



County of Santa Cruz

HEALTH SERVICES AGENCY

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ENVIRONMENTAL HEALTH

www.scceh.com

Small Water Systems Forum Meeting- Fourth Quarterly

December 2nd, 2015

Highlands Park

8500 Hwy 9, Ben Lomond, CA 95005

Introductions and Announcements, Troy Boone

- Guest Presentation: California Rural Water Association (CRWA), Dustin Hardwick
- Rural Community Assistance Corporation (RCAC): Meter Workshop, June 9th in Gilroy
 - o SWSs requested a Metering Class, staff followed thru with RCAC and helped develop an outline
- Acqualogic- Meeting Sponsor

Sustainable Groundwater Management Act (SGMA) Update, John Ricker

- SGMA requirements, formation of a Groundwater Sustainability Agency (GSA), drafting of a Groundwater Sustainability Plan (GSP), implementation
- Key provisions
- Groundwater Basins in SC County, Basin map w/water systems
 - o Basin boundaries:
 - Pajaro Valley Water Management Agency (PVWMA) boundary matches the boundary of the Pajaro Valley basin for management purposes
 - Northwest portion of County contains "Mid-County" basin, extending to the Zayante fault and close to Hwy 17
 - Mid-County basin boundary also borders Santa Margarita groundwater basin, from Ben Lomond to Boulder Creek, and along Hwy 9 and the San Lorenzo River
- Basin Management committees
 - o Meetings held twice per year, recently increased membership of Mid-County group to include the County of Santa Cruz and the City of Santa Cruz, 3 private well representatives
 - o Pajaro: PVWMA
- GSA must be a public agency or a group of public agencies (Joint Powers Authority- JPA)
- Each basin will have its own Agency
- Draft Joint Powers Agreement circulating, it is expected that the JPA will be formed by March 2016, within 90 days management activities will continue under the new framework of the SGMA
- 2020 deadline for management plans (GSPs)
 - o Existing plans will need to be built upon to meet specified requirements

- Question: How do private wells fit in?
 - o Act requires monitoring and reporting of groundwater pumping
 - o “De minimis” users (extracts less than or equal to 2 acre-feet per year) are exempt from SGMA provisions
 - o Agencies are looking to include private well owners into their planning efforts
 - Mid-County Groundwater Stakeholder meetings
 - o Next meeting: December 10th, 7:00-9:00 PM, Live Oak Grange (1900 17th Ave, Santa Cruz, CA 95062)

- Question: What is the effect of stream and spring usage on groundwater basins?
- Answer:
 - o Surface water has historically been regulated separately from groundwater
 - o Springs are a special case, but still affect the hydrologic systems of groundwater basins
 - o Evaluation of all types of water use throughout the basin is an ongoing effort
 - o May be that “de minimis” users are not significantly affecting basin levels, but monitoring must be conducted to confirm this
 - o Still too soon to draw many conclusions from data that is currently available

- Question: Is the use of large groundwater recharge zones being considered?
- Answer:
 - o Recharge is being considered as an option to boost basin levels, along coastal and urban areas, including stormwater capture
 - o Climate change and recharge: natural rates of recharge will be reduced in the future, our current situation and future impacts must be addressed

- A groundwater model has already been started for the Mid-County basin with the goal of simulating the effects of different management actions

- A good model already exists for the Santa Margarita and Pajaro Valley basins

- Role of Small Water Systems
 - o Basin boundary modifications: provide comment
 - o Requirements for notification of Small Water Systems
 - Public comments will be solicited for the draft proposal, then a round of public comments will occur once the draft is finalized and filed with the State
 - o Small Water Systems will be contacted for this purpose of notification
 - Approximately 70 systems that are in affected basins or will be affected will be notified
 - o The focus for these notifications will be the modification of basin boundaries

- Please contact us with questions and concerns- the State requires that concerns be addressed before boundaries are submitted for review

- Important Dates

- Question: Regarding the 2020 management plan deadline and looking to the future: Might creeks be redirected or flow into the ocean reduced?
- Answer:
 - o City of Santa Cruz Water Supply Advisory Committee: the plan is to capture San Lorenzo River flow and store this in Scotts Valley and the Mid-County area for use as a reservoir rather than building another reservoir such as Loch Lomond
 - o Ideally summer flows will not be reduced so as to mitigate effects upon vulnerable/endangered fish populations, rather, winter flows should be more effectively used and retained
- Question: Metering/monitoring of water use by marijuana cultivators
 - o Increased effort on the County's part to implement more specific ordinances to better manage this water use

County Metering Ordinance (Small Water Systems) Update, Nathan Salazar

- Upcoming Deadlines
- Question: What data must be reported, water "production" or water "usage"?
- Answer: Water production reporting is specified by the language in the ordinance- the amount of water being drawn from each source is what must be reported, as a total for each month

Insurance and Liability for Water Systems, Dustin Hardwick (California Rural Water Association)

- Mission of CRWA
- Utility Resource Insurance Services (URIS)- Division of CRWA, non-profit, offers insurance packages through third-party insurance companies
- Demographics, definition of "utility"
- Who/Why of CRWA's URIS
- Provides insurance for over 100 water and wastewater systems throughout the State
- URIS Core Values
- Evaluation of insurance carriers including target markets and company ratings
- URIS builds insurance packages for utilities
- Question: How does insurance brokerage through URIS work?
- Answer: URIS uses carriers to provide the insurance but URIS works to obtain the best price by quoting several carriers and using URIS' expertise to determine which carrier is best for the system's needs

- CRWA staff offer the technical expertise for water system operation (certified operators) to inform insurance decisions
- Presentation Outline
 - o Lines of Coverage
 - Small utilities may not need every type of coverage, but for facilities such as storage tanks insurance will be needed to cover that as property
- Why Insurance?
 - o Common thoughts about insurance:
 - Time-consuming process to set-up coverage
 - Worth the effort, process helps to fix any inaccurate property assessments, identify uninsured areas, etc.
 - Cheaper is Always Better
 - Not always true: one system had a “failure to supply” claim brought against it when the distribution system broke down, very costly to pay the damages from the lawsuit due to their lack of insurance
- Policy Details
 - o “Coinsurance” something to be avoided, better to set up a flat deductible
- URIS looks to work with established carriers to ensure effective coverage based upon the needs and risks of utilities including small water systems
- What’s Next?
- Rate studies can be helpful to improve Technical, Managerial, and Financial (TMF) sustainability
- Question: Under what circumstances would a board member’s personal assets be at risk?
- Answer:
 - o Any time board members make decisions, essentially
 - o AB 54, AB240 regulations
 - System sued for raising rates and not following proper protocol
 - Board members were named, URIS covered the system
 - Board members did not file proper notice, insurance company had to pay for board members
 - “Errors and omissions” risk insurance
- Property Exposures
- Question: Can pump failure be insured?
- Answer: Yes, under “equipment malfunction” insurance, different types of pumps can be covered. However, you need to be careful about the expected life of a pump, in the event of a failure you may only get a portion covered if the device outlived its life expectancy but typically the carriers are reasonable in these cases. Coverage is pro-rated for facilities and devices.
- URIS evaluates the cost of property replacement-storage tanks, etc.- to calculate property exposure

- Application process for URIS is thorough, but tailored to best help small systems
- Question: Can contamination issues be covered?
- Answer: Yes, depending on the situation, this also relates to “pollution” coverage
- Property Coverage Elements
 - o Proper valuations are crucial
 - o Carriers will only cover up to the value estimated by water systems- property is often significantly undervalued by the water system
- Question: Pipe breaks- where do they fall under property coverage?
- Answer: General liability coverage and property coverage. Typically carriers in California do not want to insure underground pumping. They will insure the area around sites such as wells, but pipe ruptures typically are not covered under the property insurance side but rather the liability insurance side (other effects caused by the breakage).
- Question: Are “special endorsements” typically included in coverage?
- Answer: Yes, for example, flood coverage is considered a special endorsement.
- Question: Are landslides covered under flood insurance?
- Answer: Yes, and it is not nearly as costly as most imagine.
- Property Typically Excluded
 - o Properties excluded can be added under special endorsements, evaluated by URIS
- Carriers will not typically cover underground construction of wells due to earthquake risk in CA
- Crime Exposures
- Automobile Coverage
 - o Claims filed due to incidents that occur during travel on water company business- litigants can target the water company as liable, thus coverage is important even if the system does not have any “company” vehicles.
- Question: Contract operators and liability to the water system’s insurance
- Answer: Falls under operator’s insurance, thus it is important to evaluate their insurance for these instances.
- General Liability Exposures
- Question: If a system does not have general liability insurance, what is the outcome of a claim where the finding is against the water system? Where will the money come from?
- Answer:
 - o The system’s shareholders, even if the claimant is a shareholder themselves.
 - o For mutual companies, this is still a risk. Judges will look at what happened and who is liable. Insurance carriers can afford to retain expensive legal counsel to settle the claim as effectively as possible- quick and cheap are the priorities

- Question: What is the liability risk for hired contractors operating and maintaining the system; who is liable in these situations?
- Answer: The system does have some liability, including who is hired as a contractor and what the system's operational responsibilities are e.g. water pressure maintenance

- Failure to Supply Water
 - o Service interruptions can become very costly quickly

- Pollution Liability

- Management Liability

- Wrongful termination

- Proposition 218, AB 54, AB 240

- Most important- Director's and Operator's Insurance
 - o Question: Personal coverage covers this?
 - o Answer: Yes, but you want the company to act as the main provider
 - Very inadvisable to serve on a board without personal insurance due to the frequency with which lawsuits specifically name directors/officers and damages are sought

- Excess Liability

- Workers Compensation
 - o If any individuals are working inside the system, board members or otherwise, you cannot depend on your personal policy in the event of an injury despite volunteer status

- Question: Hiring of contractors- where does the liability lie for work-related claims?
- Answer: Yes it is different, but again the system's responsibility is to evaluate the contractor's insurance

- Question: Volunteer and assesment of worker's comp liability
- Answer: Endorsements can be added to policy for volunteers. Liability for workman's comp. is medical claims- injuries, etc. Other insurance is for general liability and property, but medical claims are handled differently.

- Carriers investigate appropriateness of directors/volunteers inspecting, maintaining, or repairing the system- why is this individual performing these tasks? Are they certified? Etc.

- Question: What is the time lapse between contacting URIS and system evaluation?
- Answer: Typically within 2 weeks/10 days
 - o Depends on what type of evaluation is needed, be it on-site or evaluation of current insurance coverage

- CRWA offers many programs for training
 - o Fee-based and free trainings offered
 - o Contracts from State to provide tech. assistance and training
 - o Leak detection/water loss techs available
 - Sonar equipment available to locate system flow/draw
 - o Stormwater support
 - o General tech. assistance

- National Rural Water Loan Program
 - o Up to \$100,000

- Assistance provided with grant funding, specialists assigned to help with application process

- Question: What is the availability of grant money?
- Answer: Now is the best time through Prop 1 funds, offered through the State Water Board

- USDA Rural Development also a good source of funding

Closing Comments, Troy Boone

- Q&A with Dustin Hardwick