

## Guidelines for Consolidation Incentive Projects

In continuing efforts to promote consolidation as a cost-effective solution to public health concerns of public water systems (PWSs) that do not meet safe drinking water standards, CDPH is providing an incentive to encourage a PWS to agree to physically consolidate one or more PWSs with project(s) ranked in categories A through G. The incentive is to allow the PWS to select project(s) in categories H or below to be re-ranked into the same Project Priority List (PPL) category as the PWS with the higher ranked problem. The following are general guidelines and information for consolidation incentive project(s).

**Definitions:** The following definitions are provided to clarify terms used throughout this guidance:

- Acceptable result means the project that, when constructed, solves the problem for which the project was placed on the project priority list established pursuant to Section 116760.70, ensures the owner and operator of the improved or restructured public water system shall have long-term technical, managerial, and financial capacity to operate and maintain the public water system in compliance with state and federal safe drinking water standards, can provide a dependable source of safe drinking water long-term, and is both short-term and long term affordable, as determined by applicable regulations adopted by the department. (Health & Safety Code Section 116760.20(a))
- Consolidation Project is defined as “a project that involves the restructuring of two or more water system into a single public water system through physical consolidation of the water systems.” (22 CCR Section 63000.17)
- Cost-effective project means a project that achieves an acceptable result at the most reasonable cost. (Health & Safety Code Section 116760.20(b))
- Incentive Project means the project(s) that the restructured water system selects from its projects listed on the SDWSRF PPL for re-ranking.
- Public water system is defined as “a water 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.” (Health & Safety Code Section 116275(h))

- Restructured Water System is defined as “the single public water system that results from the consolidation of two or more water systems.” (22 CCR Section 63000.81)

### **General Requirements:**

- Consolidating water system (CS) must have a project in categories A through G.
- Restructured water system (RS) must have a project on the PPL.
- The consolidation is proved to be the most cost-effective long term solution for solving the CS’ ranked public health problem(s).
- RS must submit an “Incentive Project Category Re-ranking Request” to CDPH.
- After CDPH approves the re-ranking request and invites both CS and RS to submit the full application(s) for consolidation and incentive project(s) during the next invitation cycle, both CS and RS must each return a completed “Statement of Intent” (SOI) to CDPH indicating the intent of submitting application(s). Failure to submit the completed SOI by the deadline will result in the incentive project returning to its original ranking on the PPL.
- RS must submit a complete application by the required deadline. Failure to do so would also result in the incentive project returning to its original ranking on the PPL.
- A draft consolidation agreement must be developed during the planning phase for the consolidation project. The draft consolidation agreement must reflect agreement between the parties regarding consolidating terms.
- A draft consolidation agreement must be submitted with a construction application for consolidation project.
- An executed consolidation agreement is required before funding of any construction project(s) is offered.
- Incentive project will not be evaluated if consolidation project does not prove to be the most cost-effective solution.
- Before funding of any construction project(s) is offered, RS must demonstrate that it has legal authority to provide domestic water to the service area of CS, assess water rates on persons to be served, and enter into contracts and incur debt on behalf of the CS.
- RS must submit an application for an amended domestic water supply permit prior to construction completion.
- CS must surrender its domestic water supply permit and cease to exist as a public water system at completion of the consolidation project.
- Both CS and RS remain subject to all other SDWSRF requirements.

**General Information:**

- The consolidation project will be evaluated for any loan/grant determinations based upon the CS' MHI.
- The incentive project will be evaluated for any loan/grant determinations based upon RS' MHI.
- Costs for shared components will be allocated on a proportional basis.
- Subject to the availability of funds and the applicant's ability to repay, an applicant may receive up to the full cost of the project in the form of a loan bearing interest at the rate established pursuant to subdivision (a) of Section 116761.65 of the Health and Safety Code. (This applies to a project whose eligible project cost for construction exceeds the funding limitations for a construction project under 22 CCR Section 63012.)
- Multiple funding agreements may be issued depending upon the project(s) and participating PWSs.