Controller's Special Districts Financial Transaction Report should SEWC desire.

This fee is reasonable given the services to be provided. Staff has confidence in WNDE's ability to complete the audits in a professional and timely manner.

Budget Impact

The approved SEWC FY 19-20 Budget increased the Financial Services line item from \$4,000 in FY 18/19, to \$6,000. This was anticipation of audit costs rising every year.

In FY 18/19, the total audit cost for the FY 17-18 Audit, plus the State Controller's Report, was \$5,300.

This year, WNDE's quoted price for the FY 18-19 Audit, plus the State Controller's Report, is \$5,450. This is a \$150 increase over the previous year.

SEWC has sufficient monies in its FY 19-20 Budget (\$6,000) to pay for WNDE's quoted audit price (\$5,450), with funds remaining.

Attachment(s):

1. WNDE FY 18-19 Engagement Letter and Audit Proposal
2. WDNE FY 18-19 State Controller's Report Proposal
3. Approved FY 2019-2020 SEWC Budget

To the Administrative Entity Members
of the Southeast Water Coalition
Whittier, CA

We are engaged to audit the financial statements of the governmental activity and general fund of the Southeast Water Coalition (the Coalition) for the year ended June 30, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 10, 2019, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we will consider the internal control of the Coalition. Such considerations will be solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the Coalition and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Coalition or to acts by management or employees acting on behalf of the Coalition.

Planned Scope and Timing of the Audit (Continued)

We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards. If a member of the Administrative Entity is aware of matters that have a material bearing on the financial statements taken as a whole (such as those described above in items 1-4), please contact Robert Callanan, the engagement partner, at 714-978-1300 or by email at rcallanan@wndecpa.com by September 1, 2019.

We expect to begin our audit in November 2019 and issue our report by January 31, 2020. Robert Callanan is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of the Board Members, Administrative Entity Members and management of the Southeast Water Coalition and is not intended to be and should not be used by anyone other than these specified parties.

White Nelson Dick Evans LLP

Irvine, California
July 15, 2019

July 10, 2019

Administrative Entity Members
Southeast Water Coalition
C/O City of Whittier
13230 Penn Street
Whittier, CA 90602

We are pleased to confirm our understanding of the services we are to provide the Southeast Water Coalition (the Coalition) for the year ended June 30, 2019. We will prepare the Special Districts Financial Transactions Report and Supplement to the Annual Report for the 2019 fiscal year and perform a compilation engagement with respect to these reports.

Our Responsibilities

The objective of our engagement is to -

1. prepare the Special Districts Financial Transactions Report and Supplement to the Annual Report in accordance with the format prescribed by the California State Controller's Office based on information provided by you, and
2. apply accounting and financial reporting expertise to assist you in the presentation of the Special Districts Financial Transactions Report and Supplement to the Annual Report without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the Special Districts Financial Transactions Report and Supplement to the Annual Report in order for them to be in accordance with the format prescribed the California State Controller's Office.

We will conduct our compilation engagement in accordance with Statements on Standards for Accounting and Review Services ("SSARS") promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants ("AICPA") and comply with the AICPA's *Code of Professional Conduct* including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the Special Districts Financial Transactions Report and Supplement to the Annual Report.

Our Responsibilities (Continued)

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the Coalition or noncompliance with laws and regulations.

We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Your Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to assist you in the presentation of the Special Districts Financial Transactions Report and Supplement to the Annual Report in accordance with the format prescribed by the California State Controller's Office.

You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARS:

1. The selection of the format prescribed by the California State Controller's Office as the financial reporting framework to be applied in the preparation of the Special Districts Financial Transactions Report and Supplement to the Annual Report.
2. The preparation and fair presentation of the Special Districts Financial Transactions Report and Supplement to the Annual Report in accordance with the format prescribed by the California State Controller's Office.
3. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Special Districts Financial Transactions Report and Supplement to the Annual Report.
4. The prevention and detection of fraud.
5. To ensure that the Coalition complies with the laws and regulations applicable to its activities.
6. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.

Your Responsibilities (Continued)

7. To provide us with -

- access to all information of which you are aware that is relevant to the fair presentation of the Special Districts Financial Transactions Report and Supplement to the Annual Report, such as records, documentation, and other matters.
- additional information that we may request from you for the purpose of the compilation engagement.
- unrestricted access to persons within the Coalition of whom we determine it necessary to make inquiries.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your Special Districts Financial Transactions Report and Supplement to the Annual Report. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

Our Report

As part of our engagement, we will issue a report that will state that we did not audit or review the Special Districts Financial Transactions Report and Supplement to the Annual Report and that, accordingly, we do not express an opinion, a conclusion, or provide any assurance on them. If, for any reason, we are unable to complete the compilation of your Special Districts Financial Transactions Report and Supplement to the Annual Report, we will not issue a report on such annual reports as a result of this engagement.

Our report will disclose that the Special Districts Financial Transactions Report and Supplement to the Annual Report are presented in a prescribed form in accordance with the requirements of the California State Controller's Office and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

You agree to include our accountants' compilation report in any document containing the Special Districts Financial Transactions Report and Supplement to the Annual Report that indicates we have performed a compilation engagement on such annual reports and, prior to inclusion of the report, to ask our permission to do so.

Administrative Entity Members
Southeast Water Coalition
July 10, 2019
Page 4

Other Relevant Information

Robert J. Callanan is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fees for these services will be \$800. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the work performed. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you acknowledge and agree with the terms of our engagement as described in this letter, please sign and date below and return a copy of the signed letter to us.

Very truly yours,

White Nelson Dick Evans LLP

RESPONSE:

This letter correctly sets forth the understanding of the Southeast Water Coalition.

By 

Name Rod Hill

Title DIRECTOR OF ADMINISTRATIVE SERVICES

Date 7/11/19



July 10, 2019

Administrative Entity Members
Southeast Water Coalition
C/O City of Whittier
13230 Penn Street
Whittier, CA 90602

We are pleased to confirm our understanding of the services we are to provide the Southeast Water Coalition (the Coalition) for the year ended June 30, 2019. We will audit the financial statements of the governmental activities and general fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Coalition as of and for the year ended June 30, 2019. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Coalition's basic financial statements. It is our understanding that management's discussion and analysis will not be accompanying the Coalition's basic financial statements and our report will indicate this fact.

Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the Coalition's financial statements. Our report will be addressed to the Administrative Entity Members of the Coalition. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Coalition or to acts by management or employees acting on behalf of the Coalition.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Control

Our audit will include obtaining an understanding of the Coalition and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Coalition's compliance with the provisions of applicable laws, regulations, contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will also assist in preparing the financial statements and related notes of the Coalition in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the Coalition from whom we determine it necessary to obtain audit evidence. Because of the importance of oral and written management representations to the effective performance of our services, the Coalition releases and indemnifies our firm and its personnel from any and all claims, liabilities, costs and expenses attributable to any misrepresentation by management and its representatives.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management Responsibilities (Continued)

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Coalition involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Coalition received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the Coalition complies with applicable laws and regulations.

You agree to assume all management responsibilities for financial statement preparation and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Engagement Administration, Fees, and Other

Noted below is a listing of some work required by Coalition staff to assist in the audit:

1. Preparation of trial balances for all funds, after posting of all year-end journal entries.
2. Preparation of supporting schedules for all material balance sheet accounts, and selected revenue and expenditure accounts.
3. Typing of all confirmation requests.
4. Pulling and refiling of all supporting documents required for audit verification.

We expect to begin our audit in November 2019 and to issue our reports before January 31, 2020. Mr. Robert J. Callanan is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Engagement Administration, Fees, and Other (Continued)

Our fee for these services will be as follows:

	Fiscal Year <u>2018-19</u>
Coalition Audit	<u>\$ 4,650</u>

The maximum annual fee stipulated herein contemplates that conditions satisfactory to the normal progress and completion of the examination will be encountered and the Coalition's accounting personnel will furnish the agreed upon assistance in connection with the audit. However, if unusual circumstances are encountered which make it necessary for us to do additional work; we shall report such conditions to the responsible Coalition officials and provide the Coalition with an estimate of the additional accounting fees involved.

The audit documentation for this engagement is the property of White Nelson Diehl Evans LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to grantor agencies or their designees. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of White Nelson Diehl Evans LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

In accordance with our firm's current record retention policy, all of your original records will be returned to you at the conclusion of this engagement. Our audit documentation files will be kept for a period of seven years after the issuance of the audit report. All other files will be kept for as long as you retain us as your auditors. However, upon termination of our service, all records will be destroyed after a period of seven years. Physical deterioration or catastrophic events may further shorten the life of these records. The audit documentation files of our firm are not a substitute for your original records.

To ensure that White Nelson Diehl Evans LLP's independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

Engagement Administration, Fees, and Other (Continued)

We are pleased to be associated with the Southeast Water Coalition in the capacity of independent auditors. We will continue to provide the Coalition with a high level of professional services. Please feel free to call on us if we can be of assistance in any other financial or accounting matters.

If this letter accurately summarizes the significant terms of our engagement and fees, please indicate the Coalition's acceptance by a signature of an appropriate Coalition official in the space provided below and return it to us. If you have any questions, please let us know.

Very truly yours,

White Nelson Dick Evans LLP

ACCEPTED:

SOUTHEAST WATER COALITION

By 

Name Rod Hill

Title DIRECTOR OF ADMINISTRATIVE SERVICES

Date 7/11/19

**SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY
FISCAL YEAR 2019-2020 FINAL BUDGET - APPROVED JUNE 6, 2019**

	FY 2018-2019		FY 2019-2020
	Approved Budget	Total Projected Expenditures	Approved Budget
Carryover Balance	\$191,157	\$181,709	\$200,209
Revenues:			
Annual Assessments for Member Agencies	\$110,000	\$110,000	\$110,000
Less Credits to Member Agencies	(\$55,000)	(\$55,000)	(\$55,000)
Interest Income	\$1,000	\$1,000	\$1,000
Total Revenues	\$56,000	\$56,000	\$56,000
Available Funds	\$247,157	\$237,709	\$256,209
Expenditures:			
Program Management Services	\$17,000	\$16,000	\$20,000
As Needed Government Relations	\$20,000	\$0	\$20,000
Legal Services	\$7,500	\$4,500	\$7,500
Board/Staff Travel/Meeting Expense	\$1,000	\$1,000	\$1,000
Financial Audit	\$4,000	\$4,000	\$6,000
Policy Board Compensation	\$9,900	\$6,600	\$9,900
Office Supplies	\$100	\$100	\$100
Policy Board Meetings	\$3,000	\$3,000	\$3,000
Administrative Entity Meetings	\$1,000	\$1,000	\$1,000
Consultant Services	\$60,000	\$1,300	\$60,000
Consultant Services Contingencies	\$0	\$0	\$0
Total Expenditures	\$123,500	\$37,500	\$128,500
Ending Balance	\$123,657	\$200,209	\$127,709

Notes:

1. Draft Budget (B) - Assumes credit of \$5,000 off of \$10,000 member agency annual dues resulting in total annual dues of \$5,000



Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY AGENDA REPORT

Date: July 18, 2019
To: Southeast Water Coalition Administrative Entity
From: Kyle Cason, AE Chair, City of Whittier

Subject: Receive and file an update on the Central Basin Municipal Water District (CBMWD) Retail Meter Charge

Recommendation: That the Administrative Entity take the following action:

Receive and file an update on the Central Basin Municipal Water District (CBMWD) Retail Meter Charge.

Background:

After numerous Board of Directors and purveyor's meetings, the Central Basin Municipal Water District (CBMWD) Board of Directors approved the Fiscal Year 2020 Budget, including a fixed Retail Meter Charge, at their Special Meeting on July 10, 2019.

The CBMWD Board voted to adopt the FY 2020 Budget, with a reduction of \$78,000, and include a fixed Retail Meter Charge of \$2.00 for one year. The Board approved a tolling provision for this Resolution, agreed that there would be another Resolution at the July 22, 2019 Board meeting that includes a sunset clause.

The motion passed with a vote of 6 Ayes (Heldman, Arrighi, Hawkins, Oskoui, Camacho-Rodriguez, Apodaca) to 2 Noes (Chacon, Vasquez).

On July 17, 2019, water purveyors held a meeting to discuss the passage of the Retail Meter Charge.

It is recommended that the Administrative Entity receive and file an update on the CBMWD Retail Meter Charge, its impact on the SEWC member cities, and discuss next steps.



Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY AGENDA REPORT

Date: July 18, 2019
To: Southeast Water Coalition Administrative Entity
From: Kyle Cason, AE Chair, City of Whittier

Subject: Legislative Update

Recommendation: That the Administrative Entity take the following action:

Receive and file an update on current water-related bills under consideration in State Legislature

Background

The California Legislature is on Summer Recess from July 12 - August 12, 2019.

The Fiscal Year 2019-2020 California State Budget was signed into law by Governor Brown on June 27, 2019.

Safe and Affordable Drinking Water Fund passes with no tax on water

FY 19-20 Budget includes:

- \$100 million Greenhouse Gas Reduction Fund and \$33.4 million General Fund one-time in 2019-20 to begin implementation of Safe and Affordable Drinking Water Program
- continual appropriations of 5% of annual Cap and Trade proceeds (up to \$130 million) beginning 2020-21 through 2030, and provide a General Fund backstop beginning in 2023-24 in the event annual revenues for this purpose are lower than \$130 million

SB 200 (Monning) Drinking water:

- Enrolled July 10, 2019. Establishes the Safe and Affordable Drinking Water Fund in the State Treasury. Works in tandem with the passage of the Safe and Affordable Drinking Water Program in the State Budget.

The following bills related to the right to water did not move forward:

SB-669 (Caballero, 2019) Water quality: Safe Drinking Water Fund - suspense file

AB-217 (Eduardo Garcia, 2019) Safe and Affordable Drinking Water Fund - bill was subsequently amended into another subject

AB-134 (Bloom) Safe Drinking Water Restoration - hearing in Senate Environmental Quality Committee 7/3/19 cancelled at author's request

- This bill was tied to AB 217, so it may not move forward.

Other passed and enrolled bills:

AB-756 (Cristina Garcia) Public water systems: perfluoroalkyl substances and polyfluoroalkyl substances

This bill would authorize the State Water Resources Control Board to order a public water system to monitor for perfluoroalkyl substances and polyfluoroalkyl substances.

Enrolled July 9, 2019.

AB-591 (Cristina Garcia) Central Basin Municipal Water District: board of directors

Existing law requires the 3 directors appointed by the water purveyors, as specified, to live or work within the district and requires a term of an appointed director to be terminated if the appointed director no longer is employed by or a representative of the appointing city.

This bill would amend Section 71265 of the Water Code to define "representative" for these purposes to be a consultant or contractor of an entity, or a board member of an entity that is a mutual water company.

Enrolled on July 9, 2019.

AB-1220 (Cristina Garcia) Metropolitan Water Districts

This bill would amend Section 52 of the Metropolitan Water District Act to prohibit a member public agency from having fewer than the number of representatives it had as of January 1, 2019.

Approved by Governor Brown and chaptered into law on July 10, 2019.

Active Bills:

SB-414 (Caballero) Small System Water Authority Act of 2019

Bill would enact the Small System Water Authority Act of 2019 and require the State Water Resources Control Board (State Water Board) to order the consolidation of certain small water systems that are not in compliance with specified clean drinking water standards through the formation of a small system water authority, as specified.

Active bill. In Assembly Appropriations Committee.

Attachment(s):

1. SB 200 - Text of Bill

Senate Bill No. 200

Passed the Senate July 8, 2019

Secretary of the Senate

Passed the Assembly July 5, 2019

Chief Clerk of the Assembly

This bill was received by the Governor this _____ day
of _____, 2019, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to add Section 53082.6 to the Government Code, to amend Sections 39719, 100827, 116275, 116385, 116530, 116540, and 116686 of, and to add Chapter 4.6 (commencing with Section 116765) to Part 12 of Division 104 of, the Health and Safety Code, and to add Chapter 7 (commencing with Section 8390) to Division 4.1 of the Public Utilities Code, relating to drinking water, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 200, Monning. Drinking water.

(1) Existing law, the California Safe Drinking Water Act, requires the State Water Resources Control Board to administer provisions relating to the regulation of drinking water to protect public health. Existing law declares it to be the established 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 bill would establish the Safe and Affordable Drinking Water Fund in the State Treasury to help water systems provide an adequate and affordable supply of safe drinking water in both the near and long terms. The bill would authorize the state board to provide for the deposit into the fund of certain moneys and would continuously appropriate the moneys in the fund to the state board for grants, loans, contracts, or services to assist eligible recipients. The bill would require the state board, in consultation with the Department of Finance, to adopt a fund expenditure plan with specified contents and would require, on and after July 1, 2020, expenditures of the fund to be consistent with the plan. The bill would require, by January 1, 2021, the state board, in consultation with local health officers and other relevant stakeholders, to make publicly available, as specified, a map of aquifers that are used or likely to be used as a source of drinking water that are at high risk of containing contaminants that exceed safe drinking water standards. For purposes of the map, the bill would require local health officers and other relevant local agencies to provide all

results of, and data associated with, water quality testing performed by certified laboratories to the state board, as specified. By imposing additional duties on local health officers and local agencies, the bill would impose a state-mandated local program.

The act provides for the operation of public water systems and authorizes the state board to contract with, or provide a grant to, an administrator to provide administrative, technical, operational, or managerial services, or any combination of those services, to a designated water system to assist with the provision of an adequate supply of affordable, safe drinking water. The act defines an administrator as a person whom the state board has determined is competent to perform the administrative, technical, operational, or managerial services required, as specified, and authorizes a privately owned public utility to serve as an administrator.

This bill would, among other things, authorize an administrator to additionally provide legal services pursuant to those provisions and to act, where the administrator is authorized to act on behalf of a designated public water system, on behalf of a voluntary participant, as defined. The bill would recast the authorization for a local agency or a privately owned public utility to serve as an administrator for these purposes.

The act prohibits a person from operating a public water system unless the person first submits an application to the state board and receives a permit to operate the system, as specified. The act authorizes the state board, if the state board determines that it is feasible for the service area of the public water system addressed by the application to be served by one or more currently permitted public water systems, to deny the permit of a proposed new public water system if it determines that it is reasonably foreseeable that the proposed new public water system will be unable to provide affordable, safe drinking water in the reasonably foreseeable future, as prescribed.

This bill would eliminate the requirement that the state board determine that it is reasonably foreseeable that the proposed new public water system will be unable to provide affordable, safe drinking water in the reasonably foreseeable future in order to deny the permit of a proposed new public water system.

The act defines a disadvantaged community for its purposes as an area, as specified, in which the median household income is less than 80% of the statewide average.

This bill would revise that definition to apply to specified areas with a median household income of less than 80% of the statewide annual median household income level.

The act requires a public water system to submit a technical report to the state board as a part of the permit application or when otherwise required by the state board, as specified.

This bill would require a public water system to submit the report in the form and format and at intervals specified by the state board.

(2) Existing law requires a laboratory that performs analyses for regulatory purposes of drinking water, wastewater, hazardous waste, and contaminated soils or sediments to obtain certification or accreditation, as specified. Existing law requires, when a person or entity submits material to the laboratory for testing, the laboratory to report the results of all detected contaminants and pollutants to that person or entity.

This bill would require a laboratory accredited by the State Water Resources Control Board to also report the results of each drinking water analysis to the state board in the form or format and at intervals specified by the state board.

(3) The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The act authorizes the state board to include the use of market-based compliance mechanisms. Existing law requires all moneys, except for fines and penalties, collected by the state board as part of a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund and to be available upon appropriation. Existing law continuously appropriates 35% of the annual proceeds of the fund for transit, affordable housing, and sustainable communities programs and 25% of the annual proceeds of the fund for certain components of a specified high-speed rail project.

This bill, beginning in the 2020–21 fiscal year, would require 5% of the annual proceeds of the Greenhouse Gas Reduction Fund, up to the sum of \$130,000,000, to be deposited into the Safe and Affordable Drinking Water Fund for the purposes of the Safe and Affordable Drinking Water Fund, subject to specified restrictions. The bill would require the Director of Finance, beginning in the 2023–24 fiscal year and until June 30, 2030, to calculate the sum to be transferred by the Controller from the General Fund to the

Safe and Affordable Drinking Water Fund if the annual transfer from the annual proceeds of the Greenhouse Gas Reduction Fund is less than \$130,000,000 to equal a total transfer into the Safe and Affordable Drinking Water Fund of \$130,000,000, as specified.

(4) The Budget Act of 2019 appropriates \$100,000,000 from the Greenhouse Gas Reduction Fund and \$30,000,000 from the General Fund to the State Water Resources Control Board for support or local assistance to fund grants, loans, contracts, or services to help water systems provide safe and affordable drinking water.

This bill would require these moneys to be available for the purposes of the Safe and Affordable Drinking Water Fund, subject to specified restrictions.

(5) This bill would provide that its provisions are severable.

(6) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

(7) This bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 53082.6 is added to the Government Code, to read:

53082.6. A local agency may serve as an administrator for the purposes of Section 116686 of the Health and Safety Code.

SEC. 2. Section 39719 of the Health and Safety Code is amended to read:

39719. (a) The Legislature shall appropriate the annual proceeds of the fund for the purpose of reducing greenhouse gas emissions in this state in accordance with the requirements of Section 39712.

(b) To carry out a portion of the requirements of subdivision (a), the annual proceeds of the fund are continuously appropriated for the following:

(1) Beginning in the 2015–16 fiscal year, and notwithstanding Section 13340 of the Government Code, 35 percent of the annual proceeds of the fund are continuously appropriated, without regard to fiscal years, for transit, affordable housing, and sustainable communities programs as follows:

(A) Ten percent of the annual proceeds of the fund is hereby continuously appropriated to the Transportation Agency for the Transit and Intercity Rail Capital Program created by Part 2 (commencing with Section 75220) of Division 44 of the Public Resources Code.

(B) Five percent of the annual proceeds of the fund is hereby continuously appropriated to the Low Carbon Transit Operations Program created by Part 3 (commencing with Section 75230) of Division 44 of the Public Resources Code. Moneys shall be allocated by the Controller, according to requirements of the program, and pursuant to the distribution formula in subdivision (b) or (c) of Section 99312 of, and Sections 99313 and 99314 of, the Public Utilities Code.

(C) Twenty percent of the annual proceeds of the fund is hereby continuously appropriated to the Strategic Growth Council for the Affordable Housing and Sustainable Communities Program created by Part 1 (commencing with Section 75200) of Division 44 of the Public Resources Code. Of the amount appropriated in this subparagraph, no less than 10 percent of the annual proceeds of the fund shall be expended for affordable housing, consistent with the provisions of that program.

(2) Beginning in the 2015–16 fiscal year, notwithstanding Section 13340 of the Government Code, 25 percent of the annual proceeds of the fund is hereby continuously appropriated to the High-Speed Rail Authority for the following components of the initial operating segment and Phase I Blended System as described in the 2012 business plan adopted pursuant to Section 185033 of the Public Utilities Code:

(A) Acquisition and construction costs of the project.

(B) Environmental review and design costs of the project.

(C) Other capital costs of the project.

(D) Repayment of any loans made to the authority to fund the project.

(3) (A) Beginning in the 2020–21 fiscal year, and until June 30, 2030, 5 percent of the annual proceeds of the fund, up to the sum of one hundred thirty million dollars (\$130,000,000), is hereby annually transferred to the Safe and Affordable Drinking Water Fund established pursuant to Section 116766 for the purposes of Chapter 4.6 (commencing with Section 116765) of Part 12 of Division 104.

(B) Moneys transferred under this paragraph shall be used for the purpose of facilitating the achievement of reductions of greenhouse gas emissions in this state in accordance with the requirements of Section 39712 or to improve climate change adaptation and resiliency of disadvantaged communities or low-income households or communities, consistent with Division 25.5 (commencing with Section 38500). For purposes of the moneys transferred under this paragraph, a state agency may also comply with the requirements of paragraphs (2) and (3) of subdivision (a) of Section 16428.9 of the Government Code by describing how each proposed expenditure will improve climate change adaptation and resiliency of disadvantaged communities or low-income households or communities.

(c) In determining the amount of annual proceeds of the fund for purposes of the calculation in subdivision (b), the funds subject to Section 39719.1 shall not be included.

SEC. 3. Section 100827 of the Health and Safety Code is amended to read:

100827. (a) A laboratory accredited by the state board shall report, in a timely fashion and in accordance with the request for analysis, the full and complete results of all detected contaminants and pollutants to the person or entity that submitted the material for testing. The state board may adopt regulations to establish reporting requirements for this section.

(b) A laboratory accredited by the state board shall report the results of each drinking water analysis the laboratory conducts to the state board in the form or format and at intervals specified by the state board.

SEC. 4. Section 116275 of the Health and Safety Code is amended to read:

116275. As used in this chapter:

- (a) “Contaminant” means any physical, chemical, biological, or radiological substance or matter in water.
- (b) “Department” means the state board.
- (c) “Primary drinking water standards” means:
- (1) Maximum levels of contaminants that, in the judgment of the state board, may have an adverse effect on the health of persons.
 - (2) Specific treatment techniques adopted by the state board in lieu of maximum contaminant levels pursuant to subdivision (j) of Section 116365.
 - (3) The monitoring and reporting requirements as specified in regulations adopted by the state board that pertain to maximum contaminant levels.
- (d) “Secondary drinking water standards” means standards that specify maximum contaminant levels that, in the judgment of the state 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 odor or appearance of the water and may cause a substantial number of persons served by the public water system to discontinue its use, or that may otherwise 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 affects the taste, odor, or appearance of the water when the standards are necessary to ensure a supply of pure, wholesome, and potable water.
- (e) “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.
- (f) “Maximum contaminant level” means the maximum permissible level of a contaminant in water.
- (g) “Person” means an individual, corporation, company, association, partnership, limited liability company, municipality, public utility, or other public body or institution.
- (h) “Public water system” means a system for the provision 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 public water system includes the following:

(1) Any collection, treatment, storage, and distribution facilities under control of the operator of the system that are used primarily in connection with the system.

(2) Any collection or pretreatment storage facilities not under the control of the operator that are used primarily in connection with the system.

(3) 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.

(i) “Community water system” means a public water system 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.

(j) “Noncommunity water system” means a public water system that is not a community water system.

(k) “Nontransient noncommunity water system” means a public water system that is not a community water system and that regularly serves at least 25 of the same persons over six months per year.

(l) “Local health officer” means a local health officer appointed pursuant to Section 101000 or a local comprehensive health agency designated by the board of supervisors pursuant to Section 101275 to carry out the drinking water program.

(m) “Significant rise in the bacterial count of water” means a rise in the bacterial count of water that the state board determines, by regulation, represents an immediate danger to the health of water users.

(n) “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.

(o) “Transient noncommunity water system” means a noncommunity water system that does not regularly serve at least 25 of the same persons over six months per year.

(p) “User” means a person using water for domestic purposes. User does not include a person processing, selling, or serving water or operating a public water system.

(q) “Waterworks standards” means regulations adopted by the state board entitled “California Waterworks Standards” (Chapter

16 (commencing with Section 64551) of Division 4 of Title 22 of the California Code of Regulations).

(r) “Local primacy agency” means a local health officer that has applied for and received primacy delegation pursuant to Section 116330.

(s) “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. A connection to a system that delivers water by a constructed conveyance other than a pipe shall not be considered a connection in determining if the system is a public water system if any of the following apply:

(1) The water is used exclusively for purposes other than residential uses, consisting of drinking, bathing, and cooking, or other similar uses.

(2) The state board determines that alternative water to achieve the equivalent level of public health protection provided by the applicable primary drinking water regulation is provided for residential or similar uses for drinking and cooking.

(3) The state board determines that the water provided for residential or similar uses for drinking, cooking, and bathing is centrally treated or treated at the point of entry by the provider, a passthrough entity, or the user to achieve the equivalent level of protection provided by the applicable primary drinking water regulations.

(t) “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.

(u) “Water treatment operator” means a person who has met the requirements for a specific water treatment operator grade pursuant to Section 106875.

(v) “Water distribution operator” means a person who has met the requirements for a specific water distribution operator grade pursuant to Section 106875.

(w) “Water treatment plant” means a group or assemblage of structures, equipment, and processes that treats, blends, or conditions the water supply of a public water system.

(x) “Water distribution system” means any combination of pipes, tanks, pumps, and other physical features that deliver water from the source or water treatment plant to the consumer.

(y) “Public health goal” means a goal established by the Office of Environmental Health Hazard Assessment pursuant to subdivision (c) of Section 116365.

(z) “Small community water system” means a community water system that serves no more than 3,300 service connections or a yearlong population of no more than 10,000 persons.

(aa) “Disadvantaged community” 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.

(ab) “State board” means the State Water Resources Control Board.

(ac) “Deputy director” means the deputy director appointed by the state board pursuant to subdivision (k) of Section 116271.

SEC. 5. Section 116385 of the Health and Safety Code is amended to read:

116385. Any person operating a public water system shall obtain and provide at that person’s expense an analysis of the water to the state board, in the form, covering those matters, and at intervals as the state board by regulation may prescribe. The analysis shall be performed by a laboratory duly certified by the state board.

SEC. 6. Section 116530 of the Health and Safety Code is amended to read:

116530. (a) A public water system shall submit a technical report to the state board as part of the permit application or when otherwise required by the state board. This report may include, but not be limited to, detailed plans and specifications, water quality information, physical descriptions of the existing or proposed system, information related to technical, managerial, and financial capacity and sustainability, and information related to achieving the goals of Section 106.3 of the Water Code, including affordability and accessibility.

(b) A public water system shall submit the report in the form and format and at intervals specified by the state board.

SEC. 7. Section 116540 of the Health and Safety Code is amended to read:

116540. (a) Following completion of the investigation and satisfaction of the requirements of paragraphs (1) and (2), the state board shall issue or deny the permit. The state board may impose

permit conditions, requirements for system improvements, technical, financial, or managerial requirements, and time schedules as it deems necessary to ensure a reliable and adequate supply of water at all times that is pure, wholesome, potable, and does not endanger the health of consumers.

(1) A public water system that was not in existence on January 1, 1998, shall not be granted a permit unless the public water system demonstrates to the state board that the water supplier possesses adequate financial, managerial, and technical capability to ensure the delivery of pure, wholesome, and potable drinking water. This section shall also apply to any change of ownership of a public water system.

(2) A permit under this chapter shall not be issued to an association organized under Title 3 (commencing with Section 18000) of the Corporations Code. This section shall not apply to unincorporated associations that, as of December 31, 1990, are holders of a permit issued under this chapter.

(b) Notwithstanding Section 116330, a local primacy agency shall not issue a permit under this article without the concurrence of the state board.

(c) In considering whether to approve a proposed new public water system, the state board shall consider the sustainability of the proposed new public water system and its water supply in the reasonably foreseeable future, in view of global climate change, potential migration of groundwater contamination and other potential treatment needs, and other factors that can significantly erode a system's capacity.

(d) If the state board determines that it is feasible for the service area of the public water system addressed by an application under this article to be served by one or more permitted public water systems identified pursuant to paragraph (1) of subdivision (c) of Section 116527, the state board may deny the permit of a proposed new public water system.

(e) An applicant may petition the state board for reconsideration of a decision of action of the deputy director taken pursuant to this section.

SEC. 8. Section 116686 of the Health and Safety Code is amended to read:

116686. (a) (1) To provide an adequate supply of affordable, safe drinking water to disadvantaged communities, voluntary

participants, and public water systems that have demonstrated difficulty in maintaining technical, managerial, and financial capacity and to prevent fraud, waste, and abuse, the state board may do any of the following, if sufficient funding is available:

(A) (i) Contract with, or provide a grant to, an administrator to provide administrative, technical, operational, legal, or managerial services, or any combination of those services, to a designated water system to assist the designated water system with the provision of an adequate supply of affordable, safe drinking water, which may include steps necessary to enable consolidation.

(ii) To fulfill the requirements of this section, the state board may contract with more than one administrator, but only one administrator may be assigned to provide services to a given designated water system.

(iii) An administrator may provide services to more than one designated water system.

(B) Order the designated water system to accept administrative, technical, operational, legal, or managerial services, including full management and control of all aspects of the designated water system, from an administrator selected by the state board.

(C) Order the designated water system to accept administrative, technical, operational, legal, or managerial services from an administrator appointed by the state board for full oversight of construction or development projects related to a consolidation or extension of service, including, but not limited to, accepting loans and grants issued by the state board and entering into contracts on behalf of the designated water system.

(2) In performing its duties pursuant to paragraph (1), the state board may use criteria from the handbook adopted pursuant to subdivision (g).

(b) Unless the state board has already held a public meeting pursuant to subdivision (b) of Section 116682, the state board shall do all of the following to determine that a public water system or state small water system is a designated water system:

(1) Provide the public water system or state small water system with notice and an opportunity to show either of the following:

(A) That the public water system or state small water system has not consistently failed to provide an adequate supply of affordable, safe drinking water.

(B) That the public water system or state small water system has taken steps to timely address its failure to provide an adequate supply of affordable, safe drinking water.

(2) (A) Conduct a public meeting in a location as close as feasible to the affected community.

(B) The state board shall make reasonable efforts to provide a 30-day notice of the meeting to affected ratepayers, renters, and property owners.

(C) Representatives of the public water system or state small water system, affected ratepayers, renters, and property owners shall be provided an opportunity to present oral and written comments at the meeting.

(D) The meeting shall provide an opportunity for public comment.

(3) Provide an opportunity to submit comments by mail or electronically during the 30-day notice period and for at least one week after the public meeting described in paragraph (2).

(4) If the public water system is operated by a local educational agency, obtain the local educational agency's agreement, in writing, to the appointment of an administrator.

(c) The state board shall make financial assistance available to an administrator for a designated water system, as appropriate and to the extent that funding is available.

(d) The authority granted to an administrator by the state board pursuant to subdivision (a) may include, but shall not be limited to, the authority to do all of the following:

(1) Expend available moneys for capital infrastructure improvements that the designated water system needs to provide an adequate supply of affordable, safe drinking water or to execute a consolidation ordered pursuant to Section 116682.

(2) Set and collect user water rates and fees, subject to approval by the state board. The state board shall consider affordability when approving water rates and fees. The provisions of this section are subject to all applicable constitutional requirements, including Article XIII D of the California Constitution.

(3) Expend available moneys for operation and maintenance costs of the designated water system.

(4) Expend available moneys necessary to achieve consolidation, including conducting feasibility or planning studies, or addressing outstanding technical or legal issues.

(e) The state board shall work with the administrator of a designated water system and the communities served by that designated water system to develop, within the shortest practicable timeframe, adequate technical, managerial, and financial capacity to deliver an adequate supply of affordable, safe drinking water so that the services of the administrator are no longer necessary.

(f) A designated water system shall not be responsible for any costs associated with an administrator that are higher than the costs necessary to maintain the designated water system and provide an adequate supply of affordable, safe drinking water.

(g) Before ordering a designated water system to accept administrative, technical, operational, legal, or managerial services from an administrator pursuant to subdivision (a), the state board shall develop standards, terms, and procedures in a handbook adopted consistent with the process provided for in subdivision (a) of Section 116760.43 for all of the following:

- (1) Ensuring compliance with subdivision (f).
- (2) Providing opportunity for public comment on selection of an administrator and the services to be provided.
- (3) Providing public access to budgets, ownership and financial information, and other documents and records related to the provision of water service to the designated water system or affected residences and to the management of the designated water system by the administrator.
- (4) Providing regular public meetings, notifications, opportunities for public comment, and other forms of engagement with customers of the designated water system for significant decisions or actions made on behalf of the designated water system, including, but not limited to, establishing operating budgets, altering water rates, adopting system policies, entering into long-term contracts or financing commitments, and developing system projects or plans.
- (5) Formal requests to the state board to reverse or modify a decision of an administrator or to request substitution of an administrator.
- (6) Ensuring an administrator acts in the best interests of the community served.
- (7) Development and approval of a post-administrator drinking water service plan to ensure compliance with subdivision (e). Development of the plan shall include, but is not limited to, an

evaluation of long-term public governance or community ownership options.

(h) Administrative and managerial contracts pursuant to this section shall be exempt from Chapter 2 (commencing with Section 10290) of Part 2 of Division 2 of the Public Contract Code and may be awarded on a noncompetitive bid basis as necessary to implement the purposes of this section.

(i) For purposes of this section, a local government, as defined in Article XIII C of the California Constitution, that sets water rates in accordance with Article XIII D of the California Constitution shall be deemed to be providing affordable water.

(j) This section does not apply to a charter city, charter county, or charter city and county.

(k) (1) For purposes of this section, an administrator is authorized to act on behalf of an affected residence to the same extent, and in the same manner, as a designated water system with the consent of the affected residence.

(2) For purposes of this section, where an administrator is authorized to act on behalf of a designated public water system, it may also act on behalf of a voluntary participant.

(l) The Legislature finds and declares that the funding provided to a state small water system, affected residence, public water system, voluntary participant, or administrator for purposes of this section serves a public purpose and does not constitute a gift of public funds within the meaning of Section 6 of Article XVI of the California Constitution.

(m) For purposes of this section, the following terms have the following meanings:

(1) “Administrator” means a person whom the state board has determined is competent to perform the administrative, technical, operational, legal, or managerial services required for purposes of this section, pursuant to criteria set forth in the handbook adopted pursuant to subdivision (g). Notwithstanding any other law, a privately owned public utility may serve as an administrator for purposes of this section.

(2) “Designated water system” means a public water system or state small water system that has been ordered to consolidate pursuant to Section 116682 or that serves a disadvantaged community, and that the state board finds consistently fails to provide an adequate supply of affordable, safe drinking water.

(3) “Domestic well” has the same meaning as defined in Section 116767.

(4) “Voluntary participant” means the owner of a domestic well or state small water system who has agreed to accept financial assistance pursuant to Chapter 4.6 (commencing with Section 116765) for the provision of an adequate and affordable supply of safe drinking water.

SEC. 9. Chapter 4.6 (commencing with Section 116765) is added to Part 12 of Division 104 of the Health and Safety Code, to read:

CHAPTER 4.6. SAFE AND AFFORDABLE DRINKING WATER

Article 1. Findings and Declarations

116765. The Legislature finds and declares all of the following:

(a) Every Californian should enjoy the same degree of protection from environmental and health hazards. Every community should be a healthy environment in which to live, work, play, and learn.

(b) No single group of people should bear a disproportionate share of the negative environmental consequences and adverse health impacts arising from industrial, governmental, or commercial operations or policies.

(c) Concentrated environmental contamination in water creates cumulative health burdens resulting in communities with higher rates of disease such as asthma, heart disease, cancer, neurological and reproductive health effects, birth defects, and obesity.

(d) Despite significant improvements in environmental protection over the past several decades, millions of Californians continue to live, work, play, and go to school in unhealthy environments.

(e) California was one of the first states in the nation to put environmental justice considerations into law and defines environmental justice as the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies.

(f) California law also declares that it is the established 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.

(g) Yet, still more than 1,000,000 Californians do not have access to safe drinking water. In communities where the sole water supply is contaminated with substances like arsenic, manganese, nitrates, or hexavalent chromium, families are often left without safe water. The central valley and central coast regions, where more than 90% of the communities rely on groundwater as a primary source of drinking water, are particularly at risk, but other communities around the state are also at risk. More than 250,000 people in the central valley alone lack access to a consistent source of safe, affordable water.

(h) The Safe Drinking Water and Toxic Enforcement Act of 1986 lists lead, arsenic, and hexavalent chromium as substances that can cause cancer and reproductive toxicity.

(i) Established state environmental justice law and policies are only effective insofar as they result in true parity.

(j) It is the intent of the Legislature that the State of California bring true environmental justice to our state and begin to address the continuing disproportionate environmental burdens in the state by creating a fund to provide safe drinking water in every California community, for every Californian.

(k) Climate change is exacerbating the water impacts on disadvantaged and environmentally burdened communities by reducing surface water flows, accelerating declining groundwater basins, and contributing to increasing concentrations of environmental contamination.

(l) Enhancing the long-term sustainability of drinking water systems in disadvantaged and environmentally burdened communities increases those communities' resilience to climate change.

(m) Funding for safe and affordable drinking water under this chapter promotes investments in disadvantaged communities, provides important contributions to those communities in adapting to climate change, and is an appropriate expenditure from the Greenhouse Gas Reduction Fund created pursuant to Section 16428.8 of the Government Code.

(n) It is the intent of the Legislature that the state board, in developing the fund expenditure plan pursuant to Article 4 (commencing with Section 116768), strive to ensure all regions

of the state receive the same level of consideration for funding pursuant to this chapter, to the extent practicable.

Article 2. Safe and Affordable Drinking Water Fund

116766. (a) The Safe and Affordable Drinking Water Fund is hereby established in the State Treasury to help water systems provide an adequate and affordable supply of safe drinking water in both the near and long terms. Notwithstanding Section 13340 of the Government Code, all moneys deposited in the fund are continuously appropriated to the board to fund the following:

(1) Operation and maintenance costs to help deliver an adequate supply of safe drinking water in both the near and long terms.

(2) Consolidating water systems, or extending drinking water services to other public water systems, domestic wells, and state small water systems.

(3) The provision of replacement water, as needed, to ensure immediate protection of health and safety as a short-term solution.

(4) The provision of services under Section 116686 for purposes of helping the systems become self-sufficient in the long term.

(5) The development, implementation, and sustainability of long-term drinking water solutions.

(6) Board costs associated with the implementation and administration of programs pursuant to this chapter.

(b) Consistent with subdivision (a), the board shall expend moneys in the fund for grants, loans, contracts, or services to assist eligible recipients.

(c) (1) Eligible recipients of funding under this chapter are public agencies, nonprofit organizations, public utilities, mutual water companies, federally recognized California Native American tribes, 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, administrators, and groundwater sustainability agencies.

(2) To be eligible for funding under this chapter, grants, loans, contracts, or services provided to a public utility that is regulated by the Public Utilities Commission or a mutual water company shall have a clear and definite public purpose and shall benefit the customers of the water system and not the investors.

(d) On and after July 1, 2020, an expenditure from the fund shall be consistent with the fund expenditure plan.

(e) The board may expend moneys from the fund for reasonable costs associated with the administration of this chapter, not to exceed 5 percent of the annual deposits into the fund.

(f) In administering the fund, the board shall make reasonable efforts to ensure that funds are used to secure the long-term sustainability of drinking water service and infrastructure, including, but not limited to, requiring adequate technical, managerial, and financial capacity of eligible applicants as part of funding agreement outcomes.

(g) Beginning in the 2023–24 fiscal year, and each fiscal year thereafter until June 30, 2030, if the annual transfer to the fund pursuant to paragraph (3) of subdivision (b) of Section 39719 is less than one hundred thirty million dollars (\$130,000,000), on an annual basis the Director of Finance shall calculate a sum equivalent to the difference, up to one hundred thirty million dollars (\$130,000,000), and the Controller shall transfer that sum from the General Fund to the Safe and Affordable Drinking Water Fund. This subdivision is operative only while a market-based compliance mechanism adopted pursuant to Section 38562 is operative.

Article 3. Definitions

116767. For the purposes of this chapter:

(a) “Adequate supply” has the same meaning as defined in Section 116681.

(b) “Administrator” has the same meaning as defined in Section 116686.

(c) “Board” means the State Water Resources Control Board.

(d) “Community water system” has the same meaning as defined in Section 116275.

(e) “Consistently fails” has the same meaning as defined in Section 116681.

(f) “Disadvantaged community” has the same meaning as defined in Section 79505.5 of the Water Code.

(g) “Domestic well” has the same meaning as defined in Section 116681.

(h) “Fund” means the Safe and Affordable Drinking Water Fund established pursuant to Section 116766.

(i) “Fund expenditure plan” means the fund expenditure plan adopted pursuant to Article 4 (commencing with Section 116768).

(j) “Groundwater sustainability agency” has the same meaning as defined in Section 10721 of the Water Code.

(k) “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.

(l) “Mutual water company” means a mutual water company, as defined in Section 14300 of the Corporations Code, that operates a public water system or a state small water system.

(m) “Nonprofit organization” means an organization qualified to do business in California and qualified under Section 501(c)(3) of Title 26 of the United States Code.

(n) “Public agency” means a state agency or department, special district, joint powers authority, city, county, city and county, or other political subdivision of the state.

(o) “Public utility” has the same meaning as defined in Section 216 of the Public Utilities Code.

(p) “Public water system” has the same meaning as defined in Section 116275.

(q) “Replacement water” includes, but is not limited to, bottled water, vended water, point-of-use, or point-of-entry treatment units.

(r) “Safe drinking water” has the same meaning as defined in Section 116681.

(s) “Service connection” has the same meaning as defined in Section 116275.

(t) “State small water system” has the same meaning as defined in Section 116275.

(u) “Vended water” has the same meaning as defined in Section 111070.

Article 4. Fund Expenditure Plan

116768. The purposes of the fund expenditure plan are as follows:

(a) To identify public water systems, community water systems, and state small water systems that consistently fail to provide an adequate supply of safe drinking water, including the cause or causes of the failure and appropriate measures to remedy the failure.

(b) To determine the amount and type of funding necessary to implement appropriate measures to remedy a failure to provide an adequate supply of safe drinking water.

(c) To identify public water systems, community water systems, and state small water systems that are at significant risk of failing to provide an adequate supply of safe drinking water, including the source or sources of the risk and appropriate measures to eliminate the risk.

(d) To determine the amount and type of funding necessary to implement appropriate measures to eliminate the risk of failing to provide an adequate supply of safe drinking water.

(e) To identify gaps in the provision of safe drinking water, in furtherance of Section 106.3 of the Water Code, and to determine the amount and type of funding necessary to minimize or eliminate those gaps.

116768.5. (a) On or before July 1, 2020, the board shall develop and adopt a policy for developing the fund expenditure plan that includes all of the following elements:

(1) A requirement that the board consult with an advisory group to aid in meeting the purposes of the fund expenditure plan as established in Section 116768. The advisory group shall include representatives of the following:

(A) Public water systems.

(B) Technical assistance providers.

(C) Local agencies.

(D) Nongovernmental organizations.

(E) Residents served by community water systems in disadvantaged communities, state small water systems, and domestic wells.

(F) The public.

(2) Identification of key terms, criteria, and metrics, and their definitions.

(3) A description of how proposed remedies will be identified, evaluated, prioritized, and included in the fund expenditure plan.

(4) The establishment of a process by which members of a disadvantaged community may petition the board to consider ordering consolidation.

(5) A requirement that the board hold at least one public hearing before adopting a fund expenditure plan.

(b) The board, in consultation with the Department of Finance, shall annually adopt a fund expenditure plan. The board shall adopt a handbook and may update it at least once every three years.

(c) On or before March 1, 2021, and every March 1 thereafter, the board shall provide to the Joint Legislative Budget Committee and the chairpersons of the fiscal committees in each house of the Legislature the most recently adopted fund expenditure plan. The board may submit the fund expenditure plan as required by this subdivision either in the Governor's Budget documents or as a separate report.

116769. (a) The fund expenditure plan shall contain the following:

(1) A report of expenditures from the fund for the prior fiscal year and planned expenditures for the current fiscal year.

(2) A list of systems that consistently fail to provide an adequate supply of safe drinking water. The list shall include, but is not limited to, all of the following:

(A) Any public water system that consistently fails to provide an adequate supply of safe drinking water.

(B) Any community water system that serves a disadvantaged community that must charge fees that exceed the affordability threshold established by the board in order to supply, treat, and distribute potable water that complies with federal and state drinking water standards.

(C) Any state small water system that consistently fails to provide an adequate supply of safe drinking water.

(3) A list of public water systems, community water systems, and state small water systems that may be at risk of failing to provide an adequate supply of safe drinking water.

(4) An estimate of the number of households that are served by domestic wells or state small water systems in high-risk areas identified pursuant to Article 6 (commencing with Section 116772). The estimate shall identify approximate locations of households, without identifying exact addresses or other personal information,

in order to identify potential target areas for outreach and assistance programs.

(5) An estimate of the funding needed for the next fiscal year based on the amount available in the fund, anticipated funding needs, other existing funding sources, and other relevant data and information.

(6) A list of programs to be funded that assist or will assist households supplied by a domestic well that consistently fails to provide an adequate supply of safe drinking water. This list shall include the number and approximate location of households served by each program without identifying exact addresses or other personal information.

(7) A list of programs to be funded that assist or will assist households and schools whose tap water contains contaminants, such as lead or secondary contaminants, at levels that exceed recommended standards.

(b) The fund expenditure plan shall be based on data and analysis drawn from the drinking water needs assessment funded by Chapter 449 of the Statutes of 2018 as that assessment may be updated and as information is developed pursuant to Article 6 (commencing with Section 116772).

(c) The fund expenditure plan shall prioritize funding for all of the following:

(1) Assisting disadvantaged communities served by a public water system, and low-income households served by a state small water system or a domestic well.

(2) The consolidation or extension of service, when feasible, and administrative and managerial contracts or grants entered into pursuant to Section 116686 where applicable.

(3) Funding costs other than those related to capital construction costs, except for capital construction costs associated with consolidation and service extension to reduce the ongoing unit cost of service and to increase sustainability of drinking water infrastructure and service delivery.

116770. The fund expenditure plan may include expenditures for the following:

(a) The provision of replacement water, as needed, to ensure immediate protection of health and safety as a short-term solution.

(b) The development, implementation, and sustainability of long-term drinking water solutions, including, but not limited to, the following:

(1) (A) Technical assistance, planning, construction, repair, and operation and maintenance costs associated with any of the following:

- (i) Replacing, blending, or treating contaminated drinking water.
- (ii) Repairing or replacing failing water system equipment, pipes, or fixtures.
- (iii) Operation and maintenance costs associated with consolidated water systems, extended drinking water services, or reliance on a substituted drinking water source.

(B) Technical assistance and planning costs may include, but are not limited to, analyses to identify and efforts to further opportunities to reduce the unit cost of providing drinking water through organizational and operational efficiency improvements, and other options and approaches to reduce costs.

(2) Creating and maintaining natural means and green infrastructure solutions that contribute to sustainable drinking water.

(3) Consolidating water systems.

(4) Extending drinking water services to other public water systems, community water systems, and state small water systems, or domestic wells.

(5) Satisfying outstanding long-term debt obligations of public water systems, community water systems, and state small water systems where the board determines that a system's lack of access to capital markets renders this solution the most cost effective for removing a financial barrier to the system's sustainable, long-term provision of drinking water.

(c) Identifying and providing outreach to persons who are eligible to receive assistance from the fund.

(d) Testing the drinking water quality of domestic wells serving low-income households, prioritizing those in high-risk areas identified pursuant to Article 6 (commencing with Section 116772).

(e) Providing services under Section 116686.

Article 5. Miscellaneous Provisions

116771. (a) The board may undertake any of the following actions to implement the fund:

(1) Provide for the deposit of any of the following moneys into the fund:

(A) Federal contributions.

(B) Voluntary contributions, gifts, grants, or bequests.

(C) Financial participation by a public agency in an activity authorized for funding from the fund.

(2) Enter into agreements for contributions to the fund from the federal government, local or state agencies, and private corporations or nonprofit organizations.

(3) Direct portions of the fund to a subset of eligible applicants as required or appropriate based on funding source and consistent with the annual fund expenditure plan.

(4) Direct moneys described in subparagraph (B) of paragraph (1) towards a specific project, program, or study.

(5) Take additional action as may be appropriate for adequate administration and operation of the fund.

(b) The board may set appropriate requirements as a condition of funding, including, but not limited to, the following:

(1) A system technical, managerial, or financial capacity audit.

(2) Improvements to reduce costs and increase efficiencies.

(3) An evaluation of alternative treatment technologies.

(4) A consolidation or service extension feasibility study.

(5) Requirements for a domestic well with nitrate contamination where ongoing septic system failure may be causing or contributing to contamination of a drinking water source to have conducted an investigation and project to address the septic system failure, if adequate funding sources are identified and accessible.

(c) Actions taken to implement, interpret, or make specific this chapter, including, but not limited to, the adoption or development of any plan, handbook, or map, are not subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

116771.5. (a) This chapter does not expand any obligation of the state to provide resources for the provisions of this article or

to require the expenditure of additional resources beyond the amount of moneys deposited in the fund.

(b) The Legislature finds and declares that participation in an activity authorized for funding from the fund or a contribution to the fund by a federal, state, or local agency serves a public purpose and does not constitute a gift of public funds within the meaning of Section 6 of Article XVI of the California Constitution.

Article 6. Information on High-Risk Areas

116772. (a) (1) By January 1, 2021, the board, in consultation with local health officers and other relevant stakeholders, shall use available data to make available a map 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 source of drinking water for a state small water system or a domestic well. The board shall update the map annually based on new and relevant data.

(2) The board shall make the map of high-risk areas, as well as the data used to make the map, publicly accessible on its internet website in a manner that complies with the Information Practices Act of 1977 (Chapter 1 (commencing with Section 1798) of Title 1.8 of Part 4 of Division 3 of the Civil Code). The board shall notify local health officers and county planning agencies of high-risk areas within their jurisdictions.

(b) (1) By January 1, 2021, a local health officer or other relevant local agency shall provide to the board all results of, and data associated with, water quality testing performed by a laboratory that has accreditation or certification pursuant to Article 3 (commencing with Section 100825) of Chapter 4 of Part 1 of Division 101 for a state small water system or domestic well that was collected after January 1, 2014, and that is in the possession of the local health officer or other relevant local agency.

(2) By January 1, 2022, and by January 1 of each year thereafter, all results of, and data associated with, water quality testing performed by a laboratory that has accreditation or certification pursuant to Article 3 (commencing with Section 100825) of Chapter 4 of Part 1 of Division 101 for a state small water system or domestic well that is submitted to a local health officer or other relevant local agency shall also be submitted directly to the board in electronic format.

SEC. 10. Chapter 7 (commencing with Section 8390) is added to Division 4.1 of the Public Utilities Code, to read:

CHAPTER 7. DESIGNATED WATER SYSTEM ADMINISTRATION

8390. A privately owned public utility may serve as an administrator for purposes of Section 116686 of the Health and Safety Code.

SEC. 11. (a) The amounts appropriated by Item 3940-102-0001 and Item 3940-102-3228 in the Budget Act of 2019 shall be available for purposes outlined in Chapter 4.6 (commencing with Section 116765) of Part 12 of Division 104 of the Health and Safety Code.

(b) Funds made available pursuant to subdivision (a) shall be used for the purpose of facilitating the achievement of reductions of greenhouse gas emissions in this state in accordance with the requirements of Section 39712 of the Health and Safety Code or to improve climate change adaptation and resiliency of disadvantaged communities, as defined in Section 39711 of the Health and Safety Code, or low-income households or communities, as defined in Section 39713 of the Health and Safety Code, consistent with Division 25.5 (commencing with Section 38500) of the Health and Safety Code. For purposes of the funds made available pursuant to subdivision (a), a state agency may also comply with the requirements of paragraphs (2) and (3) of subdivision (a) of Section 16428.9 of the Government Code by describing how each proposed expenditure will improve climate change adaptation and resiliency of disadvantaged communities or low-income households or communities.

SEC. 12. This act does not impose a levy, charge, or exaction of any kind, such as a tax or fee.

SEC. 13. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 14. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 15. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to address the immediate need to provide safe and affordable drinking water to all Californians, it is necessary for this act to take effect immediately.

Approved _____, 2019

Governor