

MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND
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MAY 14, 2019

Supporting Clean Safe Water within the Sativa Water District and Across California

The Los Angeles County (County) Board of Supervisors (Board) has recognized that small mismanaged water systems pose a threat to public health and the social vitality of the communities they serve. With this in mind, the Board took various steps over the course of 2018 to support the dissolution of the Sativa Los Angeles County Water District (Sativa) which served unincorporated Willowbrook and portions of the City of Compton after years of gross mismanagement and brown water were experienced by consumers.

Following the Board’s advocacy on this issue, on September 28, 2018, Governor Brown signed into law Assembly Bill 1577 requiring the State Water Resources Control Board (State Water Board) to order Sativa to accept administrative and managerial services from an Interim Administrator selected by the State Water Board. On October 9, 2018, the Board adopted a Resolution approving the appointment of, and delegating authority to, the Director of Public Works to act as the Interim Administrator for Sativa. On October 31, 2018, the State Water Board issued an administrative order which dissolved Sativa's Board of Directors, appointed the County’s Department of Public Works (DPW) as the Interim Administrator of Sativa, and directed DPW to take full financial, operational, and administrative control of Sativa.

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Immediately after being appointed Interim Administrator, DPW undertook a rapid, high-level assessment of Sativa's financial position and the condition of the Sativa's infrastructure. Based upon this assessment, DPW estimated the initial cost to the County to provide interim administration of Sativa and to begin to address Sativa's most critical water service issues to be approximately \$1.4 million. On December 18, 2018, the Board unanimously voted to loan Sativa the necessary funding.

In the months since, DPW has worked aggressively to carry out diagnostic tests to determine the origin of Sativa's brown water, stabilize Sativa financially, introduce appropriate financial controls, and rebuild trust with the community through extensive outreach and community engagement. The County's ongoing operation of Sativa has led to discoveries indicating infrastructure, financial, operational, and legal challenges far in excess of the rapid, high-level assessment completed immediately after taking control of Sativa.

Beginning in June 2018, the Local Agency Formation Commission (LAFCo) began its process to formally dissolve Sativa and set in motion its permanent consolidation with a third party water system. LAFCo has now completed their process and formally dissolved Sativa, which became effective on March 19, 2019. According to LAFCo's dissolution order, the County became the successor of Sativa responsible for winding up the affairs of the dissolved district. Consistent with AB 1577, LAFCo also directed the County to solicit proposals to identify a third party water system to take over permanent operation and control of Sativa. As a result of LAFCo's order, the County now temporarily operates Sativa as the Successor Agency, and it is anticipated that these duties will continue through June 2021. During this period, the County will solicit proposals to transfer Sativa to a qualified long-term operator, and subsequently seek formal authority from the California Public Utilities Commission to effectuate the transfer.

The cost to the County to serve as Interim Administrator, and now as the Successor Agency, are estimated to be \$13.8 million through June 2021. This cost will be offset by \$5.7 million from Sativa's revenue and State grants solicited by DPW.

However, there is a need for additional funds in order to maintain operations during this interim period and prepare for the anticipated transfer of Sativa to a third party operator.

The State recognizes that Sativa is just one of many examples of orphan water systems that pose public health risks and that merit significant and costly interventions, such as consolidation. Across California, hundreds of thousands of people do not have access to safe, reliable and affordable drinking water, and many public water systems are out of compliance with drinking water standards. However, there are insufficient funding sources available to address these concerns. Disadvantaged communities often lack the rate base to pay for operational and maintenance costs, as well as the technical, managerial, and financial capacity to afford and effectively manage operations and maintenance costs related to water treatment. Proposition 1 (The Water Quality, Supply, and Infrastructure Improvement Act of 2014), and the State's Safe Drinking Water Revolving Fund, do not provide financial assistance for the long-term operation and maintenance costs of drinking water systems, which must be identified in order to qualify for the capital improvement funding that is available.

This year, several legislative measures have been introduced to create a source of funding to address these issues and put a process into place to identify and prioritize failing water systems throughout the state. AB 217 (E. Garcia) would create the Safe Drinking Water for All Act (Act) to provide a source of funding to facilitate access to safe drinking water for all Californians and ensure the long-term sustainability of drinking water service and infrastructure. Funding for the Act would be generated from a new monthly water system charge on all public water systems and several new fees imposed on agricultural activities, as well as bond funds, federal contributions, grants, and settlements from parties responsible for contamination of drinking water supplies. The Act would provide grants, loans, contracts, or services to assist public water systems with the following:

- Replacement water, for short-term, immediate protection of health and safety;
- Development, implementation, and sustainability of long-term drinking water solutions;

- Outreach to Californians who are eligible to receive assistance from the fund;
- Testing the drinking water quality of domestic wells serving low-income households in high-risk areas identified by the State Water Board;
- Administrative and managerial services; and
- The provision of wastewater treatment plant operations and maintenance for areas in which polluted water originates from outside of the state.

In addition, AB 134 (Bloom) would require the State Water Board to adopt an annual assessment of failed water systems throughout the State that prioritizes systems for financial assistance due to the severity of the public health threat, the extent to which the community served by the public water system is a disadvantaged community, the number of people served by the water system, and technical, managerial, and financial capacity of the entity that operates the water system. AB 134 would also require State regional engineers to arrange a comprehensive assessment of each failed water system identified and submit to the State Water Board recommendations on how to resolve the problems that cause or caused the water system to fail and make the water system sustainable over a long-term period.

The County should support State-led efforts to address the long-term needs of failing water systems in order to ensure that all residents have access to clean, safe water. In addition, the County should continue to work with the State to seek reimbursement of costs associated with Sativa, including any funds generated with the potential future passage of AB 217.

WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

Direct the Chief Executive Officer to coordinate with the Director of Public Works, the Auditor-Controller, and County Counsel to:

- 1) Establish a Sativa Water System Special Fund in the electronic Countywide Accounting and Purchasing System to account for the former Sativa Los Angeles County Water District's (Sativa) accounting and budgetary activities;
- 2) Identify additional funding necessary for operating Sativa for the remainder of FY 2018-2019; and

- 3) Through the annual budget process, identify appropriate funding levels necessary to operate Sativa for Fiscal Years 2019-20 and 2020-21.

WE FURTHER MOVE THAT THE BOARD OF SUPERVISORS:

Direct the County of Los Angeles' Sacramento Legislative Advocates to support AB 134 (Bloom), as well as AB 217 (Garcia), if amended. to ensure that any future revenue generated by the Safe Drinking Water for All Act be used to reimburse the County of Los Angeles for costs associated with serving as the Interim Administrator and Successor Agency of the former Sativa Los Angeles County Water District.

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