

STATE OF CALIFORNIA  
**Finance Letter - Cover Sheet**  
 DF-46 (REV 03/13)

Fiscal Year 2014-15	FL No. 1	Org. Code 3940	Department State Water Resources Control Board	Priority No. 1
Program 15 - Drinking Water			Element	Component

Proposal Title  
 Drinking Water Program - Regulating Small Water Systems - Merced and Tulare Counties

Proposal Summary





The State Water Resources Control Board (State Water Board) requests budget and position authority for \$619,000 and 5.0 positions from the Safe Drinking Water Account (SDWA) to carry out public small water system regulatory programs for Merced and Tulare counties. These counties have recently opted to return their oversight of delegated public water systems to the state. This proposal is part of the CA Department of Public Health, Drinking Water Program Transfer.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the California Technology Agency, or previously by the Department of Finance.

FSR  SPR Project No. Date:

If proposal affects another department, does other department concur with proposal?  Yes  No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Prepared By 	Date 4/1/14	Reviewed By 	Date 04/01/14
Department Director 	Date 4/1/14	Agency Secretary 	Date 4/1/14

**Department of Finance Use Only**

Additional Review:  Capital Outlay  ITCU  FSCU  OSAE  CALSTARS  Technology Agency

BCP Type:  Policy  Workload Budget per Government Code 13308.05

PPBA Date submitted to the Legislature

## Analysis of Problem

### A. Proposal Summary

The State Water Resources Control Board (State Water Board) requests budget and position authority for \$619,000 and 5.0 positions from the Safe Drinking Water Account (SDWA) to carry out public small water system regulatory programs for Merced and Tulare counties. These counties have recently opted to return their oversight of delegated public water systems to the state.

Approval of this Finance Letter (FL) is critical for the State to provide regulatory oversight of public small water systems in Merced and Tulare counties. These two counties have a total of 412 regulated small water systems with less than 200 service connections that provide potable water to approximately 153,000 persons on a daily basis. Providing regulatory oversight is essential to avoid incidents of bacteriological and chemical contamination that could lead to waterborne illness. Merced County is returning regulatory oversight of the small water systems to the State effective April 1, 2014 and Tulare County is returning the small water systems to the State effective July 1, 2014. This proposal is part of the CA Department of Public Health, Drinking Water Program Transfer.

### B. Background/History

California has operated a public drinking water protection program since 1915. Beginning in 1976, the California drinking water program has been conducted under an agreement with the United States Environmental Protection Agency (EPA) that delegates primacy to the State. The California Department of Public Health (CDPH) currently operates this program which is responsible for regulating approximately 8,000 public water systems that provide drinking water to over 98 percent of California's population. It is estimated that over 7,000 are small water systems. Health and Safety (H&S) Code Sections 116270-116762.60 authorize CDPH to conduct ongoing surveillance and inspections of public water systems, to issue operational permits to the systems, to ensure water quality monitoring is conducted, and to take enforcement actions when violations occur. These include public water systems that supply small communities (and that have 15 or more service connections), as well as systems that supply restaurants, hotels, parks, schools, businesses, and similar "non-communities". The Governor's Budget proposes to transfer the Drinking Water Program from CDPH to the State Water Board, including all responsibilities, funding and staffing; hence the State Water Board is requesting these resources.

Until 1992, the local health agencies and the State shared responsibility for regulating and permitting small water systems. Assembly Bill (AB) 2995 (Alpert, Chapter 1248, Statutes of 1992) required the State to take over the regulation of these systems. This law, now codified as Section 116565 of H&S Code, also established annual fees to be paid by small water systems and created a process that allowed the State to enter into delegation agreements with local health jurisdictions. These agreements were termed Local Primacy Agency (LPA) agreements, and allow the counties to regulate small community water systems with less than 200 service connections as well as non-community systems.

After the return of oversight of these systems from Merced and Tulare Counties back to the State's program, California will have delegated primacy, and therefore oversight of small public water systems, to 30 remaining counties (see Attachment 1). The State Drinking Water Program regulates small water systems serving between 200 and 1,000 service connections, as well as all large water systems, in these 30 LPA counties. And the State regulates all public water systems in the other 28 counties. Of the estimated 7,000 small water systems in California, CDPH directly regulates 3,347.

H&S Code Section 116330 allows counties that have been delegated primacy for the regulation of small water systems to return primacy to the State. Merced and Tulare Counties have notified CDPH that they intend to return their small water system programs to the State. The Drinking Water Program has insufficient staff to carry out the additional workload associated with these counties. This situation has created a critical need for additional positions to carry out small water system work in the aforementioned counties.



## Analysis of Problem

Since 2007, five counties have previously returned their small water system programs to the State (Fresno, Tehama, Marin, Tuolumne, and San Mateo). In the future, other LPA counties may also return their program to the State – some counties supplement the LPA program with county general funds and, with budget cuts, counties are re-evaluating their programs to identify potential savings. The LPA program is not mandatory for counties, and may be returned to the State with no negative impact to the counties. In addition, as drinking water standards (e.g. Maximum Contaminant Levels or MCLs, etc.) become more stringent, more advanced technology is necessary to effectively reduce or eliminate contamination and counties need increased technical expertise to assist small water systems with overseeing these treatment systems.

### C. State Level Considerations

CDPH currently, or the State Water Board as of July 1, 2014, is mandated to establish and maintain a minimum regulatory program for small public water systems that is adequate to ensure that consumers are reasonably protected from waterborne diseases and chemical contamination. This mandate may be partially carried out through delegation to LPAs that voluntarily apply for delegation, as described above. However, under state law and the EPA primacy delegation to CDPH to operate a drinking water program, the State is also responsible for the Public Water System Supervision program in California. If the State does not adequately fulfill its mandate to protect public health in this area, including those systems delegated to the counties, the federal government may withdraw primacy from California. This could jeopardize federal funding for the Drinking Water Program in California.

In addition, the Drinking Water Program established a Small Water System Goal and Implementation Plan in 2012 to specifically increase compliance rates for certain small water systems and bring those rates into parity with large water systems. Funding, technical assistance, regulatory oversight, and other strategies are used for this goal. These small water systems typically have higher numbers of violations and compliance problems than large water systems, and as a result require more proactive and stringent oversight and technical assistance to ensure the delivery of safe drinking water. The Drinking Water Program will continue to inspect state regulated small water systems, and provide support and assistance in obtaining State funding to correct deficiencies, with the authorized resources available.

### D. Justification

While small water systems serve a small percentage of the State's residents, they represent a disproportionately high risk to public health. These systems have a greater number of violations and compliance problems than the large systems that serve more than 1,000 service connections. For example, over 90 percent of all violations in the past three years have been from small water systems. Principal reasons for this include the following:

- 1) Small water systems do not have the benefit of economy of scale that large water systems have, therefore the cost of needed facilities and operation/maintenance per customer is much higher for small water systems; and
- 2) Small water systems predominantly serve disadvantaged, rural communities where resources are typically lacking. In particular, these communities often have difficulty demonstrating financial capacity, as required for many funding programs.

Many small water systems serve residences and schools in disadvantaged communities<sup>1</sup> or in rural areas. These communities disproportionately receive drinking water from systems in violation of state standards, thus becoming a health equity issue. These water systems also include facilities that serve transient populations such as restaurants, inns, ski resorts, and state and federal parks and campgrounds. These non-community facilities potentially serve millions of visitors throughout the state and insufficient oversight could result in large-scale waterborne disease outbreaks. Often the communities served by these systems lack technical and financial resources to safely operate and maintain water systems, respond to emergencies, or deal with contamination of water sources.

<sup>1</sup> Median Household Income (MHI) less than 80 percent of the statewide MHI

## Analysis of Problem

Ensuring that all small water systems meet drinking water quality standards is critical to protecting the public against incidents of bacteriological and chemical contamination that could lead to waterborne illness.

Effectively conducting essential oversight activities minimizes health risk and contributes to positive public health outcomes. Adequate resources are critical to the Drinking Water Program to operate effectively and assure a safe drinking water supply for consumers. For many of these small water systems, the problem of bacteriological and chemical contamination is of particular concern. For example, Tulare County has many small water systems that use surface water sources, which typically have higher rates of bacteriological contamination that require complex treatment facilities. Some groundwater systems also routinely fail the bacteriological standards. In addition, there are widespread contamination problems in Tulare County with both arsenic and nitrate over the allowable drinking water standards in groundwater sources which also require complex treatment processes to remove the contaminants from drinking water. Solving these issues and providing technical assistance requires a balanced mix of scientific and technical skills, and the personnel resources requested necessary for ensuring effective oversight of the complex treatment processes that are associated with surface water and contaminated groundwater sources.

The workload analysis shown in Attachment 2 identifies 5.0 positions which are necessary to regulate the small water systems in Merced and Tulare counties. In addition, these positions represent the total staffing level that was provided at the local level by these two counties.

### E. Outcomes and Accountability

Expected outcomes include the prevention of water borne illness and beginning to address chemical exposure issues from contaminated drinking water in Merced and Tulare Counties. Maintenance of a program that provides regulatory oversight of small water systems includes permitting, inspection, water quality monitoring, consultation, and enforcement. The positions requested are necessary to conduct the essential activities to reduce the potential for waterborne disease outbreaks and other public health risks associated with bacteriological contamination. Chemical contamination will also be addressed to the extent feasible with the requested resources.

### F. Analysis of All Feasible Alternatives

**Alternative 1:** Approve 5.0 positions and \$619,000 from the SDWA to ensure the State Water Board has sufficient resources to begin to address the compliance issues and maintain the current level of regulatory attention to small water systems for Merced and Tulare counties.

#### Pros:

- Reduces the risk of illness and/or death from bacterial and chemical contaminants to persons served by small water systems in Merced and Tulare counties.
- The State Water Board would have the same level of resources as provided by the counties to address the drinking water compliance issues for Merced and Tulare counties, increasing the provision of safe drinking water to residents and visitors of these counties.
- Small water systems in Merced and Tulare counties will have the state assistance in achieving compliance with state and federal mandates.
- California would remain in compliance with federal mandates, thus ensuring its federal primacy status and continued eligibility for federal funding.

#### Cons:

- Increases the size of state government.

## Analysis of Problem

**Alternative 2:** Contract for University of California Davis staff or sub-contractors to provide oversight of the small water systems for Merced and Tulare counties.

Pros:

- The size of state government would not be increased.
- Would begin to address compliance issues for Merced and Tulare counties and reduce the public health risk to these customers.
- California would remain in compliance with federal mandates, thus ensuring its federal primacy status and continued eligibility for federal funding.

Cons:

- Consultants with the expertise to perform this type of regulatory activity that would likely be used by UC Davis as sub-contractors also routinely bid on water system infrastructure projects. This would create a conflict of interest if these firms also perform regulatory activities.
- The State Water Board would have less control over activities completed for the small water systems, with the potential for more remote systems to receive less attention.
- These are duties that state employees can perform and it violates Government Code Section 19130.
- This is the most expensive option (\$803,000).

**Alternative 3:** Maintain status quo.

Pros: The size of state government would not be increased.

Cons:

- The State Water Board would have to redirect staff from work on large water system regulatory activities.
- Redirecting existing staff to regulate the Merced and Tulare counties' small water systems would potentially reduce revenue for the drinking water program because large water systems are billed inspection time on an hourly basis (estimated at \$1.0 million in revenue loss [9,000 hours at \$126 an hour], if 5.0 existing staff are redirected from their existing workload with large water systems).
- Redirection of staff to work on the small water systems for Merced and Tulare counties would decrease the oversight and inspections of large water systems, which serve much larger populations.
- Any non-compliance of large water systems could result in increased frequency and number of illnesses from bacterial or chemical contaminants among the people served.

### G. Implementation Plan

Advertise positions (May 2014)

Hire staff (July – August 2014)

Begin addressing compliance issues for small water systems in Merced and Tulare counties (August 2014)

### H. Supplemental Information (Check box(es) below and provide additional descriptions.)

None     Facility/Capital Costs     Equipment     Contracts     Other \_\_\_\_\_

**I. Recommendation**

Approve Alternative 1. Approve 5.0 positions and \$619,000 from the SDWA to ensure the State Water Board has sufficient resources to address the compliance issues and maintain the current level of regulatory attention to small water systems in Merced and Tulare counties.

**Fiscal Summary**  
(Dollars in thousands)

FL No.	Proposal Title	Program				
1	Small System Oversight - Merced and Tulare Counties	15 - Drinking Water				
Personal Services	Positions			Dollars		
	CY	BY	BY + 1	CY	BY	BY + 1
Total Salaries and Wages <sup>1</sup>		5.0	5.0		\$352	\$352
Total Staff Benefits <sup>2</sup>					<b>147</b>	<b>147</b>
<b>Total Personal Services</b>	0.0	5.0	5.0	\$0	\$499	\$499
Operating Expenses and Equipment						
General Expense					8	8
Printing					5	5
Communications					11	11
Postage					5	5
Travel-In State					38	38
Travel-Out of State						
Training					11	11
Facilities Operations					42	42
Utilities						
Consulting & Professional Services: Interdepartmental <sup>3</sup>						
Consulting & Professional Services: External <sup>3</sup>						
Data Center Services						
Information Technology						
Equipment <sup>3</sup>						
Other/Special Items of Expense: <sup>4</sup>						
<b>Total Operating Expenses and Equipment</b>				\$0	\$120	\$120
<b>Total State Operations Expenditures</b>				\$0	\$619	\$619
Fund Source	Item Number					
	Org	Ref	Fund			
General Fund						
Special Funds <sup>5</sup>	3940	001	0306		\$619	\$619
Federal Funds						
Other Funds (Specify)						
Reimbursements						
<b>Total Local Assistance Expenditures</b>				\$0	\$0	\$0
Fund Source	Item Number					
	Org	Ref	Fund			
General Fund						
Special Funds <sup>5</sup>						
Federal Funds						
Other Funds (Specify)						
Reimbursements						
<b>Grand Total, State Operations and Local Assistance</b>				\$0	\$619	\$619

<sup>1</sup> Itemize positions by classification on the Personal Services Detail worksheet.

<sup>2</sup> Provide benefit detail on the Personal Services Detail worksheet.

<sup>3</sup> Provide list on the Supplemental Information worksheet.

<sup>4</sup> Other/Special Items of Expense must be listed individually. Refer to the Uniform Codes Manual for a list of standard titles.

<sup>5</sup> Attach a Fund Condition Statement that reflects special fund or bond fund expenditures (or revenue) as proposed.



**Personal Services Detail**

(Whole dollars)

FL No. 1	Proposal Title Small System Oversight - Merced and Tulare Counties
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**Salaries and Wages Detail**

Classification <sup>1 2</sup>	Positions			Salary Range	Dollars		
	CY	BY	BY + 1		CY	BY	BY + 1
Sr Sanitary Engineer		1.0	1.0	7,377-9,234		\$99,666	\$99,666
Recruitment/Retention				300 per mo		3,600	3,600
Sanitary Engrng Assoc		2.0	2.0	4,960-6,208		134,016	134,016
Recruitment/Retention				300 per mo		7,200	7,200
Env'l Scientist		2.0	2.0	3,077-5,822		107,508	107,508
<b>Total Salaries and Wages <sup>3</sup></b>	0.0	5.0	5.0		\$0	\$351,990	\$351,990

**Staff Benefits Detail**

	CY	BY	BY + 1
OASDI			
Health/Dental/Vision Insurance			
Retirement			
Miscellaneous			
Safety			
Industrial			
Other:			
Workers' Compensation			
Industrial Disability Leave			
Non-Industrial Disability Leave			
Unemployment Insurance			
Other:			
<b>Total Staff Benefits <sup>3</sup></b>	\$0	\$147,428	\$147,428
<b>Grand Total, Personal Services</b>	\$0	\$499,418	\$499,418

<sup>1</sup> Use standard abbreviations per the Salaries and Wages Supplement. Show any effective date or limited-term expiration date in parentheses if the position is not proposed for a full year or is not permanent, e.g. (exp 6-30-13) or (eff 1-1-13)  
**Note:** Information provided should appear in the same format as it would on the Changes in Authorized Positions.

<sup>2</sup> If multiple programs require positions, please include a subheading under the classification section to identify positions by program/element.

<sup>3</sup> Totals must be rounded to the nearest thousand dollars before posting to the Fiscal Summary.



## Supplemental Information

(Dollars in thousands)

FL No. 1	Proposal Title Small System Oversight - Merced and Tulare Counties
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Equipment	CY	BY	BY +1
Standard Complement			
<b>Total</b>	\$0	\$0	\$0

Consulting & Professional Services	CY	BY	BY +1
<b>Total</b>	\$0	\$0	\$0

Facility/Capital Costs	CY	BY	BY +1
<b>Total</b>	\$0	\$0	\$0

**One-Time/Limited-Term Costs**      Yes       No

Description	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
	0.0	\$0	0.0	\$0	0.0	\$0

**Full-Year Cost Adjustment**      Yes       No

*Provide the incremental change in dollars and positions by fiscal year.*

Item Number	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
<b>Total</b>	0.0	\$0	0.0	\$0	0.0	\$0

**Future Savings**      Yes       No

*Specify fiscal year and estimated savings, including any decrease in positions.*

Item Number	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
<b>Total</b>	0.0	\$0	0.0	\$0	0.0	\$0

## Special Fund Detail

*(Dollars in thousands)*

FL No. 1	Proposal Title Small System Oversight - Merced and Tulare Counti					
Special Fund Title	Item Number			Dollars		
	Org	Ref	Fund	CY	BY	BY + 1
Safe Drinking Water Account	3940	001	0306		\$619	\$619
<b>Total Special Funds - State Operations</b> <sup>1</sup>				\$0	\$619	\$619

Special Fund Title	Item Number			Dollars		
	Org	Ref	Fund	CY	BY	BY + 1
<b>Total Special Funds - Local Assistance</b> <sup>2</sup>				\$0	\$0	\$0

<sup>1</sup> Total must tie to "various" funds identified for State Operations, Special Funds in the Fiscal Summary. Add rows if necessary.

<sup>2</sup> Total must tie to "various" funds identified for Local Assistance, Special Funds in the Fiscal Summary.

**Attachment 1 – List of Counties**

**State Water Resources Control Board  
County Programs Delegated to Operate SWS Programs  
Local Primacy Agency Counties**

Alpine  
Amador  
Butte  
Calaveras  
Contra Costa  
El Dorado  
Imperial  
Inyo  
Kings  
Los Angeles  
Madera  
Mono  
Monterey  
Napa  
Nevada  
Placer  
Plumas  
Riverside  
Sacramento  
San Bernardino  
San Diego  
San Joaquin  
San Luis Obispo  
Santa Barbara  
Santa Cruz  
Shasta  
Stanislaus  
Tehama  
Yolo  
Yuba





Attachment 2 – Workload Analysis

**State Water Resources Control Board  
Drinking Water Program – Merced and Tulare County Small Water Systems  
Workload Analysis**

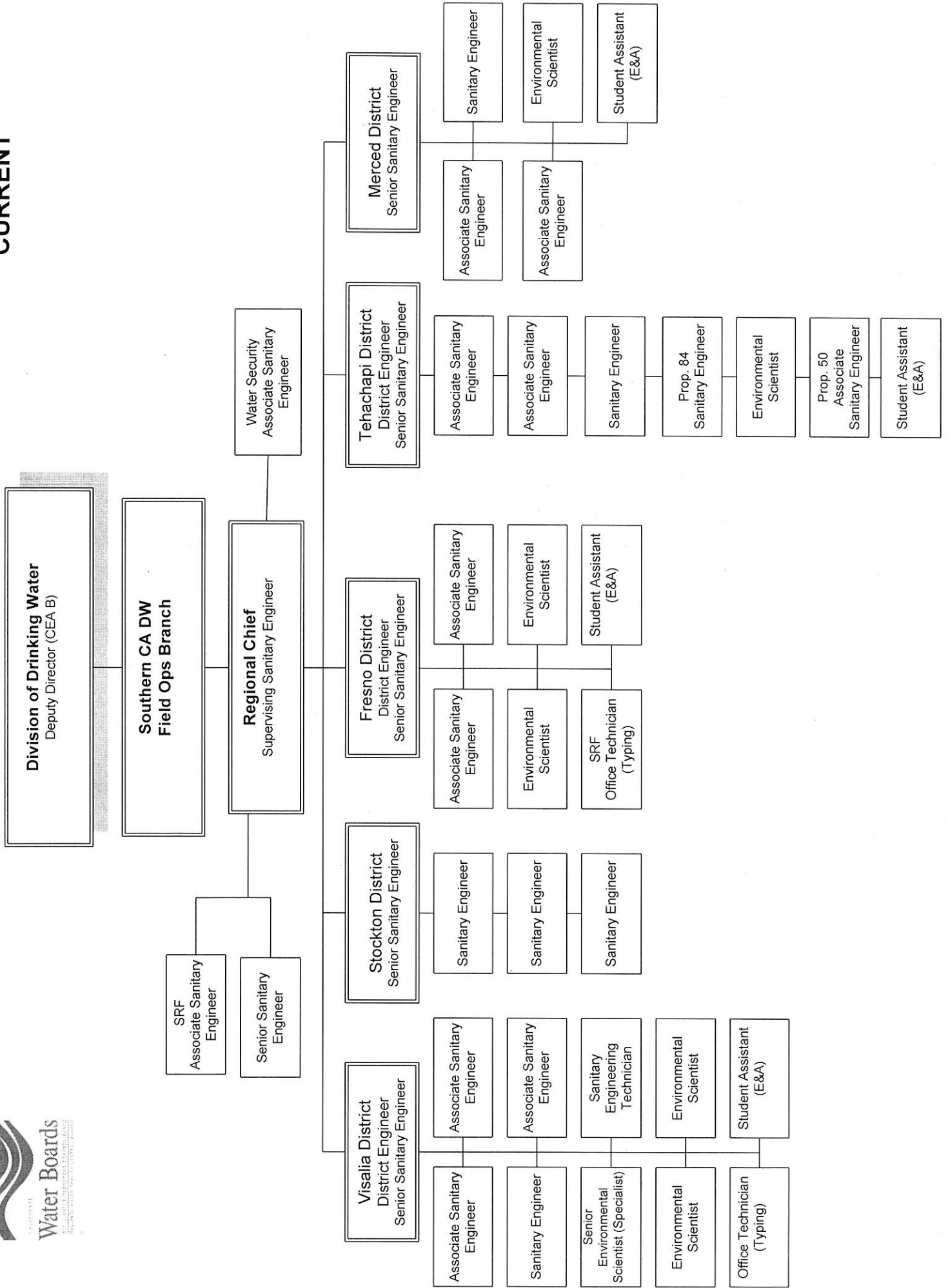
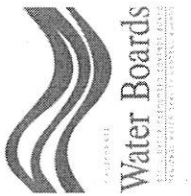
**For  
1.0 Sr. Sanitary Engineer, 2.0 Sanitary Engineering Associates, 2.0 Env. Scientists**

Activity	Number of Water Systems	Average Hours per Item	Total Annual Hours
<b>A. Small water systems with treated surface water:</b>	<b>10</b>		
Annual inspection per provision of surface water treatment rule and sect. 116735(b)(1), including review of: watershed sanitary control measure; inspection of intake, plant and distribution facilities; review of daily operating records and monitoring equipment calibration records; review of required records.	10	56	560
Review of monthly operating records required under the surface water treatment rules and disinfection by-products rules: including CT calculations, turbidity monitoring, TTHM and HAA5 monitoring.	10	20	200
Review of required water quality monitoring for inorganic chemicals, arsenic, nitrate and nitrites, regulated volatile organic compounds, regulated synthetic organic compound, unregulated contaminant monitoring, etc.	10	16	160
Monitor compliance with public notification rule	10	4	40
Monitor compliance with consumer confidence reporting rule	10	4	40
Review compliance with permit provisions.	10	8	80
<b>Total, treated surface water systems</b>	<b>10</b>		<b>1,080</b>
<b>B. Small water systems with groundwater being treated to meet a primary standard:</b>	<b>40</b>		
Biennial inspection per provision of sect. 116735(b)(2), including review of: inspection of source; treatment works, storage and distribution. Review of operating records for treatment provided, including onsite operational monitoring and operational controls.	20	40	800
Review of monthly operating records and reports, including samples submitted to laboratories to monitor treatment processes.	40	24	960
Review of required water quality monitoring for inorganic chemicals, arsenic, nitrate and nitrites, regulated volatile organic compounds, regulated synthetic organic compound, unregulated contaminant monitoring, etc.	40	12	480
Monitor compliance with public notification rule	40	2	80
Monitor compliance with consumer confidence reporting rule	40	3	120
Review compliance with permit provisions.	40	4	160
<b>Total, treated ground water systems</b>	<b>40</b>		<b>2,600</b>

<b>C. Small water systems with untreated groundwater:</b>	<b>362</b>		
Triennial inspection per provision of section 116735(b)(3), including review of: inspection of source; storage and distribution. Review of operating records.	121	12	1,452
Review of required water quality monitoring for inorganic chemicals, arsenic, nitrate and nitrites, regulated volatile organic compounds, regulated synthetic organic compound, unregulated contaminant monitoring, etc.	362	4	1,448
Monitor compliance with public notification rule	362	1	362
Monitor compliance with consumer confidence reporting rule	200	1	200
Review compliance with permit provisions.	362	1	362
<b>Total, untreated ground water systems</b>	<b>362</b>		<b>3824</b>
<b>D. Small water system enforcement actions:</b>			
Compliance Orders issued due to ongoing violation of a MCL	10	3	30
Monitor ongoing compliance with Compliance Orders	50	7	350
Work to seek resolution with violations	50	10	500
Citations for violation of TCR, M/R Requirements, etc.	80	2	160
Monitor compliance with Citation requirements	80	2	160
Enforcement Letters for violation of M/R Requirements, etc.	100	2	200
Monitor compliance with public notification rule	100	1	100
<b>Total, Enforcement Actions</b>			<b>1,500</b>
<b>Total Hours for workload projected:</b>			<b>9,004</b>
<b>1,800 Hours = 1.0 Position</b>			
<b>Number of positions requested:</b>			<b>5.0</b>

# STATE WATER RESOURCES CONTROL BOARD

## CURRENT







# STATE WATER RESOURCES CONTROL BOARD

# PROPOSED

