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State Water Resources Control Board

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TO: Dorothy Rice
Executive Director

FROM: Gerald Horner
Economist

DATE: June 16, 2010

SUBJECT: **IDENTIFICATION OF RUSSIAN RIVER COMMUNITY SERVICES DISTRICT SERVING A SMALL COMMUNITY WITH A FINANCIAL HARDSHIP**

On April 30, 2010, Assistant Executive Officer, Luis Rivera, North Coast Regional Water Quality Control Board, requested a determination whether the Russian River Community Services District (RRCSD) qualifies as serving a small community with a financial hardship. Based on the analysis described below, the RRCSD can be considered a Publicly Owned Treatment Works (POTW) serving a small community with a financial hardship.

California Water Code Section 13385(k)(2) defines a POTW "serving a small community" as

> "A publicly owned treatment works serving a population of 10,000 persons or fewer or a rural county, with a financial hardship as determined by the state board after considering such factors as median income of the residents, rate of unemployment, or low population density in the service area of the publicly owned treatment works."

Determining whether a POTW is "serving a small community" entails two separate determinations: (1) if the POTW is either situated within a rural county or has a population of 10,000 or less; and (2) if the POTW's service area has a "financial hardship."

1. Rural County/Population Cap

The POTW is located in Sonoma County. The first question is if Sonoma County is a "rural county." The State Water Board's Water Quality Enforcement Policy (Enforcement Policy) defines a "rural county" as a county classified by the Economic

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Research Service, United States Department of Agriculture (ERS, USDA) with a rural-urban continuum code of four through nine.

Sonoma County has a rural-urban continuum code of two and, therefore, does not fall within the "rural county" classification. However, the POTW service area has a population of 7,214[1], which meets the population criterion.

2. Financial Hardship

Consistent with Water Code Section 13385(k)(2), the Water Quality Enforcement Policy[2] defines "financial hardship" in terms of median household income (MHI), unemployment rate and poverty level. The specific criteria are as follows:

1. Median household income (The MHI divides the income distribution into two equal groups, one having incomes above the median, and the other having incomes below the median) for the community is less than 80 percent of the California MHI[3].);

2. The community has an unemployment rate of 10 percent or greater (All civilians 16 years old and over are classified as unemployed if they (1) were neither "at work" nor "with a job but not at work" during the reference week, (2) were actively looking for work during the last four weeks, and (3) were available to accept a job. Also included as unemployed are civilians who (1) did not work at all during the reference week, (2) were waiting to be called back to a job from which they had been laid off, and (3) were available for work except for temporary illness.); or

3. Twenty percent (20 percent) of the population is below the poverty level (Following the Office of Management and Budget's (OMB's) Directive 14, the Census Bureau uses a set of income thresholds that vary by family size and composition to detect who is poor. If the total income for a family or unrelated individual falls below the relevant poverty threshold, then the family or unrelated individual is classified as being "below the poverty level.").

The 2000 US Census data for the RRCSD indicates an MHI of $38,180, an unemployment rate of 9.4 percent, and a poverty rate of 15.9 percent. The RRCSD can be considered a POTW that serves a small community with financial hardship because the MHI of $38,180 is approximately 80 percent of the California MHI[3]. Furthermore, the current unemployment data is reported by the State of California for the city of

[1] Based on US Census data for six block groups comprising the RRCSD for the year 2000.
[2] State Water Resources Control Board, "Water Quality Enforcement Policy", California Environmental Protection Agency, November 17, 2009.
[3] In 2000, California MHI was $47,493; 80 percent of that is $37,994.

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Guerneville. Guerneville is the principal city within the RRCSD and is representative of the district. Comparing the change in unemployment from 2000 to 2010 for the city of Guerneville is an indicator of the magnitude of the economic change of the RRCSD. Guerneville's 2000 unemployment rate was 4.8 percent, well below the criteria. By April 2010, it had increased to 19.9 percent, well above the criteria and one of the higher unemployment rates in Sonoma County.[4]

Based on the MHI and Guerneville's high unemployment rate, the RRCSD can be considered to serve a Small Community with a Financial Hardship.

Please contact me at (916) 341-5279 or by email (ghorner@waterboards.ca.gov) should you have questions or concerns.

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Recommendation Approved ✓ Executive Director Dorothy Rice

[4] http://www.labormarketinfo.edd.ca.gov