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Equity, Access and Affordability Luncheon Presentation July 2021

Charley Wilson, Executive Director, Southern California Water Coalition: Welcome. We do have a great program for you today. We've got a new task force that we are launching. We are very excited about it. We just got a chance to talk about it in our Board meeting. But for now, since you've all got mouths full, please eat, enjoy lunch. We will be back at the end of lunch, for our program and our formal comments. Thank you all for being with us. We'll see you in about 20 minutes.

Thank you very much for being with us, and thank you for indulging our silliness, to open today's program. It is a great pleasure to be back with you, and to be able to meet in person. The last 18 months have been challenging on a variety of fronts, but I can tell you that this organization has not stood still, and that we have used the last 18 months in the pandemic, actually to sort of re-jigger our business model, look at new areas for us to perfect, areas where we can grow, and we think we have come up with a nice balance, in terms of how we provide education and advocacy on water-related issues for the entirety of southern California.

I am pleased that we are able to get back together today. As part of being together, I do want to make sure that I say thank you to those who make today possible.

First and foremost, our lunch sponsor. If you enjoyed everything, you want to say thank you to Joone Lopez and members of the board of the Moulton Niguel Water District, who sponsored today's lunch. If there was anything wrong with your meal whatsoever, I'm sorry. Just let me know later how I can make it better.

The other funders and founders of this organization I want to say thank you to, because based on their generosity really is the foundation financially, for why we're able to do what we do. And that is, as you heard, from the Inland Empire Utilities Agency – IEUA, the Irvine Ranch Water District, Los Angeles County Department of Public Works, Los Angeles Department of Water and Power, the Metropolitan Water District of Southern California – Madame Gray, Chair Gray, thank you for being with us, the Riverside County Flood Control and Water Conservation District, San Bernardino County, the Water Replenishment District, and West Basin Municipal Water District. Please say thank you to all of them.

As I mentioned, with the evolving issues in and around water, it became readily apparent that there were emerging issues that we would traditionally try to handle as – incorporate into part of some larger issues. Every time we talked about new source development or water quality, or whether or not we started talking about the Sacramento Bay Delta or the Colorado River, the more we talk about various issues, the more certain things kept kind of popping up. And now, they've become quite timely.

So today, we formally launched a new task force as part of this organization, the Equity, Access and Affordability Task Force. And today, we've got an expert panel to sort of talk a little bit about what does that mean? Rather than coming to the table with a pre-determined agenda, position, definition, we thought "Let's form the task force. Let's get some experts in the room. Let's talk about what this means."

And then, in the context of the Southern California Water Coalition, then we'll chart a course for what do we do, how do we do it, and at what pace?

Today I am very pleased to introduce our expert panel. As I introduce each of you, if you would please come up and have a seat at our table.

First, I'd like to introduce co-Chair, and you know him, because he's been on our board. He has chaired our Colorado River Task Force for, I don't know, about three years now. But when this issue came up, I had a nice chat with Anatole Falagan, and Anatole is very passionate about this issue of equity, access and affordability.

Anatole, if you do not know him, is the Assistant General Manager for the Long Beach Water Department. He is responsible – I just like this, Anatole – financial management, water resources, government and public affairs, human resources, technology operations, land and lease management, and safety administration. Which leads me to ask the question, what does Chris Garner do?

Anatole previously served at the Metropolitan Water District. He began his career, he came west. I think a lot of people now are going back east, Anatole. But he came west, from Texas, where he holds a BS and an MS in Civil Engineering from Stanford, and an MBA from Irvine.

Jose?

[inaudible 00:06:15]

Our other co-chair is new to the Southern California Water Coalition, but not new to community service. Acquanetta Warren is Fontana's first female and first African American Mayor, and is very passionate about local government, where she is part of the U.S. Conference of Mayors in California major cities. She does a lot of things focusing on public safety, business, job creation, educational opportunities, and healthy and happy communities.

What I find also interesting, and you'll find this theme throughout each of our distinguished panel today, she earned her bachelor's in Urban Studies, from Occidental College. [inaudible 00:07:05] Occidental College, and she holds an honorary doctorate of Theology from Next Dimension Bible College, and she is a member – apropos for today – she is a member of the Water of Life Community Church.

What better qualifications could you have to be on a water coalition? We welcome Acquanetta.

Also with us today, Kurt Schwabe, who is an adjunct fellow at the Public Policy Institute of California, PPIC. He has been an active part of this organization for many years. He is a professor of Environmental Economics and Policy, at the University of California Riverside. His research, and he's got papers like any good professor of the UC system. They make you publish on quite a regular basis, don't they?

Kurt Schwabe: They try.

Charley Wilson: He has a very long list of publications and awards in his research, but I also just want to share with you [inaudible 00:08:00] a part of the team. He has a PhD. in Economics from North Carolina State University, an MA in Economics from Duke University, and because he's a showoff, he double majored in Math and Economics at Macalester College. So, he's an over-achiever. Thank you, and you also promised to [inaudible 00:08:16] questions on math.

[inaudible 00:08:23] panel today, Danielle Coats. Danielle is the Senior Legislative Program Manager of the Eastern Municipal Water District, where she is the Senior Legislative Program Manager in the Public Policy and Governmental Affairs Department.

She is our [inaudible 00:08:36] expert. This lady has been at the forefront of attending regulatory and legislative issues around this equity, access and affordability arena, and she is absolutely steeped in what some of the statewide public policy makers are thinking about. A lot of creative ideas, and she gets to be the one to hold up the sign and say “Wait, let’s talk about that!”

Prior to going to Eastern Municipal, Danielle worked in government affairs with the Western Riverside Council of Governments, so she is expert in local government and the water agencies, is very active with a variety of other associations involving [inaudible 00:09:12].

It’s okay to clap!

As I indicated when we started our discussion, we sort of invited these folks to come in and be part of our program, and be part of the formation of this task force.

Anatole, I can start with you, at the very far end of the table, since I introduced you first.

In our conversation, I just wanted to sort of tee it up with how do you perceive, sort of from your professional standpoint, and then what you have sort of seen over the last few years as the issue has developed, how do you view this issue of equity, access and affordability? How does that fit, in your mind, into the bigger picture of water [inaudible 00:09:59]?

Anatole Falagan: The Engineer doesn’t know how to turn the mike on.

Charley Wilson: This is why we have an IT Department. Your guys are not here.

Anatole Falagan: They always take care of me. Good afternoon, everybody. I was just talking to Kurt right now, at the table, and we were talking about this aspect of equity, affordability and access. Part of our commentary that we had in our conversation is, I think increasingly for us, it’s important that we recognize that we understand, perhaps, some dimensions of this issue now. But I think we all know, because of our experience in this water world, that it’s not a static picture.

In southeast Los Angeles County, a community that we are a participant in, as the City of Long Beach, [inaudible 00:10:58] because taking over as a critical water quality issue. You may find well established water utilities dealing with this issue, and that’s going to put stress and strain on them. So, while we go through things that we acutely are aware of, as we heard from Laurel Firestone in a presentation today on things that are happening in the Central Valley, perhaps things that have already made the front page of the headlines in southeast Los Angeles County, it’s important to understand that as we try to address these challenges, they are not static. They are changing.

Of course, we may be all well and good in one instance, and then all of a sudden, find ourselves under stress from these issues of equity, affordability and access, because so many things can happen to us. Water quality is constantly changing.

Charley Wilson: Acquanetta, you come at this from a slightly different perspective, in your local government. You kind of see things in a slightly different way, although you do know and have worked

around water. How does this issue sort of resonate within sort of your sphere of influence, and what you're seeing with your colleagues in city government?

Acquanetta Warren: I think it's important to understand, particularly for the city of Fontana. We don't own any water company. We are at the mercy, not that it's a bad thing, of other water companies that serve our public.

Initially, our city spent a lot of time in litigation with those individuals, fighting about water rates. When I became Mayor, I decided maybe we need to sit down and talk, and see if we can partner, because basically we are under the PUC. They make those decisions, as well as the ratepayer task force up at that level allegedly speaks on our behalf.

As a result, we decided we needed to work together on infrastructure. What does that mean to this particular space and discussion? It's that in cities, we see it from the perspective that we have to just make sure when people turn on the hydrant, it works. But what we've got to do is start reaching beyond that, and worry more about the infrastructure.

We were just talking at the table. We should not have been at the same table. We resolved the world, right there at that table.

We're really critically involved in the infrastructure where the meter is. We've got to start looking at the homes and the businesses, because unless people trust water, and unless we can provide reliability, we will never see equity. Never.

When we talk about equity, we always think in relation to race, and it's a major portion of it. But it's also an ability to work together on all issues related to all utilities. It's also an opportunity to develop more diversity in these companies. There's something about somebody sitting at the table, that looks like the person they're serving, that can make a big difference. A big, big difference.

I'll give you a great example that I think people are beginning to cross the line, and not in a bad way. I was one of the first WELLOws, which is the Water Education for Latino leaders. When I first went to that meeting, all the Latino leaders were looking at me like "What are you doing up in here?" Because it's no secret I grew up two blocks out of Watts, in south central Los Angeles. But the beauty was Victor Griego said "Acquanetta services over 72% Latinos in her city. She is a Latino leader."

We've got to start looking in that realm, and we've got to start accepting each other, and we've got to make sure that we walk the talk. It's important. If we start to sit down and look at our structures, and make sure we understand how the water flows, what are the issues, how do we make it fair for everyone, how do we sustain the prices that our public is having to endure, how do we train them?

We've got a drought right at our front door. We still have elected leaders not understanding it's coming. Wake up. Do something about it. We've got to make sure we talk. That's the way cities look at it. We have to deliver, and when we have to pull on our companies that provide, it's because we've got to provide to the public.

Charley Wilson: Dr. Schwabe, in all of those papers that you've written, somewhere you've come up with all the answers. I just heard, at the table, you have solved this issue before we even got formed.

Kurt Schwabe: No, I've got to continue to raise questions. Otherwise, I'm out of a job, right? Thank you very much for inviting me to be part of this. This panel, this discussion, it's obviously an extremely important, vital, critical, complex and interesting discussion. This is why, to some extent, I find it kind of interesting and important.

I was thinking about what I was going to talk about today, just in the four and a half minutes I have left, and I thought about three Ds for my talk; distributions, diversity and data. I'll get through these pretty quickly.

Distributions: Economists, people tend to focus on averages. Averages, if you remember, is just one metric. It's one summary statistic of a whole distribution. I think we tend to overlook the tails of the distribution. This came home to roost for me 11 years ago, when I was diagnosed with stage four cancer. I thought the median didn't represent my survival probabilities.

Any of you that have cancer or friends that have cancer, a great article was written by an Evolutionary Biologist, Stephen Jay Gould, also an avid Red Sox fan. It's called The Median Is Not The Message. He argues in his case, too, that the eight months that a Doctor gave him was a really poor representation of the distribution he was in. He was in the right tail of the distribution, by far. He lived for 20 years, and died of something else.

How does this relate to affordability? One of the big issues is how do you measure it, and what's in that denominator? We don't want to use averages. I think that misses the point. We want to look at lower income households. We want to look at the 20-percentile income, low income households, however you want to look at it. But averages, I believe, are missing the point. That's distribution.

The second thing is diversity, and diversity in terms of portfolios and strategies. I know a number of you, through previous research, looking at how to reduce water use through diversified price and non-price approaches. We find time and time again, when you use diversified approaches as opposed to a single approach, it's less costly, it's efficient, and it's more sustainable, and more reliable, too.

Henry Markowitz, back in 1952, won a Nobel prize in economics, looking at diversified portfolio theory, and how you reduce the tradeoffs, the risk/return tradeoffs, if you have a diversified portfolio.

How does it relate to this discussion? We're not going to solve it with one pricing instrument. We're not going to solve it with one subsidy. We've got to really look broadly at the range of ways to reduce costs, but also interact perhaps horizontally, with other institutions that provide essential services, and look at interacting vertically with other agencies, the state/county agencies, in solving this. That's the way to come to an efficient, cost effective and sustainable solution.

My third is data. By that, I mean evidence. There is plenty of evidence now, and research about kind of how price and non-price instruments can perhaps reduce water use, although I'm always willing to be paid to do another study. But there is a dearth of evidence, in terms of issues associated with affordability. In that sense, we don't really know a lot about what we mean by affordability.

What are the consequences on affordability that we should care about? And how do different strategies affect affordability? Just two things, I think, would be really interesting. Thinking about what is affordability? There's no one definition here. We kind of wrestle over it, right? What should be in the numerator and what should be in the denominator?

What I think would be really interesting is think of an outcome that we all agree on, that probably is related to people that can't afford water. Perhaps delinquencies. And look at which one of those metrics seem to best describe that, controlling for everything else. It's not just income. You've got to think about the cost of living and everything.

But throw that ratio on the right-hand side, different measures of that ratio, and see which one seems to provide the best goodness of fit. That will help us move along, I think, in that discussion.

The second issue is what are the consequences of these programs? I can't find any real good study that looks at the consequences of these affordability programs, besides saying "We gave people more money," or "They reduced their water bill," which I think is really important. But for me, I don't think it's enough. I think we should look at outcomes that matter to us. Health outcomes, say.

For instance, I have data from a different study, looking at birth weights. 20 million birth weights, every birth in California in the last so many years. Why not look at how, for people and programs that adopt [inaudible 00:20:03] rates, look at does it affect birth rates? Does it reduce anxiety and resources available to pregnant mothers? Or psychological distress?

Look at explaining, for those agencies or people that are in these programs, does it seem to matter, the things that we really care about? I challenge you to find the study that's done that.

It's good that we're having this discussion that we give reductions in water bills. But my question is how much does it matter? And what program seems to matter more than the others? I think that, through what I'm suggesting here, you can get at that.

Thank you.

Charley Wilson: There's a lot to think about, and very thorough. Taking that, then, Danielle, as I introduced you, state, federal, other government officials have never been criticized for not being creative. As things hit the front page of a newspaper, it tends to get a lot of focus. You've had the opportunity over the last few years, to sort of focus on what they're thinking about, what rises to that level, and then the old cascade effect, "We'll just make it so, but you guys at the local level have to implement it."

What kinds of things have you seen or are you seeing, at the state level and at the national level, legislatively and regulatorily, that kind of contribute, or are something we should be really thinking about here, as we look at this issue?

Danielle Coats: Absolutely. I joined Eastern in 2011, the year before the legislature passed the Human Right to Water. So, I literally fell into this conversation almost immediately.

As Eastern started to get engaged through the accessibility and the affordability conversations, we were really approached at the local level, through the county Department of Public Health, to take over a failing water system, a system that we didn't even know, at the time, existed. So, I think that goes a lot to understanding and identifying where those systems actually are, and what the complex nature of what those local systems entail.

Through that process, we introduced legislation, because we were asked to consolidate that system, and we passed the SB1130 with Senator Ross. What that sought to do was advance some liability protections

for the two water systems, Eastern and Elsinore Valley Municipal Water District, that sought to take over that failing water system.

Those assurances really made strides in facilitating that consolidation. The state looked at that effort and realized that that is also an issue that is applied elsewhere. So, they took that legislation and they embedded it into SB88, which as we all know, is the mandatory consolidation legislation. At the time, it was very controversial and very groundbreaking.

Since that time, there have been many, many iterations of the consolidation discussion, but I think it's Eastern's involvement in the Small System Water Authority Act that really elevated our understanding of the issue. For those of you that don't know the Small System Water Authority Act, it was a multi-year legislative effort that Eastern undertook, with the California Municipal Utilities Association, and it was authored by Senator Anna Caballero.

We hadn't been successful to get that over the finish line, but what we did is understand the problem quite a bit more, look at the economies of scale, look at the dynamics and all the issues that lead to what could facilitate both a failing system, as well as what the solution can entail.

Long story short, what we've learned through this process, I think, is that not all of the solutions are on the table, that there is a lot left in this conversation, that there's a lot of areas to be innovative. When we look to additional conversations in the future, I think a lot of those solutions are not only going to just come from the legislature, state or federal. It's going to come from the people on the ground, the local governments, the water districts, but also the local government partners.

There's a lot of inter-related action in between all these issues; the equity conversation, accessibility, and certainly affordability. They are absolutely inter-related, and unless you can kind of understand what the factors are that contribute to each of those pieces, I think we're going to have a hard time understanding the whole.

Charley Wilson: I want any of you to jump in on this, but I'm going to come back to Anatole for the moment, because you and I, when we first talked again, and Laurel mentioned it, there's a lot of focus on this issue in the Central Valley. We went through the entire discussion about funding systems and inadequate water systems, but it was all Central Valley, Central Valley. Board member Firestone comes out of the Central Valley. That's what she's passionate about.

But with that, we're talking about southern California. Are there, where are there, how do we address the pockets, the areas within our own region? We think as the big good news; we're really big and really diverse. Bad news; we're really big and we're really diverse. Ask anybody in Riverside or San Bernardino County. These are giant land entities, with lots of different kinds of communities in them.

How do we, or is it really important to talk about Central Valley versus, or is there a way to kind of generally at this, as that local agency trying to help meet need?

Anatole Falagan: That was a really long question.

Charley Wilson: And you need to provide an answer that's about three times as long as the question.

Anatole Falagan: Oh, no! They're going to leave! I think what you posed, Charley, is an important dynamic to what I see as a way to find common ground on this issue, because if not, we're going to find

ourselves talking about different elements of the state, and perhaps say that it does or doesn't apply to our area.

I think in the region in southern California, and my career being here in southern California, it is not untrue that the things that you find happening in Central Valley, in terms of access, because that becomes like the dominant discussion, it's important not to lose sight that the fundamental elements of equity, affordability and access are not distinguished by geographic region. We do experience that here in southern California, in different elements.

I want to bring forward, if I may, a certain aspect that I think will be important for the task force, going forward, that I want to bring in. That is the lens or the paradigm or the framework off of which we talk about these things. Acquanetta knows, because we were on a panel together, and I chose to talk about it in this framework, so I want to share it with you that when it comes to these dimensions of issues, and even I'm using the terminology, the State Water Board member Laurel Firestone, she brought an interesting aspect in the way she was describing it. She used the word "challenge," and I want you to remember that word for a moment.

Because in our coffee table discussions that we have with so many people, when we talk about equity, affordability and access, invariably – invariably, I think – as we're talking to people, somebody might come and tell you that a human right to water is a problem. It's an issue, and rightfully so. Somebody on the other side of the coffee table will come out and say "I don't really understand why a human right to water is a problem or an issue. The language and the law is pretty clear, and it's pretty hard to argue why people would not have a human right to water. So, I don't understand why it's a problem or an issue."

Somebody else might come at it at the coffee table. They're hearing the conversation and they jump in, and they say "Well, you know, it's kind of complicated, the human right to water, and this access and affordability. It's just complicated." Somebody at the coffee table might come forward and say "I don't see what's complicated about it at all. To provide water, you need infrastructure. You need to sink wells. A lot of common source of local water is ground water, is sinking wells, and people pretty much know how to sink wells. If there is something that has to be treated in the water, engineers are pretty good at coming up with treatment systems. They attach them to the wells, and then they put it into the pipes, and the water goes to the meter and it goes to the homes. So, it doesn't seem very complicated at all."

Okay, so I think that's a dimension coming forward, and it resonates with Laurel Firestone's comment that we heard, which had to do with it's a challenge. Right? Because it's not a problem, it's not an issue, it's not complicated. It's complex.

On our panel, in the discussion we have heard today, this word starts to emanate, on complex and complexity. I think fundamentally, as we go forward, that's one of the critical elements here on how to deal with this challenge, is that it's the complexity, complexity in the ground water, the water quality, complexity in how the different institutions come together, whether you're non-profit, whether you're already an existing water utility, a small system.

All of these layers trying to work together, that's a really complex situation, to address this challenge. In that complexity, that's what you need to work on, to find the elements that guide you or shape pathways to solutions.

Charley Wilson: Anybody else have comments for Anatole? Because I've got an immediate follow-up, if not, because that's a very interesting statement. Danielle?

Danielle Coats: I would just like to build off of some of the specifics of what makes this issue complex. The needs assessment that was recently put out by the State Water Resources Control Board identified 331 failing water systems, 617 water systems that were at risk, 77,973 domestic wells that were at high risk of failure. These are big numbers. These are facilities and water systems that are throughout the state, many of them in very rural and remote areas.

This is definitely an issue that people are very passionate about. We have already declared that every single person has the right to safe and affordable and reliable drinking water. So, how do we make good on that promise? I think, to Anatole's point, this is a very complex problem, but it is a problem that has solutions, and I think part of those solutions will be prioritizing those systems, those water systems that are of greatest need, that are failing to provide that basic need of safe and reliable drinking water.

I just wanted to tag that in there.

Charley Wilson: Acquanetta?

Acquanetta Warren: Of course, I lost my voice last week. I still can't get it back. I think what happens, you don't have champions. I've been giving this a great deal of thought, and you'll probably come out of here and say "I can't believe she said that. I can't believe she's comparing this issue to the Marvel heroes." But it comes down to people caring enough to talk about, from a level of leadership, that this is a problem.

When I'm around my colleagues, as Mayors and council people, we're talking about a lot of glamorous things. We're not talking about water infrastructure. And that's where it all begins. When I sit down and talk to people across the nation, it never comes up. "What about water infrastructure?"

What happens is once it becomes a problem and starts to collapse, then we start saying "You know what? This might be a little bit better than some flowerpots in the downtown area." But I'm being serious. We need more champions, like all of you, to educate those that make the decisions on where the priorities are, for infrastructure.

Central Valley got it before we did, in southern California. They realized they needed it for their agriculture, their livestock, and by the way, a good friend – I won't name him – you all know who he is, when I say this – keeps telling me "Stop giving water to the beef, and we'll have a lot of water. "That means we have to stop eating so much beef.

But think about it. We've got to educate the decision-makers on how important the water structure is, not just in the Central Valley, but throughout this state, throughout this nation. Until you begin to get it to be a priority, equity, access, reliability means nothing, because people still don't understand we're in trouble.

Central Valley went out of their way to market that they're in trouble. Southern California has the beach. There's the difference right there. We don't talk about it enough. We don't focus on it enough, and we won't, until we go to the water hydrant and it doesn't turn on.

Charley Wilson: We've been down that road with the electric system. That didn't work out so very well. Kurt, we've got an engineer and we've got a mathematician, and an economics major. We can design most anything. Can't you just make it affordable?

Kurt Schwabe: Well, someone has to pay, and that's a really challenging and complex question often, about who decides to pay, in this type of democracy that we have, and the way our water districts are set up, our institutions are set up. I think that's something that hopefully the task force will really look into, is to say what part of the bill, maybe, or how much of the bill should different institutions be on the hook for?

So, it's not that we can't provide cheap water to somebody. We can, but it has to be paid by somebody and something. So in that sense, yeah, we can do it.

Then, there's the "How do we roll it out in an effective manner, so that everyone who is eligible to receive this actually gets it?" I think right now, our self-selection procedures or volunteer procedures typically don't get above, let's say on average, 30% adoption into these programs. So, the people that are supposed to benefit from them typically don't. Therefore, the average cost of these programs are much higher per person than they should be.

Charley Wilson: Anatole?

Anatole Falagan: In terms of this challenge and the complexity, I think that from what you've heard here, infrastructure underpins the discussion of how to deal with this complex challenge. There's other dimensions to infrastructure that are important for us to talk about, and hopefully the task force will bring these different elements together.

In other forums, I've tried to share with people that when we talk about infrastructure, it's important that there's funding infrastructure, there's building infrastructure, there's operating infrastructure and there's maintaining infrastructure. These dimensions of water quality, fundamentally, that we've seen in challenges up and across the state, as we talk about how to deal with them, address that complexity, me as an engineer, with my background, I just gravitate to the issue of infrastructure, just as a matter of course.

But in my career and my background, I also then focus on the other element, which is the institutional requirements, regulatory requirements, and then the financial – what I call the institutional lift. The institution that does this lifting, so to speak, financially, to fund it, there's an equal institutional lift to build it. There's an equal institutional lift to operate it, because in order to maintain water quality in the system, you have to be doing things operationally that come with its own requirements. And then, in order to maintain it, because you have to maintain it, that's additional things.

So, when it comes to affordability, then the task force hopefully will begin to be informed to bring these perspectives. When it comes to water infrastructure, the 20th century focus has been on rates, really comfortable. Infrastructure? Water rates support infrastructure.

But in the dialogue of this complexity of challenge that comes to equity, affordability and accessibility, we're going to have to deal with this element of how do you match up financial and funding requirements to this infrastructure need, in order to address these issues of equity, access and

affordability? In that dimension, rates is only one way to do it. There's multiple ways to do it, and hopefully the task force will begin to explore that, going forward.

Charley Wilson: That leads me then to sort of that next obvious question you touched on, when we began. How much of this is politics? How much of this is issue problem-solving? And can you get to issue problem-solving, given sort of the rhetoric that tends to rise to the top, that – my own observation – doesn't tend to be very constructive anymore. It's very vitriolic. How do you get through that? Is it a political issue? Or is this really a problem-solving issue?

Acquanetta Warren: It is a political issue, but we've got to move it to problem-solving. It doesn't matter what your party is. It doesn't matter what your race is. Everybody is human. Animals, grass, everything needs water. You know, I was talking to a friend of mine the other night about the fires, and I thought about the drought. I said "The first thing people want to do when you say 'drought,' is stop watering their grass." Then, they wonder why their house burned down faster. Or the side of the hill they live in back of burned down faster.

It's all about understanding how this all works together. We never get on the white board and put all the issues up. My great friend, Supervisor Rutherford, I used to love when she was on the council with me, because she let us all talk, and then she'd bring us back around to the issue. She'd say "We all said the same thing, but how do we get down that road?"

That's what we're missing. "I'm mad at you because of something you did last week or last month, or you didn't endorse me. Do you think I'm going to sit down at the table with you, and try to solve a problem now?"

We've got to educate our citizens. They've got to understand this is important, too. And we've got to listen to them. We've got to figure out where everybody is. I cannot stress enough, this task force, I'm looking forward to it, because we talk about diversity, we run out and hire a bunch of black people. Then, we wonder why no black people stay. Because we don't know how to treat people, because they don't fit our mold of the type of workers we want to have.

We're starting to see the need to address that. It's just like why recruit police officers of different colors, and then don't know how to treat them, and they don't stay as officers. Nobody ever asks for the table or the matrix on retention. They just get up in front of everybody, "I hired five black people. I hired three Mexicans. I hired five Filipinos." But they can't tell you in a year, if they're still there.

All of this comes with us sitting down and identifying where the problem is, how do we solve it, and listen to the people most impacted. Everybody in this room knows about water, and that's fine and dandy. But do you know about people? That's what's going to make the difference.

Danielle Coats: I would just like to add, I do think there are clearly elements of politics to the conversation, but I also think that we have to look at what the drivers are. What is making the water more expensive? These are the external pressures on our water system. Those are the regulatory challenges that we all face, the purchasing and developing new water supplies, the operations and maintenance, certainly. All of the things that make for modern day water service to be available.

Then, we also have to look at how those pressures extend to the community, and then ultimately down to the households. Once we start having data on where all those pressure points are, I think we can cut through a lot of the politics, and get to the root of the issue, and find those solutions that are so critical.

Charley Wilson: I'm going to ask this question, because this is the audience participation part. As we're talking about politics here, how many of you in the room are elected or appointed officials? Most of you, okay. We've got a couple of county elected officials. We know that you're well-accustomed to vitriolic constituents coming in with opinions, and there's a way that you need to be able to listen and to go through that.

But of those that are water district board members, let's just call it what it is. If three people showed up at your board meeting, talking about your rate case, which of you start freaking out, looking at the door? I ask the question, when politics comes home, to Acquanetta's point about the ability then to engage, are we doing enough as water agencies and water constituents, to engage our public as to what the value of our service is? Acquanetta?

Acquanetta Warren: You're not, and it's not something I haven't told some of you to your face. You've got to begin using those grants for education of water use, to educate the public on how important this issue is. You can't just get elected three times, and say "I did my job." You've got to engage the public, and you've got to worry about more than them having a good garden, or rocks in their front yard. You've got to train them about their pipes, and how that impacts your ability to deliver water in their home.

You've got to talk to them about the types of roofs, and different things they're using in their home. You've got to tell them "You live in a greenbelt, but maybe it's time to get some rock sand over there, so you don't have to use so much water."

Now, all of you want to go up on the recycled water. I'm just shaking my head, looking at this. You tell us "Let's get purple pipe in the ground," and you see an opportunity to make more money. We're all fighting, trying to get infrastructure funds, and we want to make those infrastructure funds a priority for water and sewer, because God forbid our state give a hoot about it.

So, it's really important that you think about why you wanted to be on those water boards, and that was to make sure there was equity, access and reliability, and you need to take that message to the people that you serve, so they are on the same page as you. Because if you don't do that, the more we get educated as electeds, we're going to come after you, because lord knows I'm not going to take the fall on this one.

Charley Wilson: Danielle? Please, anybody brave enough to follow that statement?

Danielle Coats: I'm going to take it and go around it a little bit. I think as water providers, we're really tasked with looking out for the ratepayers that we serve, to make sure that A, they have safe and affordable and reliable water, and B, they're able to pay for it. Right? Those are things that we're essentially tasked for. It takes a lot to go beyond that, and look up and say "Okay, there's a big problem out there. There's areas throughout the state that safe and reliable and accessible water is not something that everyone has."

So, it goes beyond what you're necessarily tasked with, to go above and beyond, to look at these other external factors.

And then furthermore, when we hear conversations like we did earlier today, where we have the regulatory body say this is not just a pipe and engineering issue. Certainly, there is a component, and there is a place for the pipe and the engineering solutions. I think there has to be more of an invitation, more of a push toward engaging those water providers, to provide those solutions, because we certainly hear that there's a lot of public engagement needed, and that is absolutely true. You have to engage the public on the solutions that are going to be benefiting them.

But you also cannot ignore those innovators, those experts in the field that are able to develop the water supplies, that are able to provide the innovative treatment solutions, that are able to deliver the solutions that are needed to provide safe and affordable and reliable water. I think we all need to come to the table.

There are some that want to exclude others, but it's absolutely imperative that there's water providers there, there's [inaudible 00:45:52] there, there's local government, there's experts in every field at the table, interested, willing and capable to participate in the conversation.

Charley Wilson: It sounds super easy, Danielle.

Danielle Coats: Oh, I didn't say that.

Charley Wilson: Kurt?

Kurt Schwabe: I kind of think of the evolution of water issues. Originally, it was a supply issue, and we went out and got more supply. Then, more in the last 20 years, it's been a demand issue. Let's manage demand. Now I think it's a public relations issue that we've got to put a lot more attention into.

I was interviewed by Gary Pitzer, from Western Water, about a month ago. He asked me "Why did water rates go up so much?" I was too flippant with my first response. I said "Because they're so low." I said "No, don't print that! Don't print that!" For the water agencies I've worked with, they are really low, I have to say. Right. For the water agencies I've worked with, they are really low.

But I said "Listen. \$10 to \$20 is a 100% increase, right? But it's \$10 to \$20, versus \$100 to \$110." I said "Really, I think the important question is what are you getting for that rate increase?" If you look at what southern California has done with that rate increase, it's really, really impressive. It's really something that the rest of the world should look at, and I think they do, in terms of the reliability, the increase in supply, the reduction in per capita per day usage, and stuff like that. With all of these investments, right? It seems like a really good bargain. That doesn't mean it's affordable for some people, but boy, you've done a great job in that sense.

But one day, I went around and decided to pre-test the [inaudible 00:47:24], for a survey I was doing for one of the agencies. Rather than send my graduate students out there, I decided to put on the old walking shoes and give it the old college try. Boy, I had a hard time getting to households, getting on the front lawns. People thought "They're price-gouging us."

Maybe it was just the select group I was interviewing in these areas, but I just was "Holy cow! I understand why [inaudible 00:47:47] price is going up. They're not price-gouging. They've got to cover

costs. They can't make profits, at least the agencies I'm working with right now." They wouldn't hear it. It made me realize "Boy, there's got to be more money into public relations out here."

Anyway, [inaudible 00:48:00]. Sorry about that.

Charley Wilson: I think we've got time. Anatole, go ahead.

Anatole Falagan: On the affordability, one of the things – talking to my task force members here – one of the things that I think is important going forward, is that just like I tried to characterize infrastructure for you, that it had many different dimensions, affordability itself has many different dimensions, too. That's equally important for us, not just for the challenges that we're seeing in the human right to water and equity and access, but challenges across the board, for all utilities.

There's that element of affordability, like we pointed out. It's like "Well, the rates are low, so that's affordability." Well, affordability is in context. Right? If we have certain communities with median income or some other measurements, that the disparity between that household income and then that particular rate, that's one measure of affordability.

There's another element of affordability, that when we deal with things in providing safe, clean and reliable water to communities, there's choices that we have to make going forward. Invariably, they're going to require more infrastructure and more resources.

Let's say that we get to those situations and we present that need. "This is the next step for us in the water community. We need to do this, and this is what's going to hypothetically happen to your bill when we make that decision." If we're not careful, that discussion comes forward and says "That's not affordable."

The dimension there is that if I present it to you, and I don't present to you the alternative, and explain to you what the alternative costs, then we're really not having a good solid elementary discussion of affordability. Again, never mind these elements of where other funding might come, besides rates. Just simply talking about the rates.

There's another element that has come forward in the discussion of major infrastructure investments in California. When we talk to the public about it, and we try to give them a sense of things, invariably, and not very good in terms of public relations, we say "It's only \$5 a month." That was a bad way to get started on this conversation. "It's only," underscore only, - bad choice of words - "\$5 a month." And then, the tone in which it's delivered is "How could you care about \$5?"

I've been in public discussion sessions under public comment, where people have come forward and said "I don't know what \$5 means to you, but let me explain to you what \$5 means to me." And it's definitely not Starbucks. The person literally said "I'm lucky if I go to the donut shop and grab coffee and a glazed donut for a buck, when I can afford it. So, don't tell me what \$5 is or is not to me."

But that, to the discussion of public relations, was a failure, because it was not portrayed in the aspect of context of what the option is.

Then, knowing what that challenge is of \$5 a month, what are we as the water community going to do about that, if we don't put it on the rates? Can we find another way to not put it on the rates? Can we find grant funding, bond funding? Can we do something?

There's all these different dimensions to affordability, that I'm hopeful the task force will get to explore, and maybe do some white papers on and discussion, because after all, we're blessed to have a mathematician and an economist with us.

Charley Wilson: And an author.

Anatole Falagan: Yes.

Charley Wilson: I'm going to ask this question in transition. Julie has a microphone, and I'm going to play dangerous, where I have facilitated a conversation today, but we've got time, about five minutes left. If there are super burning questions on something that you've just got to get out and we haven't touched, because again, we're trying to be fairly generic here, because we really don't know what it is we're going to attack.

While you're raising hands, if there is anybody, what I'm hearing is that we've done too good a job delivering reliable water, to the point that people – it's not high on their awareness list. It's not something that they think about every day. Are we doing too good a job delivering? I hear we're not doing a good job educating and communicating. We need to do better there.

We had a lot of attention around electricity a few years ago, and again last year, because the lights went out. Does the water need to go out? Does somebody need to turn that tap in some of these larger urban communities and say "You know what? Today is not your day." Does that get the attention that we need?

Audience Member: Turn off the water at Starbucks.

Charley Wilson: Turn off the water at Starbucks. We could start there, and that would send ripples through the economy. I'm not sure Acquanetta's city is going to want to see that revenue decline. Are we too good at our job?

Acquanetta Warren: Don't forget pass-through, too. That's another bad one.

Charley Wilson: Peer always has a question. Peer Swan.

Peer Swan: You've talked all the way around the affordability of it. People in this room, many of the people in this room are working overtime to put online very expensive projects that are taking water away, sales away from Met, which forces Met to raise their rates. So, we're not coordinating what we're doing well, as an industry, and we're unnecessarily making water more expensive than it needs to be, in this service area, down in southern California.

In the Central Valley, it appears that there's not the core competency or the ability to afford to operate, much less pay for improvements to the water supply there. But the people in this room have the core competency to help them solve that problem that they don't have. They need that help. So, we haven't matched things up very well, and we haven't thought through what we're doing to ourselves and others, to get to affordable water, and safe and reliable water for all. Thank you.

Charley Wilson: No question. Mr. Jones.

Paul Jones: Thank you. I appreciate the panelists coming today. You all made really wonderful comments. One of the things I want to hear the panelists talk about a little bit is affordability and

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accessibility in southern California is different than it is in other parts of the state. If you look at the state's needs assessment, they've analyzed and identified over 330 failing community water systems, that also are having affordability issues, as well as water quality and other issues.

There's 3000 water systems in the state of California. Is part of the problem that in some of the areas that are most affected – and by the way, I think 80% of the systems on that failing system list have less than 1000 service connections. They're all very, very small systems. So, do we have a governance problem here, where we don't have the capacity, technical/managerial/financial capacity, when you have a system that has 25 service connections, to bring themselves into compliance, and to do so affordably for their customers?

Danielle Coats: I'm happy to take that one. I absolutely believe, as Eastern Municipal Water District, the former sponsor of the Small System Water Authority Act, that looked at the economies of scale issue, that looked at merging multiple small failing water systems. I definitely think there was a lot of validity to that conversation. I think there is a lot of conversation that needs to be had on what governance that can sustain a viable water system looks like, and what all of the needs are that go into that governance structure.

I think the 414, the Small System Water Authority Act, I thought it brought around a lot of really good conversation. I think there's a recognition that is starting to emerge, that there was a lot of validity to that effort. If you look at the state Water Resources Control Board's needs assessment, there is a supplement that outlines a discussion on regionalization. Specifically, they did some site-specific analysis of the issues.

One of the areas they looked at is Monterrey, and they looked at what could potentially happen if they regionalized 85 small water systems. In this concept, it's a traditional consolidation where there was one viable water system. They were looking to merge 85 smaller water systems. Well, to Paul's point, a lot of those systems had under 100 connections. So, it's not like you're building a massive water system. You're looking at probably still only about 8500 connections.

But you are able to develop the economies of scale that allow for those systems to be viable, and that allow for the attraction of the staff that can run those water systems more competently. In the environment of more broadband for all, you can even look at innovative solutions such as remote monitoring.

So absolutely, governance has to be on the table. I think there's, again, a lot of innovation that can happen in this area, and I think the State Board is possibly coming around to some of these conversations.

Charley Wilson: Anatole?

Anatole Falagan: Paul brings up an excellent point, and Eastern has had some experience with this, as well, in terms of consolidation. In the brief time that we have, I'd ask you to walk through this example with me, that I'm going to lay out for you, as I've seen the issues unfold in the Central Valley. Some of this might be, I confess, might be in the state needs assessment. Paul reminded me that it's 300 pages long, and I confess I haven't read all of it yet. But follow me on this, if you will.

I know of - through a colleague of mine in a network that I'm in called the Water Solutions Network. This colleague of mine was advocating for the joining, if you will, or annexing, a small community system, disadvantaged, historically disadvantaged and set aside, predominantly Hispanic, farmworker community, a water quality contaminated well. They wanted to join a more well-established white Central Valley community.

The video was all about this person's effort to try to get them accepted into the larger system. Mind you, you were talking about governance issue. They were approaching it strictly from the governance standpoint. Quite literally, if you watch the video, it's "I think you should make this part of your system." "No." "I think you should make this part of your system. Can we have a vote?" "Yes, we'll vote. No."

"You're about to do your master plan. Can you do your master plan, to have us join your system and address our issues with water quality?" "We did our master plan. The answer is no."

Well, that's true. But in these issues of equity, affordability and accessibility, I wonder – just wondering – if there was actually the opportunity for a well to be located, with a particular yield, and that well's yield would actually satisfy the 100 connections or so of the small community, but adding that well's yield would help the more functioning system maintain its well capacity and its maintenance, and give them greater flexibility in operating and maintaining their system, would that help the bigger system?

The answer is probably yes, but for that bigger system, we run into Proposition 218. The bigger system would say "Well, you know, those 100 small connections, they need to pick up this cost for the well." Back to these issues that we started this conversation with, that's really hard to do. I mean, 100 connections trying to finance the issue of a well and so forth, with their rates, in which case some of them don't even have rates. They just simply have a monthly charge. They can't do it.

Okay, but what if you told the community "Hey, I can get you money for the well. I can actually help you, in all aspects, to sink that well. It's going to benefit you and benefit the 100 connections. If you would only take them in, you get the funding for the well. But if you don't take them in, you don't get the funding for the well. And if you get the funding for the well and we can do something else, maybe I can get you funding for the operations and maintenance of that well, going forward."

Now that community starts to see the other community in a totally different light. Because that small community is an incentivized aspect, to have infrastructure development, which is a benefit for the larger community. Right?

I think fundamentally, in the conversation we've had in the past few minutes, this is one of the dynamics that we talk about going forward, which is collaboration and cooperation along many different institutions, is really the pathway forward, rather than to think of it singularly as, "Well, someone has to step up and do this by themselves." It's actually the cooperation.

Here in southern California, back to the topic for our task force in our region, there's already a lot of well-established institutions. So, the challenge may be to get them to collaborate and cooperate, and move forward, rather than thinking that someone has to do this lift all by themselves.

Charley Wilson: I think those are perfect words for us to bring this afternoon's program to an end. Would you please help me in thanking our panel?

As I sit here and I go through this, kind of at that 30,000-foot level, what I heard today was we've been challenged, and there are challenges. We need to be willing to accept the challenge. We need to find champions within that challenge. I'm actually going to look to the four of you, and for those that would like to join these four in becoming champions on this issue, we will welcome you to be a part of this task force, as we design a specific program and action plan that we can take forward.

I heard that language matters, and that we have to find a way to resonate with the constituencies, all of whom you are responsible for, but we may have an ability to help provide tools and programs to let you do that.

Ultimately, at the end of the day, whether we're talking about the Bay Delta Estuary, we're talking about equity, access and affordability, coalition development is critical, and I'm hearing, at least, that this organization, because of its diversity of members and region, we are well suited to bring those kind of coalition elements together.

And at the end of the day, whether you're talking local district or you're talking regional, we've got to do the work. We've got to roll up our sleeves. So, I welcome those of you that are willing to roll up your sleeves and help us do the work, to join our Equity, Access and Affordability Task Force, and I look forward to you being part of our program going forward.

Thank you all very much. Have a safe drive home.