US Water Alliance

Recovering **Stronger**

Transforming Water Management Post COVID-19

Catalyzing Community-Driven Utility Consolidations and Partnerships

Preface

The water landscape in the United States is at a confluence of challenge and opportunity. While essential for prosperous, healthy, and equitable communities and ecosystems, water systems face mounting threats. The ability to address those threats varies from community to community and is complicated by the diffuse and diverse systems of water management and delivery in the United States. While most Americans take water for granted, safe and reliable water services remain an urgent gap for millions—particularly in communities of color. These disparities will continue to be exacerbated by climate change, especially in places like California where historic drought endangers water supply and extreme fires threaten infrastructure and source water more and more each year.

In this moment, no single organization or sector can solve our complex water challenges alone. Together, we need to create multiple avenues for authentic cooperation and partnership. Utility partnerships, regionalization, and consolidation are important tools at our disposal to help unlock solutions—and they are tools that need to be wielded carefully and intentionally to avert unintended harm with the recognition that consolidation is not needed or cost effective for every community.

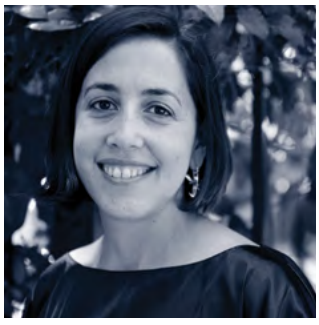
Our water sector must explore and strengthen frameworks for using community-driven processes and environmental justice principles in utility partnership, regionalization, and consolidation efforts. For the millions of Americans without access to safe water, this need is immediate. With the signing of the Infrastructure Investment and Jobs Act into law, we have a generational opportunity to invest in these kinds of transformational solutions.

Together, the US Water Alliance and partners in California explored ways to meet this need and accelerate solutions. After months of deliberation and endeavor, California is accelerating its progress. While there is still a long road ahead to achieve universal water access in California and beyond, this report seeks to share what we are learning in the hope it can be of service to others along the way.

Our purpose in advancing the community-driven use of utility partnerships, regionalization, and consolidations is clear: to help close the water access gap in the United States and safeguard that access for generations to come.

One Water, One Future.

Mami Hara
CEO, US Water Alliance



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Introduction

Times of upheaval can lead to moments of radical change. Such times also reveal and exacerbate deep-existing racial and societal inequities and the unjust disproportionate impacts on our most underserved communities. COVID-19 upended life across America, and we must take this moment of disruption and turn it into a source of lasting transformation in how we view, value, and manage our nation's water systems while centering equity in all we do.

Much progress can be forged by local and regional water agencies and community leaders. The US Water Alliance is working with our members and allied partners to drive long-overdue changes that will allow the water sector—and the nation—to recover stronger and more equitably.

This project explores one of many pathways to recovering stronger: community-driven consolidations of fragmented water systems. Within the context of small, fragmented, low-capacity, low-resource, or otherwise stressed water systems, community-driven utility consolidation and partnerships can help build the capacity to tackle big problems by building on economies of scale, increasing operational resilience, and integrating planning across drinking water, wastewater, and stormwater—and possibly other municipal and regional departments. Doing so in ways that allow communities to guide decision-making and ongoing governance is paramount, as consolidation without consistent responsiveness to community priorities, such as affordability, can have serious negative consequences. Yet, with accountable, inclusive, and responsive governance and management, consolidation can be an important tool in charting a course towards a future where all our nation's water systems exceed public health standards, safeguard the environment, and act as forces for equity and opportunity in the communities they serve. The time is ripe to accelerate outcomes and values-based approaches to utility cooperation that deliver safe and efficient water service to all communities.

While consolidation is the primary subject of this report, the Alliance believes utility partnerships and regionalization projects, where several water systems may be involved in the same project to pool technical, managerial, and/or financial capacity, are a vital part of the consolidation conversation. Wherever this report uses the word "consolidation," readers can extrapolate lessons to utility partnership and regionalization projects, too. The Alliance also recognizes the meaningful differences between, for example, physically consolidating two water systems a few hundred feet apart and a non-physical managerial regionalization project involving five water systems across a 50-mile region. The overall findings and recommendations in this report are meaningful for consolidation, regionalization, and utility partnership efforts. The US Water Alliance supports further focused conversations and research that explore the specific nuances of regionalization projects.

This report begins with an overview of the *Catalyzing Consolidation and Partnership in California* project, a look at various cooperation models and barriers, the Alliance's guiding principles for utility consolidation, and a discussion about the paramount issues of equity and racial justice in the context of utility cooperation and consolidation. The report then examines the water sector landscape, nationally and in California, considering the stressors that have brought utility partnerships and consolidations to the fore. Next, the report walks through four strategies to help unlock community-driven consolidations. Finally, the report closes with recommendations on how to advance community-driven utility partnerships, regionalization, or consolidations.

Catalyzing Consolidation and Partnership in California

As part of a larger initiative to help the water sector recover stronger from the COVID-19 pandemic, the US Water Alliance launched the *Catalyzing Consolidation and Partnership in California* project in 2021. This project aimed to model a collaborative process in California to identify strategies, tactics, and resources for community-driven consolidations. While geographically focused on California, certain lessons and ideas emerged that can lend insights and spark productive conversation in other parts of the country.

The project featured diverse voices including community-based organizations, technical assistance providers, utilities, state governments, engineering and consulting firms, and academia. Over 30 individuals participated in the project.

These key stakeholders engaged in a series of focused dialogues to build common understanding, share information and ideas, and co-create tangible resources for progress. Each virtual convening focused on one of four strategic arenas and lines of inquiry listed here:

- **Public Engagement:** How do we better and more intentionally engage impacted communities and local water boards?
- **Community Engagement and Technical Capacity:** What additional community engagement and technical assistance capacity do we need to inform and accelerate community-driven consolidations?
- **Information and Tools:** What further information/tools can we provide to catalyze more community-driven consolidations?
- **State and Local Government Leadership:** What can the state and local jurisdictions do differently or do more of to inform and accelerate community-driven consolidations?

The goals of this report are to summarize the main findings of the *Catalyzing Consolidation and Partnership in California* project and inform similar dialogues in other parts of the country that are wrestling with the important and complex topic of water system cooperation, including utility partnerships, regionalization, and consolidation. We will also share exciting examples of how this project's engagement process influenced the practices and outcomes of participating organizations.

Utility Cooperation Options and Guiding Principles

Water sector consolidation occurs when two or more distinct legal entities become a single legal entity operating under the same governance, management, and financial functions. It may or may not include physically interconnecting assets. Consolidation can occur on a regional basis when systems fully merge previously geographically-spread governance, management, and administrative assets.

Importantly, consolidation is just one option on a spectrum of utility cooperation options to achieve greater scale in the water sector.[1] Each has potential benefits and drawbacks. On one side of the spectrum, utilities preserve more autonomy, while on the other, there is full legal technical, managerial, and sometimes physical consolidation.

Options towards the right of the cooperation spectrum are among the most difficult topics to discuss in the sector. In 2018, the US Water Alliance convened a cross-sector dialogue to find areas of common ground and consensus on consolidation. The meeting resulted in a series of principles that now shape the Alliance's perspectives on cooperation generally and consolidation more specifically as an important tool communities might examine among others on the utility cooperation spectrum.

- **Focus on proactive, community-driven, and locally-determined approaches to consolidation.** Consolidation is best undertaken proactively. Community leaders and stakeholders should tailor the process for evaluating options, determine appropriate institutional arrangements at the local level, and provide ongoing input.

- **Build in backstops to address significant public health or environmental risks and threats.** While voluntary consolidation is the best approach, some communities and their water systems face challenges that place public health or the environment at significant risk and demand urgent action. State government mandates can play an important role in these cases.

- **Define and be guided by the community value proposition.** Present consolidation in the context of the value it can provide the community. Clearly articulate the potential costs and benefits a community can anticipate from the consolidation of utilities.

Figure 1

Collaboration Approaches Among Utilities

- **A range of consolidation models are both possible and potentially effective; communities must have balanced and factual information to make informed choices.** Communities need balanced information on the full range of governance models under which consolidation can take place. Consolidation is not right for every community.

- **Develop a cohesive authorizing environment at the state level.** Given that consolidation is an important tool to accelerate movement towards a One Water future in the United States, state governments should adopt a complete and cohesive authorizing environment to streamline consolidation transactions, lower up-front transaction costs, and provide balanced, factual information on consolidation options.

Leaders need to be mindful of the many barriers to utility cooperation to be effective. When these barriers are too high or costly compared to the expected payoff, they are unlikely to succeed. Utility consolidation can also lead to unintended negative consequences, and leaders need to be aware of these risks to avoid them. Some examples include:

- **Governance risks.** The constituent communities involved in regionalization or consolidation need to maintain some meaningful decision-making power in the resulting utility governance structure to mitigate autocratic or biased utility governance. When governance authority is too concentrated, the full solution sets to solving issues may go unexplored, resulting in poor infrastructure investment decisions, affordability pressures, and the underutilization of innovative, cost-effective solutions.

- **Liability and imbalance of benefits factors.** A utility has less incentive to consolidate with other utilities with environmental contamination and compliance issues, those behind on infrastructure investments, or with customer bases that cannot support needed investments without significant subsidy from other customers. Those customers have to be willing to absorb costs and risks or find opportunities for alternative financing options and liability insulations.

- **Social and cultural discontinuities.** Parties involved may lack trust, including concern about the motivation, intentions, and the sharing of negative performance information. Urban and rural conditions may differ, and race and ethnicity-based disparities can play roles as well—an issue discussed in more detail in the next section.

Full descriptions of each guiding principle and barrier, along with a discussion of additional barriers and recommendations, can be read in the Alliance's 2019 publication, *Utility Strengthening through Consolidation: A Briefing Paper.*

Equity, Racial Justice, and Community-Driven Consolidation

As a foundational matter, discussions about consolidation and regionalization, or any water-related issues, must focus on equity and racial justice. Communities of color across the country still disproportionately lack access to safe and affordable drinking water. The COVID-19 pandemic is a reminder that gaps in water access are in part a direct legacy of racial injustice—including redlining, lack of infrastructure investment in communities of color, race-biased decisions about community incorporation and land use, and underrepresentation in governance.

Consolidation and regionalization projects have directly helped communities, such as farmworker and small rural communities in California, secure access to safe and affordable drinking water. And in many cases, California community leaders have directly advocated for laws and regulations to compel consolidation projects to close the water access gap.

However, when not community-driven, consolidation and regionalization projects can run counter to community wishes and weaken or destroy community representation. There are examples of consolidation projects harming communities of color and in which water governance changes diminish representation for Black and Brown voices. Water boards should be representative of the communities they serve, which is not often the case.

In keeping with the Alliance's guiding principles for utility consolidation, and reflective of the race-informed power dynamics that shape the discourse on consolidation, the California consolidation project and this report focus on community-driven consolidations. Early on, project participants worked to characterize what makes a consolidation "community-driven." While almost everyone began with their own definition, the group strove towards a shared understanding with the below characteristics. Note that for purposes of this report, when referencing "community" (e.g., community knowledge) we include both residents served by the water systems as well as domestic well owners that may be located near those water systems and could benefit from being connected into the water systems.

1. Community knowledge must be respected in problem definition and solution identification; communities must be asked what outcomes are most important to them.

2. Communities should be provided sufficient analysis of options and predicted outcomes (including pros and cons); community members are empowered to provide input before a final decision is made in a manner that is accessible to them.

3. Community meetings and effective communication must occur within the broader community, not just the water board or governing body.

4. Community members must have a direct say in the governance model of any new entity created by the consolidation.

5. Policymakers should set minimum standards but give communities the latitude to craft their own unique solutions that meet those standards; policymakers must provide resources and support along the way to support needed solutions.

6. Those that are most affected by challenges with the status quo must be supported to lead on developing solutions to address their needs.

Participants also discussed the importance of moving with urgency to provide access to safe drinking water for communities, balanced with the importance of intentional community engagement and community-driven decision-making strategies. Participants discussed how intentional outreach and engagement, particularly at the front end of more complex projects (for example, those that involve significant governance decisions) can help speed up the overall project timeline. There may also be instances when a project timeline is lengthened to account for community engagement. Conversely, simpler projects—such as running a transmission line from a neighboring larger water system to a very small water system (e.g., a mobile home park)—may allow for a more streamlined process and may not require as much engagement. Underlying all these scenarios is a common theme: the value of having intentional conversation with all key stakeholders, including impacted community members, early in the process and establishing a shared set of expectations.

The Consolidation Landscape Nationally and in California

Opportunities for community-driven consolidations exist in all 50 states. Tens of thousands of small water systems are spread out across the country, many of which are struggling to provide safe and affordable water, maintain and upgrade their infrastructure, and foster resilience in the face of climate change. An estimated two million Americans lack access to adequate running water or sanitation in their homes.[2] More broadly, a recent report found that between 2016 and 2019, 24,133 community water systems violated federal safety regulations a combined total of 170,959 times and that communities of color were disproportionately affected both in terms of the rate of violations and inadequate enforcement.[3] This number does not include the millions of Americans served by non-federally regulated small water systems or private domestic wells. A further 97 percent of the nation's nearly 150,000 public water systems serve communities of 10,000 people or fewer.[4]

In the face of mounting water stressors, the State of California alone seeks to secure 200 consolidation agreements by 2025.[5] California has a highly fragmented water sector that mirrors the fragmentation seen nationally. There are approximately 7,400 water systems in the state, with 2,884 community water systems that provide drinking water year-round to communities. Of those systems, 77 percent serve communities under 1,000.[6] As of April 2021, 339 public water systems in California were out of compliance with federal and/or state water quality regulations.[7] Several additional systems are also struggling with hexavalent chromium, and more are discovering PFAS chemicals in their water. The state also estimates over 600 water systems are "at risk" for water shortages or other water-related challenges.[8]

An additional two million Californians are served by decentralized water systems or private domestic wells, which are largely unregulated.[9] In places like California's Central Valley and Central Coast, concentrations of private domestic wells (which frequently serve farmworker communities on the outskirts of larger towns and cities) are often found near public water systems.[10]

Climate change exacerbates the state's water challenges. California had its driest year in a century in 2021.[11] Warming temperatures mean less snow, crucial for California's reservoir system, and more runoff absorption. The conditions were so extreme that hydrological modeling had to be adjusted to keep up. And the consequences are real: community-based organizations participating in this project regularly receive calls for help from families whose wells have run dry.

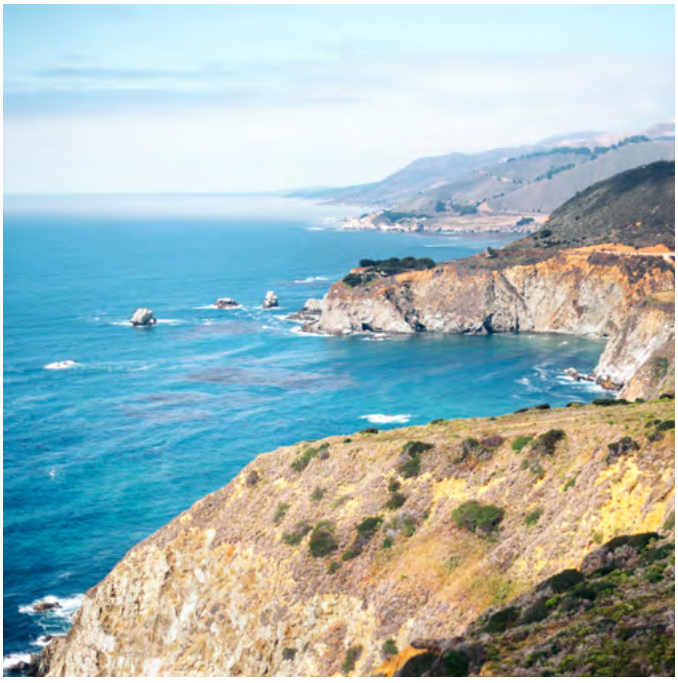
While these challenges are severe, California is working on an aggressive state policy and funding effort to address drinking water access and build water resiliency. After decades of organizing and advocacy, community advocates achieved passage of California's Human Right to Water Law in 2012 and the Safe and Affordable Drinking Water Fund in 2019.[12,13] The first provided a clear directive to state agencies to consider the Human Right to Water as part of agency functions. The latter provided a funding source: $1.3 billion over 10 years, prioritized for the drinking water needs of small, low-income communities of color that are failing to provide an adequate supply of safe water. An additional $1.3 billion in funding for drinking water and wastewater needs was secured in 2021, with an encumbrance deadline of 2024.[14] In early 2021, state officials identified a $4.5 billion funding gap over the next five years for drinking water projects alone, so while these figures still do not capture the need, the total funding available represents a partial down payment on providing safe and affordable drinking water to all in California.

California policymakers have identified consolidation and regionalization projects as a key strategy to achieve the state's water access and resiliency goals.[15] The state is actively pursuing consolidation opportunities, including physical consolidation of small water systems and larger neighboring water systems, of domestic wells and nearby water systems, and at a regional scale.

California encourages voluntary consolidations through incentives and direct engagement with local water systems and communities. The California State Water Resources Control Board also has mandatory consolidation powers to compel consolidation between water systems where one water system consistently fails to provide an adequate supply of safe drinking water, or is at risk of doing so, after consultation with local stakeholders.[16] Technical assistance providers and local community-based organizations are key players in consolidation project efforts, providing support to small water systems and facilitating effective community engagement. While all these efforts are already building momentum towards solutions with many projects underway or completed, the scale of the need remains significant. Project participants brought both a sense of momentum and a shared desire to secure even more progress towards community-driven solutions into the project.

The distinctions between California and other parts of the country are important to point out. California has a significantly stronger enabling context than many other states. For example, California established a strong legislative mandate in 2019 to address the lack of drinking water access in frontline communities by providing $1.3 billion over 10 years for drinking water infrastructure, with additional funds provided by the state in 2021. Another key difference is the organizing and coalition-building that has taken place at the community and grassroots levels over many years (and which facilitated the 2019 investment of resources). Also, as noted above, California has the authority to mandate consolidation in certain circumstances, which California community leaders have utilized to press for community-driven consolidations. California has tools in place to make rapid progress on closing its water access gap—with community-driven consolidation and regionalization projects serving as one of the core strategies to do so.

Even with this strong enabling context, California faces many roadblocks to achieve its goals by 2025. With these hurdles in mind, the prospects for accelerating utility partnership, regionalization, and consolidation in the rest of the country appear even more challenging. Now is the time to take note of the lessons from what California is already doing, what more can be done, and what processes can help create positive change. These lessons can inform efforts in other states working towards furthering utility partnerships, regionalization, and consolidation projects of their own.



Strategies to Help Accelerate Community-Driven Consolidation and Partnership

Despite a stronger enabling environment than most states in the nation, California still faces a daunting challenge to achieve its state-wide goal of 200 consolidations by 2025. To support these efforts, the US Water Alliance convened stakeholders to explore strategies for progress within four strategic arenas with significant bearing on the pace and quality of utility partnership and consolidation work.

The four strategic arenas used and described in this section included:

- **Public Engagement:** How do we better and more intentionally engage impacted communities and local water boards?

- **Community Engagement and Technical Capacity:** What additional community engagement and technical assistance capacity do we need to inform and accelerate community-driven consolidations?

- **Information and Tools:** What further information/tools can we provide to catalyze more community-driven consolidations?

- **State and Local Government Leadership:** What can the state and local jurisdictions do differently or improve upon to inform and accelerate community-driven consolidations?

Each strategy represents a fundamental piece of the puzzle to unlocking accelerated community-driven consolidation and partnership projects. Project participants believed that creating new, smarter strategies in these categories would lead to more community-driven consolidations on a faster timeline. These arenas can also be used as units of assessment in other states to identify strategies for progress—although depending on state-specific context, others may rise to the top.

For each arena, the project team and dialogue participants used several intentional tactics to spark conversation and generate momentum in and outside of the meetings on these topics that could be useful for similar future efforts in other states. After the conclusion of the final dialogue, participants reported that each tactic was key to the overall progress the group was able to make.

- **Straw Proposals:** Each convening featured a straw proposal tied to that convening's particular strategic arena. Each straw proposal was a short (averaging around four to five pages) written working document that proposed a novel idea to accelerate community-driven consolidations in light of that particular meeting's arena. The four straw proposals aimed to spark conversation and deepen thinking to surface areas of alignment. Subgroups of participant volunteers developed the straw proposals prior to larger group meetings where proposals would be presented and discussed.

- **Pre-Meeting Surveys:** Each convening featured a pre-meeting survey sent to project participants. The pre-meeting surveys asked participants foundational questions that then informed meeting agendas and the straw proposals.

- **"Where Are We Now" Presentations:** Each convening featured a brief opening presentation designed to review the current landscape, based on the strategic arena for that particular convening. The US Water Alliance worked closely with the California State Water Resource Control Board to design the opening presentations, which several different State Water Board staff delivered over the course of the four convenings.

- **Audience Polls:** The group used audience Zoom polls to explore areas of alignment and critical mass and to weigh in on future direction for the group.

STRATEGY 1:
Public Engagement

The importance of intentional community and local water board engagement in the context of consolidations cannot be overstated. Consolidations can have the unintended consequence of disenfranchising communities unless there is real care given to providing an equitable process and securing an outcome that is based on community decision-making. Intentional public engagement is the foundation for achieving both. That is why participants considered the strategy of public engagement, shaped by the guiding question: how do we better and more intentionally engage impacted communities and local water system boards?

What's Working?

California's network of technical assistance (TA) and community-based organizations (CBOs) have worked for years to build local capacity and trust to enable more intentional community engagement. Continued state funding of community engagement and capacity-building efforts has helped lay a foundation of trust and engagement in at least some communities, although more of such work is needed.

Challenges

Given the number of projects and needs still ahead, and in addition to finding ways to shorten the consolidation timeframe given the urgent situation many Californians are in today, the California State Water Resources Control Board acknowledges a need to continue providing funding, data, and maps, and has a legislative mandate to do so. It also needs to provide clear expectations and standards related to community outreach and engagement and encourage Board staff to lean into community engagement for difficult consolidations.

Outreach and engagement on the front end of consolidation projects in California have been neither consistent nor consistently intentional, even with the State's unmatched commitment to community engagement. Laying a solid foundation in the engagement stage is critical for success—particularly for more complex projects. Some project participants shared examples of past or current consolidation projects that would have benefited from more upfront focus on community outreach and engagement, as well as a more common set of shared expectations about what "good" community engagement looked like.

Strategic Interventions

A transparent set of expectations regarding early/pre-project stakeholder engagement would be very valuable to better set up consolidation projects for success. This participant-led conversation resulted in a proposed project kickoff framework called "Step Zero." The goal of Step Zero is to increase the intentionality and consistency of stakeholder engagement with impacted communities, local water boards, and other key stakeholders to better foster enabling conditions for a successful consolidation, partnership, or regionalization project. Step Zero activities would occur at the very front end of a project, before a project is fully defined.

Step Zero has two categories of action: pre-project scoping and intentional project outreach. Pre-project scoping identifies who needs to be engaged for initial pre-project conversations, and intentional project outreach, both to impacted local water boards and directly to community members. Guiding questions to empower impacted community members' participation might include:

- **Problem defining:** What is going on with the water (e.g., quality, quantity, cost)? Is addressing water issues a priority for the community, and what other problems is the community facing?
- **Expectation setting:** How might we address these problems (e.g., what are the options, and what are the pros and cons of those options, including potential costs), and what do the timeline and process look like?
- **Defining the "community":** Who do you think needs to be at the table? What does the "community" look like to you?
- **Local preferences:** What does the right solution look like to the community (e.g., what are the pros and cons for utility partnerships, regionalization, consolidation, or distributed infrastructure)? Are there any gut reactions to the basic menu of options?
- **Local wisdom and data gathering:** What has their experience been up to this point? What should the project team be mindful of?
- **Follow-up:** What are the community's expectations for receiving updates, and in what form should those updates be given? How will community members be included in any upcoming project coordination meetings (including ongoing community input on priorities, execution, and cost-impacting decisions)?

STRATEGY 2:
Community and Technical Capacity

Small water systems often lack the capacity to pursue community-driven consolidations or other solutions to their pressing challenges. Only so many qualified technical assistance providers, advocates, and other consultants exist in the state to support them, and the funding they require to give that support is also limited.

For these reasons, the second strategy that project participants considered—community and technical capacity—was shaped by the following guiding question: What further community and technical assistance capacity do we need to inform and accelerate community-driven consolidations? The project defined community and technical capacity broadly to be inclusive of community outreach, technical assistance, project management (including management of consulting engineering firms), and technical engineering capacity.

What's Working?

Participants universally expressed support for California's network of technical assistance providers and community-based organizations, many of which serve a dual role as formal technical assistance providers for the State. Crucially, these entities have a demonstrated ability to build trust with impacted communities. California's available funding for technical assistance for small water systems was also identified as a strong enabling condition for supporting community-driven consolidations. Technical assistance (TA) providers are contracted by federal and state agencies to advance projects for small and underserved communities. TA providers do everything from helping communities develop and submit project proposals, to managing project funding and overseeing engineering consultants, to building the capacity of small water systems to operate more sustainably in the future. TA providers are an invaluable part of the water sector landscape, and they are a cornerstone to efforts to close the water gap in California and the United States.

Challenges

A major, and perhaps even the most significant, complication for this particular strategy is the lack of existing capacity in California's current network of technical assistance providers and community-based organizations (CBOs). California may need additional community outreach and technical capacity to meet the state's ambitious consolidation goal of 200 agreements in the next four years. The state provided $1.3 billion in the summer of 2021 that must be encumbered by June 30, 2024, and liquidated by 2026. The state's TA providers and CBOs are already bearing significant work and grappling with a growing drought emergency. More organizations may need to be brought in to provide the additional capacity needed to handle any workload above and beyond what existing TA and CBO providers can take on.

For example, parts of the state have few, if any, current technical assistance providers or community-based organizations working on water. Even in parts of the state where there is a meaningful presence of TA providers and community-based organizations, those organizations are hitting their limit in terms of ability to scale at a rate to address the nearly 1,000 water systems that the California State Water Resources Control Board has identified as being either out of compliance with federal and/or state water quality regulations or as being "at risk" of water quality or supply challenges. When posed the question of whether the California State Water Resources Control Board may need to significantly expand existing TA/project management/community outreach capacity to meet the state's ambitious consolidation goals, and considering funding encumbrance timelines, 100 percent of participant respondents answered yes.

Strategic Interventions

Private engineering and consulting capacity to support community-led efforts is growing, and once mature, it could help fill gaps in the state's capacity to pursue regionalization and consolidation projects. California has long used private engineering and consulting capacity to work on state drinking water and wastewater projects, but before these new policy and funding programs were established, private engineering capacity for small water systems was typically overseen by TA organizations. In these cases, TA organizations are funded by the California State Water Resources Control Board to oversee private engineering firms, but the current collective TA capacity is limited. Additionally, the California Legislature passed legislation in the summer of 2021 allowing for private engineering firms to act, for the first time, as TA providers—making this conversation even more timely.

Participants considered how to augment existing TA and community-based organization (CBO) capacity by using private engineering and consulting capacity to handle any work beyond what existing TA and CBO providers cannot or do not want to take on. The group also considered how to ensure strong community-driven approaches and effective community engagement continues as the state dramatically scales up the numbers of drinking water and wastewater projects—including consolidation and regionalization projects—over the next few years.

Participants considered the following strategies to address California's lack of sufficient community engagement and technical assistance capacity while continuing strong community-driven approaches and effective community engagement:

- **Create Pathways for Regional Project Teams:** Participants discussed creating more formalized regional project teams that could include at least one community-based organization, a technical assistance provider, and a private engineering firm. In some cases, a single entity may be able to play more than one of these roles. Regional project teams would be assigned and empowered to advance community-driven consolidations and other projects within regions of California that face water access gaps. The benefits could include greater efficiencies in the contracting process and a better unlocking of potential community-driven regionalization projects.

- **Create and Fund Regional Community Outreach Advisors:** Participants discussed how resourcing community outreach and engagement work is equally important as the necessary technical and engineering work. One option would resource CBOs to act as regional outreach advisors as part of regional project teams. CBOs would leverage their expertise, approach, and community trust to help ensure community-driven approaches and successful community engagement. Participants also emphasized the importance of creating shared expectations and guidelines that all entities contracted to work on state drinking water and wastewater projects, including private engineering firms, would adhere to in order to facilitate community-driven projects and successful community engagement. At the time of publication, California was actively implementing a version of this idea.

- **Clearly Identify Decision Points for Community Decision-Making:** A fundamental principle of environmental justice is community decision-making. Participants discussed the importance of clearly identifying decision points within the community-driven consolidation process where community decision-making is necessary.

STRATEGY 3:
Information and Tools

The third strategy discussed by project participants, information and tools, can prove the difference between catalyzing community-driven consolidations and partnerships versus a lack of progress. Participants focused on the guiding question: What additional information and tools would most effectively catalyze more community-driven consolidations? The project defined information and tools broadly to mean any data, interactive online/GIS tools, feasibility analyses (or other kinds of analyses), modeling, case studies, toolkits, templates, or any other informational tools that can help accelerate consolidations.

Good information and tools make visible who has safe, affordable, and resilient water, and who does not. Good information and tools also illuminate possible solutions, including potential consolidations. These might include maps or studies identifying water systems without safe water within less than a mile of a water system that does have access to safe water. Access to good information and tools can also catalyze progress by establishing a common set of facts and galvanizing public and decision-maker attention.

What's Working?

California has several tools and informational resources related to completed consolidation and regionalization projects and future opportunities. The California State Water Resources Control Board's interactive online tool displays completed consolidations by type.[17] The state also released a needs assessment that identified dozens of water systems that may benefit from exploring consolidation, as well as numerous regionalization project opportunities.

Challenges

One of the most common reasons consolidation and regionalization projects stall is the lack of information about how such projects may affect water rates. Information about potential impacts to water rates informs the kinds of assistance needed to ensure water affordability. However, California's Proposition 218 restricts using ratepayer revenue to provide lifeline rates and other types of assistance to low-income households.

Gaining an understanding of potential impacts to water rates currently requires a complete feasibility study that considers the long-term costs of consolidation, or an alternative such as the true costs of any needed asset replacement necessary if there is no consolidation. Consolidation and regionalization projects can struggle to reach the point of conducting these analyses because water systems are hesitant to spend public funds to analyze projects that may not move forward.

The group's discussion of various pain points related to information and tools revealed a need for:

- Templates (feasibility study templates, budget templates, legal templates, etc.);
- A table that lists potential California consolidation models (this could also be a more in-depth "decision" flowchart);
- An informational guide for local governments to navigate consolidation and local agency formation processes;
- Further analysis of water system regionalization opportunities;
- Resources that capture potential benefits to public health due to improved water quality, improved climate change resiliency (e.g., to drought), and job creation (e.g., due to construction) that may result from utility partnership, regionalization, or consolidation and in what instances.

Strategic Interventions

Developing a proactive, open-source feasibility analysis "template" or similar tool would help jumpstart more projects. Towards this end, having a quicker and more economical "pre-analysis" version of a feasibility analysis (versus a full-scale analysis) could help determine if potential consolidations are worth further exploration. With a pre-analysis feasibility template, water systems could demystify potential impacts of consolidation on rates without having to pay for a full-scale feasibility analysis that could prove difficult to justify if the project did not advance. As part of looking at the pros and cons of a consolidation opportunity, feasibility analyses should look at impacts to community representation as part of any potential water system governance and ownership changes.

As an outcome of this project, the California State Water Resources Control Board and the Water Foundation are now developing a proactive feasibility analysis template for communities that could benefit from consolidation. The template will focus on water rates analysis and system governance analysis. The goal is to help communities understand potential water rate and governance impacts from the proposed consolidation project early in the process. The Water Foundation and the California State Water Resources Control Board are also exploring the creation of a publicly available rate analysis calculator. The calculator could then be used to help assist other communities with accelerating future consolidation projects.

STRATEGY 4:
State and Local Government Leadership

Difficult, highly complex, or controversial projects often cannot advance in a timely manner without the engagement of state and local officials. Conversely, such projects can be significantly accelerated with strong engagement from state and local governments. The fourth strategy this project considered, state and local government leadership, was shaped by the following guiding question: What can state and local jurisdictions do to inform and accelerate community-driven consolidations?

What's Working?

Participants identified the following elements already working to accelerate community-driven consolidations:

- Proactive outreach to water systems (although participants also expressed the need to further increase outreach to impacted community members);
- Technical assistance funding;
- Ongoing state efforts to identify areas where there are clear opportunities for consolidation and regionalization projects;
- Ongoing state efforts to provide significant financial consolidation incentives;
- The California State Water Resource Control Board's consolidation authorities, including the ability to mandate consolidations and the ability to consolidate at-risk systems before they fail and widen the water access gap.

California is currently providing grant funding to meet the full project costs for small, disadvantaged communities that are unable to provide access to safe water.

Challenges

Participants identified major hurdles at the state and local government levels that can slow down community-driven consolidations. Many expressed a need for the California State Water Resources Control Board to improve internal procedures to speed up processing times for funding approvals. Second, participants expressed a desire to see the State Water Board use its mandatory consolidation powers more quickly and predictably in instances when a community lacks safe water or when a water system is at risk of failing to provide an adequate supply of safe drinking water and could benefit from a consolidated water system, but the process is not moving forward in a timely manner. As one participant said, "a well-timed mandatory consolidation warning letter can significantly speed up the process."

The central concern with both issues is how to shorten the timeline it takes to secure sustainable drinking water solutions for communities that lack safe water. Currently, a typical consolidation project takes between four and ten years, not including state processing times. Because lacking safe water access is an urgent issue, participants universally expressed a desire to significantly accelerate that timeline when possible.

Lastly, at the local level, several participants articulated the importance of calling out systemic racial discrimination and power imbalances. This can look like a larger, wealthier and/or majority white community with access to safe and reliable water opposing or obstructing a consolidation project for a smaller community of color nearby that lacks access to safe and reliable water. Smaller communities that lack adequate managerial and legal resources may also rely on the larger receiving water system for assistance in advancing a project or even simply submitting a project proposal, creating a potential power imbalance.

Strategic Interventions

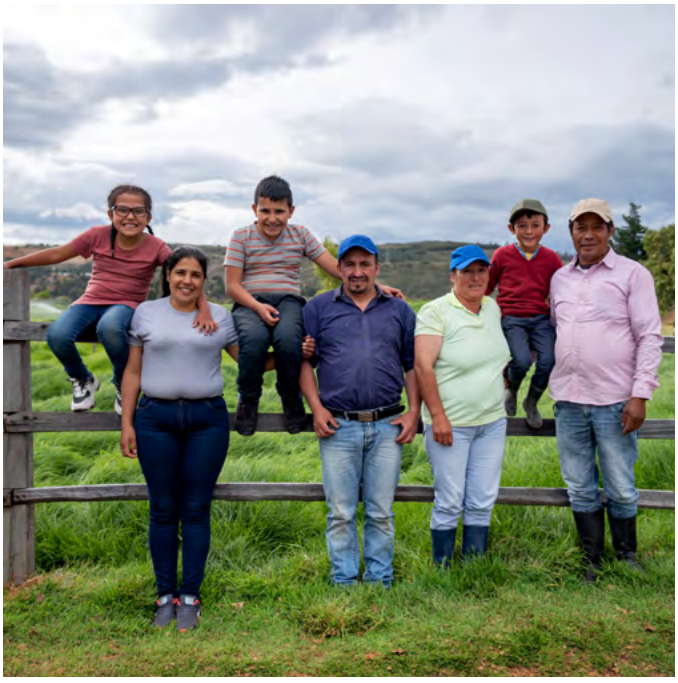
Any effort to increase momentum and accountability for projects should start with a common set of expectations about ideal consolidation project timelines and how to move projects forward when efforts stall. Recognizing that many consolidations take significant time due to their complexity, participants discussed adding transparent "milestones" to the average consolidation project timeline. Missed milestones would serve as trigger points for stakeholders to assess whether a project is on track. When a milestone is not met, the state could undertake escalatory interventions to advance the project. These interventions may include more direct engagement by state leadership (for example, more frequent meetings and increased project management attention), or even cancellation of project contracts if current providers are unable to adequately progress the project. Clear and common expectations about the project timeline, including key milestones and a shared understanding of possible state interventions, can better empower stakeholders to examine the core reasons behind why a project is lagging. This, when combined with more intentional strategies around public engagement, can help reduce power imbalances between stakeholders that lead to inequitable outcomes. Lastly, larger water systems can take more opportunities to determine if there are struggling systems just outside their borders where a regional solution might be feasible and would increase equitable access to safe and affordable water.

Recommendations for the Water Sector

The ideas put forth during this project can offer insights to stakeholders in California and beyond seeking to unlock utility partnerships, regionalization, and community-driven consolidation. This project also surfaced some core insights that stretch across strategic arenas and have implications for the various players involved in advancing this work, from water systems to states to philanthropy to nonprofits.

WATER AGENCIES:
Involve Community Members Early and Often in Consolidation Projects

Successful consolidation projects start with good community outreach. Centering water decision-making around the end-user—the community member—builds goodwill and momentum that can accelerate progress and positive outcomes. Valuing community members as equal project partners can help build trust and reduce power imbalances. The local water systems, along with state and local government representatives, should work with community members and community-based organizations to establish a set of shared expectations, including for community engagement and project outcomes, to build alignment and catch trouble spots early. Use the expertise of community-based organizations to share the process, options, and key decision points in a community-friendly manner. Providing clear pros and cons of different project options can ensure community members give meaningful input. Community members should shape any governance changes resulting from a consolidation project, including water system ownership and board seat representation. Maintaining fair representation in the community's water system post-consolidation should be of paramount importance.



GOVERNMENT AND PHILANTHROPY: **Create Shared Spaces to Tackle State and Regional Consolidation Policy Issues**

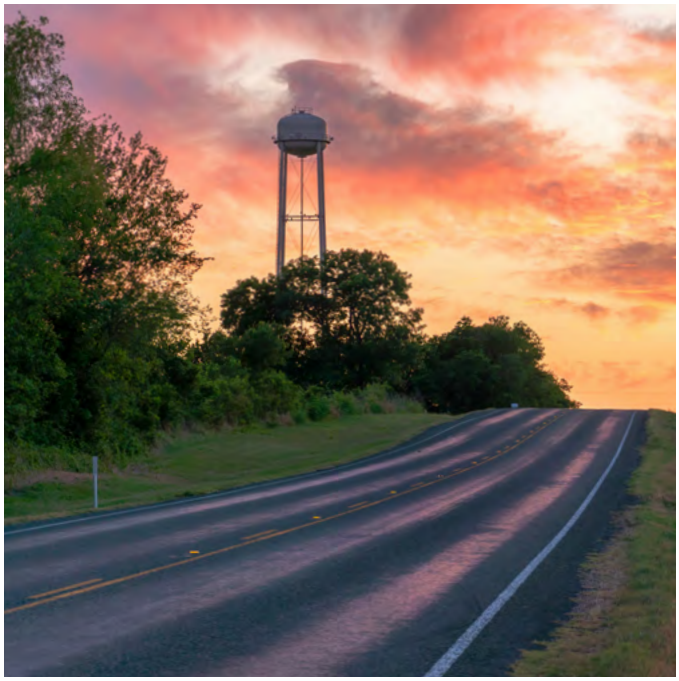
Creating a shared space can spark conversation, build momentum, and create accountability. It is important to have diverse perspectives and backgrounds at any shared table—including government representatives, water system representatives, and community-based organizations. Where feasible, a high-level government champion's participation can help energize the discussion and align potential outcomes with ongoing work. A third-party entity, like a foundation or academic institution, may be able to play a convening role for the shared space, freeing up other voices at the table—including those from government, water agencies, and community-based organizations—to lean into the policy discussions on a more level playing field. It may also be helpful to structure the shared conversation into several smaller guiding topics, allowing a deeper dive into the issues that are most pressing while keeping the dialogue respectful of participants' time and capacity. Explore using some of the process tactics discussed in this report to further make the most of shared time and to enable participants to shape any convened conversations before they happen.

GOVERNMENT AND WATER AGENCIES: **Jumpstart the Consolidation Project Planning Process with Proactive Analysis**

Proactive consolidation project analyses can jumpstart the planning process for projects that otherwise might not happen. This could be particularly beneficial for small and low-income communities and communities of color that often lack capacity to develop and submit a project application to, for example, a State Revolving Fund (SRF) project list. Government and water sector stakeholders could use federal and state data and input from community-based organizations to conduct statewide needs/gap assessments to create a list of which communities lack access to safe, affordable, and resilient water but have not yet submitted a project proposal to the relevant project funding process. Proactive outreach and technical assistance could then be targeted to close that gap. A proactive project analysis looking at impacts to safe water access, rates, and water system resiliency can help better inform the conversation and generate momentum towards a solution if projects stall during the planning phase. There is opportunity for academic and non-governmental organizations to also support proactive project analyses as either a complement to government action or to supplement or catalyze government action when necessary.

GOVERNMENT AND WATER AGENCIES: **Establish Shared Expectations for Project Timelines**

Government and water sector stakeholders can establish shared sets of expectations, at both a macro policy level and at the project-specific level, to create transparency around project timelines. This will help build trust and create accountability for challenging efforts like consolidation projects. Community members in particular benefit from transparent project timelines. Little outward progress, as perceived by community members prior to construction, may create a sense of frustration and disillusionment. The state can also act to serve as a "backstop" for intervention when safe water projects are not adequately making progress. To accelerate community-driven consolidations, consider tactics like setting project milestones to assess whether projects are on track or not. For projects falling behind on achieving a certain milestone, consider using that milestone as an opportunity to trigger escalatory interventions that can proactively help the project get back on schedule.



GOVERNMENT AND PHILANTHROPY: **Further Invest in Partnership and Community Capacity Within the Water Sector**

Governmental and philanthropic stakeholders should invest in building partnerships and community capacity to engage on water issues. The pace of community-driven utility partnerships, regionalization, and consolidations (and community-driven water projects more generally) will not increase unless we commensurately scale up these capacities. Investing in CBO and TA providers is key. These organizations do the hard work of community organizing, educating and facilitating community engagement in projects, and support consolidation project development for communities that might otherwise never make it into a project queue. Still, CBO and TA providers consistently struggle to secure adequate sustained funding. It takes ongoing investment to build community capacity. Without such investment, communities will struggle or be unable to engage meaningfully in water decision-making processes. Further government investment in community capacity building is needed, but philanthropy has a particular opportunity in this moment of historic investment in water infrastructure funding to intentionally bring community voices to the fore.

While there is a need for states and the federal government to continue increasing investment in general TA focused on disadvantaged communities, it is important that philanthropic organizations make fundamental investments in organizations working directly with impacted communities so community members have the tools and support to meaningfully engage and drive projects. Community members in underserved areas are already burdened and under huge stress. Also, they are not typically compensated for their time like the other stakeholders in project development processes. Because community expertise is crucial, the funding community can fill a critical role by investing in their ability to have the time, space, and technical support to ensure they can drive the process.

Notes

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About the US Water Alliance

The US Water Alliance advances policies and programs to secure a sustainable water future for all. Our membership includes water providers, public officials, business leaders, agricultural interests, environmental organizations, community leaders, policy organizations, and more. A nationally recognized nonprofit organization, the US Water Alliance brings together diverse interests to identify and advance common-ground, achievable solutions to our nation's most pressing water challenges. We:

Educate the nation about the true value of water and the need for investment in water systems. Our innovative approaches to building public and political will, best-in-class communications tools, high-impact events, media coverage, and publications are educating and inspiring the nation about how water is essential and in need of investment.

Accelerate the adoption of One Water policies and programs that effectively manage water resources and advance a better quality of life for all. As an honest broker and action catalyst, we convene diverse interests to identify and advance practical, achievable solutions to our nation's most pressing water challenges. We do this through our strategic initiatives and One Water Hub, which offer high-quality opportunities for knowledge building and peer exchange. We develop forward-looking and inclusive water policies and programs, and we build coalitions that will change the face of water management for decades to come.

Celebrate what works in innovative water management. We shine a light on groundbreaking work through storytelling, analysis of successful approaches, and special recognition programs that demonstrate how water leaders are building stronger communities and a stronger America.

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