

**California Department of Health Services
Safe Drinking Water State Revolving Fund**

**Annual Capacity Development
Program Implementation Report
to the
United States
Environmental Protection Agency**

State Fiscal Year 2005-2006

September 29, 2006

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I. State Capacity Development Program Annual Reporting Criteria

A. New Systems Program Annual Reporting Criteria

1. Change in California's Legal Authority

The California Health and Safety Code (HS&C) Section 116525 requires any new water system to apply for and receive a water permit from the California Department of Health Services (CDHS) before it begins operation. HS&C Section 116540 provides authority to the CDHS to issue or deny permits to operate a new public water system (PWS). To aid in implementation of this authority CDHS has developed a Capacity Development Strategy. This authority has not changed during the State fiscal year (SFY) 2005-06.

2. California's Control Points

As a component of the capacity development strategy in 2000 CDHS identified the water supply permit as the control point to prevent the formation of new non-viable PWSs. New PWSs must satisfy the mandatory technical, managerial, and financial (TMF) elements prior to the issuance of a permit to operate. Unresolved necessary TMF elements are listed on the water supply permit with completion dates as enforceable permit conditions. Compliance with recommended TMF elements is encouraged but not required. However, if specific concerns arise with a particular water system, the TMF elements can be raised to a mandatory or necessary higher rank.

HS&C Section 116540(a) states, "No public water system that was not in existence on January 1, 1998, shall be granted a permit unless the system demonstrates to the department that the water supplier possesses adequate financial, managerial, and technical capability to assure the delivery of pure, wholesome, and potable drinking water. This section shall also apply to any change of ownership of a public water system that occurs after January 1, 1998." No change has occurred to this process during the SFY 2005-06.

3. New Public Water Systems on the Significant Noncompliers List

The community and nontransient noncommunity PWSs that are identified by PICME as new for the past three state fiscal years between July 1,

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2003 and June 30, 2006 are listed below. A database is maintained for TMF assessments and staff evaluations that have been submitted and reviewed at CDHS headquarters. We also have included in this list of new systems those for which the TMF assessments have been reviewed by CDHS but may not yet have been entered into PICME. None of these water systems are on the United States Environmental Protection Agency's (USEPA) Significant Noncompliers List:

<u>Fiscal Year</u>	<u>PWS Number</u>	<u>PWS Name</u>
2003-04	2702542	Lanoak Road WS/Rio
	2702584	Hitchcock Road WS
	4000802	Santa Ysabel Ranch
	4800826	Vaca-Dixon Substation
	5410050	Alpaugh Joint Powers Authority
	4901294	Wine Country Industrial Park
	1503475	Western Acres Mutual Water Company
	1503515	Sun Pacific Shippers-Maricopa Water Sys.
	1503521	Primex Farms Water System
	0605011	Arbuckle Water Company
	5105008	Valley Farm Transport
	0500097	CUSD District Office
	1000554	FCSA #10A Mansionette Estates
	1000555	FCSA 44C-Riverside Estates
	2000757	MD#63 Meadow Springs Ranch
	2702595	Cachagua Community Center WS
	2800027	Nickel & Nickel Winery
3601155	Specialty Minerals, Inc.	
2004-05	2701726	Spence Rd #5
	2702336	Monterey Bay Nursery
	2702613	Estancia Winery WS
	2702621	Iverson Rd WS #3
	2702643	Cypress Center
	3500919	Willis Construction
	3510007	Hollister/Sunnyslope WTA
	3710047	Campo Hills
	3901442	Tarditi Rentals
	4000805	Callender Grove MWC
	4000807	UNOCAL
	5010040	South San Joaquin Irrigation District
	5010042	Waterford-River Pointe

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	5403119	Sunkist Growers, Inc.
	5403121	Tri-Wall Weyerhauser
	5710011	Wild Wings Golf Community
	0104012	Hosanna Homes
	4810033	Hines Nursery (Winters South)
	5410052	LSID – El Rancho
	4300996	Valley View Ranches
	1503537	CEMEX Construction Materials LP
	1503539	Inland Empire Truss Company WS
	1400525	Laws Town Inyo County
	2702616	Altman Plants WS #02
	2702639	Old Stage Rd WS #20
	2702615	Esperanza Rd WS
	3603610	Crystal Lake Property Owners
	4000806	Dioptrics Water System
	5000553	Foster Farms-West Main Feedmill
	5201140	Antoinette Mutual Water Company
2005-06	2700856	Altman Plants WS #01
	2702620	Harrington Rd WS #07
	2000202	Yosemite Lakes Community Church
	4200943	Teixeira Farms – Frontier
	4010081	Woodlands Development
	5000555	Piranha Produce
	1700724	Parkland Mutual Water Company
	2300802	Harvest at Mendosas
	3500926	Denise & Filice LLC Shipping & Cooling
	3710049	Campo Border Patrol Station
	4300997	NASA Ames Research Center
	1000567	FCWWD #18 / Lakeview Estates
	2904008	Sierra Montessori Academy
	4000808	Monte Sereno Mutual Benefit Water
	4100604	Skylawn Inc
	4100605	Skylawn Inc
	5000552	Kiernan Business Center
	5200535	Live Oak Acres MWC, Inc.
	5200524	Dave's Tractor
	5403126	Family Education Center

B. Existing Public Water System Strategy

1. Technical, Managerial, and Financial Capacity in Existing Public Water Systems

California's approved existing systems strategy assists existing PWSs in achieving and maintaining TMF capacity with a number of programs that are targeted primarily to small water system (SWS) sustainability. Activities that are designed to increase the TMF capacity of SWSs include:

- a. TMF Assessments: During the formative years of the California capacity development program CDHS received input from field staff, PWSs, concerned agencies, and interested organizations in identifying 16 TMF capacity criteria that reflect a PWS's capacity to sustain viability. The TMF elements identified include System Description, Technical Evaluation, Certified Operators, Source Capacity Assessment, Operations Plans, Training, Ownership, Organization, Water Rights, Planning, Emergency/Disaster Response Plan, Policies, Budget Projection, Budget Control, Capital Improvement Plan (CIP), and Reserves.

The target audiences for the TMF assessments are PWSs that are new, have applied to be SRF projects, or are undergoing a change of ownership. The goal of the TMF assessment is to assure that these PWSs have the capacity to provide sufficient and compliant drinking water to their customers for years to come. All of the current TMF assessment documents including forms and guidance information are posted on the CDHS Drinking Water Program web page for easy reference by PWS personnel, regulators, and other interested parties.

The TMF elements have been divided into mandatory, necessary, and recommended categories for each of the targeted types of water systems. Mandatory TMF elements must be completed prior to the issuance of the water supply permit. Unresolved necessary TMF elements are designated as permit conditions to be completed within an enforceable specified time frame. Recommended TMF elements are considered good practice and are encouraged but are not required.

- b. Training Workshops: Under the direction of CDHS, the Rural Community Assistance Corporation (RCAC) has developed and presented free workshops throughout California targeting SWSs. During the SFY 2005-06 RCAC presented a total of 42 workshops averaging about 25 participants per

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workshop. An effort was made to provide these workshops to a variety of remote locations throughout the state including Little River on the north coast, Yreka near the Oregon border, Ridgecrest in the Mojave Desert, and El Centro near the Mexican border. As always, water treatment and distribution operators received continuing education credits toward their certifications upon completion of a workshop.

This year's workshop series consisted of eight different titles that addressed the 16 TMF elements. Two of the eight workshop topics covered financial issues such as budgets, rate setting, asset management, reserves, and CIPs. Other topics presented in various workshops included system description, operation plans, emergency/disaster response planning, monitoring, and source capacity assessment as well as owner and board responsibilities that included water rights, policies, planning, and organization.

RCAC places an emphasis on integrated activities in their workshops that are designed to increase learning and expand interest. The content and presentation format of the workshops are updated frequently and the titles of the workshops are changed slightly over time for interest, but the TMF focus of the workshops remains constant. As always, the goal of the workshops is to provide information to help small rural water systems deliver safe, reliable drinking water to their customers and to demonstrate how to properly manage a water system for long-term viability.

RCAC is in the process of developing mechanisms to measure the actual changes that water systems have made as a result of attending the workshops, but this data is not yet available. Evaluations by participants continue to consistently rate the workshops in the Excellent and Very Good range. A sampling of the comments provided with the evaluations are: "Friendly and knowledgeable instructors with great information and enthusiastic presentations; excellent activities; real case issues assisted me in self evaluating my knowledge; presenters gave all groups a chance to participate; I learned a lot; pace and content worked well; good chance to interact with other systems and hear solutions to common problems; good input by class attendees and excellent answers by trainers."

- c. Technical Assistance: Direct technical assistance (TA) is provided to SWSs that need assistance by CDHS and Local Primacy Agency (LPA) field staff in conjunction with their regulatory oversight, by third-party contractor program specialists, and by CDHS headquarters staff. Third-party TA is provided by California Rural Water Association (CRWA) and RCAC. These groups utilize skilled program specialists who are certified

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operators or financial and managerial experts with years of experience working with water systems.

CRWA program specialists generally are referred to water systems that have been placed on the Assistance Referral List (ARL) by CDHS and LPA field staff because they need assistance in completing SRF applications or TMF assessments, complying with drinking water standards, determining appropriate rate schedules and reserves, meeting with water system customers in order to promote necessary rate increases, or solving other TMF concerns. The water system also may ask its regulator to be placed on the ARL in order to receive TA.

For this SFY 2005-06 CRWA has provided assistance to 254 water systems. The assistance has included such activities as helping SWSs with TMF assessments and SRF applications, calibrating monitoring equipment, determining the locations of leaks, disinfecting distribution systems following bacteriological failures, and assisting water systems comply with permit conditions and drinking water standards. Additionally, CRWA staff has presented valuable information at board meetings for a number of water systems related to water rate setting, system operations, and system management.

On the other hand, RCAC program specialists provide TA at the request of a water system that has attended one of the RCAC workshops. This provision of the RCAC contract allows a water system to be proactive about requesting and receiving TA even if they have not yet reached critical levels of noncompliance or infrastructure needs that would qualify them for placement on the ARL. During this fiscal year RCAC provided a total of 106 hours of TA to 17 water systems.

Much of the TA that RCAC provides is financial assistance. Typically, RCAC rural development specialists meet with water system managers to review their budgets, rate structures, and assets. RCAC specialists then help the water system develop projected budgets with CIPs that will generate adequate rates for operations as well as reserves for infrastructure replacements over time. To culminate the financial TA, RCAC staff often will attend water system board meetings to explain the resulting necessary rate increases that will enable the water system to sustain viability. RCAC presenters can describe the true cost of drinking water to constituents in a concise and objective format and thus relieve local regulators as well as drinking water management from potentially contentious encounters with

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customers. Usually, rate increases are the result of the financial TA provided by RCAC.

Specifically, this year RCAC staff spoke to a county Board of Supervisors to explain the financial requirements for a number of county water systems. In another instance RCAC conducted a financial review of a water system's accounting practices that resulted in the formation of a number of new policies and procedures for that system including the establishment of reserves and a CIP. This financial review also allowed the water system to progress with its SRF project after acceptable new financial procedures were established.

d. Training Materials

- 1) Video and DVD Training Series: Last year under a CDHS SRF contract California State University, Sacramento (CSUS) completed production of the video and DVD operator training series with learning booklet entitled *Water Systems Operation and Maintenance*. This series targets the training needs of drinking water operators. The seven program titles are Wellhead Protection, Hypochlorination, Water Storage Tanks, Sampling and Testing, Inspecting a Pump Station, Distribution Systems, and Approaches to Compliance with Standards.

This fiscal year the series has been distributed for check-out to CDHS district field offices, LPAs, third-party contractors, county libraries, and college libraries at all University of California, California State University, and community college campuses. Documentation has been included with the series that describes procedures operators can follow to obtain contact hours for operator certification renewal when studying the materials at their work site. Activities with the series for which certification contact hours may be obtained within a structured study time include watching the program, reading the book, and discussing the material with other operators.

Alternatively, an operator may enroll in a home study course with CSUS using this series to view the videos or DVDs, read the learning booklet, and answer the objective test questions associated with each topic. Upon successful completion of the test, CSUS will award contact hours for operator certification.

This series will be especially useful to operators in remote areas who find it difficult to travel distances away from their water systems especially when there is limited operator coverage. Additionally, regulators intend to use

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the series as an enforcement tool. For example, if a water system has had a monitoring violation, the regulator could require that the operator come into the field office to watch the Sampling and Testing program.

2) **Basic Operator Course to Satisfy High School Requirement for Certification:** During this SFY 2005-06 under a different SRF contract with CDHS, CSUS worked on developing a basic course for prospective operators who have not graduated from high school. This course has been designed to help fill a need created by a large number of older certified operators throughout the state who are expected to retire in the upcoming years by increasing the pool of prospective operators. Not only will this book satisfy the high school graduation requirement, it will also be a good study guide to prepare students for the Grade I operators' certification exam. It is expected that this book will be available during the upcoming fiscal year.

e. Department of Health Services, Drinking Water Web Site: The CDHS web site offers a plethora of information regarding the capacity development program. These documents are reviewed and updated frequently. The CDHS drinking water web site address with the capacity development information is:

http://www.CDHS.ca.gov/ps/ddwem/technical/dwp/tmf/TMF_INDEX.HTM

All of the current TMF documents are posted on the web including the TMF assessment and staff evaluation forms for SRF projects, new PWSs, and changes of ownership for both community and noncommunity water systems as well as TMF guidance criteria and checklists. Tools useful in completing the TMF assessment and operating a water system also are posted on the web page including the five-year budget plan worksheet, model water operations plan elements, sample emergency notification letters, and the currently recommended emergency/disaster response plan template that includes information regarding bioterrorism concerns. In addition, links to the web sites for CRWA, RCAC, and CSUS third-party contractors are provided including a refined link to the current RCAC training schedule.

f. Expense Reimbursement Grant: Cooperative Personnel Services (CPS) manages the expense reimbursement grant program for CDHS that reimburses operators who work at community or nontransient noncommunity SWSs serving populations of 3,300 or less for costs relating to obtaining drinking water operator certification. This grant program will reimburse individuals for expenses incurred while obtaining operator certification

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including the cost of the specialized training courses, exam and certification fees, continuing education, and mileage to attend these activities up to 100 miles one way. Third-party contractors promote this program in their contacts with SWSs. This grant program assists SWS operators who could have difficulty meeting the operator certification requirements.

- g. Advisory Groups: Throughout the creation of the capacity development program, CDHS has relied on the input of interested stakeholder groups including the CRWA, RCAC, American Water Works Association, Small System Interagency Outreach Committee, California Technical Assistance Providers (Cal-TAP), and Cal-TAP Workgroup. Contact with these groups continued throughout this SFY 2005-06 with participation in regular meetings as well as attendance at conferences sponsored by these groups. Presentations regarding TMF criteria and other pertinent topics have been offered that target the SWS participants of these conferences. Participation in the activities of these organizations allows the capacity development program to remain cognizant of problems that SWSs encounter and to work collaboratively with these interested groups in developing solutions.

CDHS holds monthly SRF policy committee meetings consisting of the Branch Chiefs, Regional Engineers (RE), Department of Water Resources representatives, CDHS legal and headquarters staff, and other affected personnel. In addition, the SWS Committee meets quarterly and consists of representatives of the REs, District Engineers, LPAs, and CDHS headquarters staff. These regular meetings afford the capacity development staff an opportunity to obtain input from the field staff regarding the effectiveness of the third-party TA contractors and the impact they have had with individual SWSs. This information is used to more effectively satisfy the needs of SWSs by adjusting procedures within the capacity development program that include improving the lines of communication between TA contractors and field staff as well as identifying potential training topics at specific locations throughout the state.

In addition, CDHS staff has participated in presentations at each of the seven 2006 Funding Fairs throughout the state which enabled PWS personnel to attend a one-stop shop to obtain information about various infrastructure funding sources including drinking water SRF. This is especially helpful for water systems whose projects are too large or do not meet SRF criteria since it is possible to use funding from more than one source for a project.

2. Identification of Need for Capacity Development Assistance in Existing Public Water Systems

California identifies PWSs in need of capacity development assistance with the following tools:

- a. Assistance Referral List: The primary system that California uses to address the need for capacity development in existing PWSs is the ARL. Assignments for CRWA program specialists to provide TA are derived from this prioritized list. This list of PWSs is generated by the CDHS District Engineers with input from CDHS and LPA field staff based upon compliance concerns that regulators have determined from field inspections, monitoring reports, SRF projects, changes of address, or other issues.

The ARL identifies five main concerns:

- 1) Serious health deficiencies
- 2) SRF application
- 3) Noncompliance with drinking water standards
- 4) TMF deficiencies
- 5) Waterworks standards

An added benefit of the ARL is that priority placement on the list does not necessarily follow the standard SRF category priorities if the district engineer feels an on-going problem needs to be addressed.

- b. TMF Assessment: Another tool that California uses to identify the need for capacity development in PWSs is the TMF assessment. The successful completion of a TMF assessment enables a water system to rectify potential weaknesses in their system that could result, if left unaddressed, in the system not being capable of providing drinking water that meets all standards to their customers in the years to come.

In the past the number of completed TMF assessments that have been reported has included new transient noncommunity water systems and

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changes of ownership. This SFY 2005-06, 42 TMF assessments have been counted only for new community and nontransient noncommunity PWSs and for SRF projects even though California also requires that TMF assessments be completed for all PWSs that are new or have a change of ownership.

The TMF assessment assists the capacity development program in identifying needs of PWSs in a number of modes:

- 1) CDHS and LPA regulators can use this tool to assist existing PWSs that have been identified with a compliance deficiency. When a PWS has demonstrated a need for assistance because it has not been able to consistently meet drinking water standards, the completion of the TMF assessment can be written into the permit as a dated permit condition with enforceable consequences. In this situation the PWS could be placed on the ARL and receive TA from the third-party contractors on a prioritized basis.
- 2) The TMF assessment tool is also used to evaluate the capacity of PWSs that are changing ownership. By California law mandatory elements of the TMF assessment must be completed for existing PWSs that change ownership prior to the issuance of a water supply permit to operate. This procedure helps ensure that existing PWSs that change ownership have the capacity to viably operate on a sustained basis. Unresolved necessary TMF elements are listed on the permit with completion dates as enforceable permit conditions.
- 3) In addition, the TMF assessment is used to ensure that a new water system will have sufficient capacity to ensure a viable operation and that a system receiving a SRF loan will have sufficient capacity to repay the indebtedness as well as continue to operate viably.
- 4) TMF assessments can be the vehicle that regulators can use to identify PWSs in a particular area that have common needs and then can request group assistance. For example, if an LPA identifies that a number of its water systems need to complete their change of ownership TMF assessments, a date and location can be arranged for representatives of the water systems, regulators, third-party TA contractors, and headquarters staff to meet. This affords the setting for completing the mandatory components of the TMF

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- 5) assessments for multiple water systems and thus allows water supply permits to be issued with necessary TMF elements as permit conditions. In addition, this setting provides a hands-on training and refresher venue for new and existing third-party contractor staff as well as LPA staff. This type of TMF meeting results in a very efficient use of time and resources for all parties.
- 6) The TMF assessments and staff evaluations for new community and nontransient noncommunity water systems and for SRF projects are sent to CDHS headquarters for review by the capacity development coordinator for completeness and consistency. A statewide database is maintained for the TMF assessments and tracks the number, type, and locations of those completed. The review of these assessments:
 - a) Provides headquarters staff with information that can be used to determine the topics and locations for offering the third-party contractor workshops and TA to water systems.
 - b) Identifies areas of need for LPA and other staff training as for example in the areas of budgets and CIPs.
 - c) Provides headquarters staff with a cross-checking mechanism to ensure that the TMF assessments are completed for the appropriate new water systems and SRF projects.
- c. Median Household Income Surveys: CDHS recognizes that SWSs from low income areas could be at a disadvantage in acquiring SRF funding. For this reason CDHS utilizes a third-party contractor to perform focused median household income (MHI) surveys for the area included in a prospective disadvantaged community SRF project. If this survey determines that the MHI is under the established threshold, then the proposed project will rank higher on the SRF project priority list and the SWS could qualify for a reduced interest rate and an extended total loan period or for a forgiveness of principle loan. These considerations would reduce the repayment installments and would better enable such SWSs to meet the financial requirements of the SRF loans.
- d. Local Primacy Agency Meeting: In April 2006, CDHS sponsored a two-day LPA meeting in which the capacity development program was discussed. Information was presented regarding the TMF assessments as well as the ARL procedure for requesting TA for SWSs. LPAs were also encouraged to disseminate information to SWS managers and operators about the free

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- e. workshops that would be offered in their local areas. CDHS capacity development staff also offered to provide more in depth TMF training to LPAs that request it.
- f. Baseline Assessment: During the SFY 2005-06 the University of California, Davis (UCD) worked with CDHS to develop an on-line baseline assessment tool called the TMF Tune-up that will provide a guide for measuring the present status of TMF capacity for PWSs and for tracking the improvement over time of that capacity. The web address for the TMF Tune-up is:

<http://swap.ice.ucdavis.edu/tmf/intro.aspx>

The TMF Tune-up consists of 45 questions relating to the 16 TMF elements including inquiries regarding the type of ownership, organization, policies, water rights, system description, source water and production, monitoring, treatment, training, operator certification, operations plans, emergency/disaster response plans, budgets, rates, CIPs, infrastructure reserves, and the age and condition of wells, storage tanks, and distribution systems.

Upon completion of the TMF Tune-up, an Individualized Development Plan (IDP) will be generated instantly for each water system. This IDP includes a series of relative scores in each of the TMF categories as well as pertinent combined scores. In addition, the IDP provides a list of resources including free workshops, technical assistance, expense reimbursement fund, and links to various organizations and agencies that specialize in providing materials and services to drinking water systems.

The information gained from the TMF Tuneup will enhance the ability of CDHS to more accurately determine the effectiveness of its capacity development activities by detecting and recording changes in the management and operation of SWSs. It will enable CDHS to better plan future capacity development strategies and assistance to target systems with significant TMF capacity risk factors.

3. California's Approach for Providing Capacity Development Assistance

California has identified a number of approaches to identifying statewide PWS capacity concerns and capacity development needs:

- a. CHALLENGE: Encourage PWSs to participate in the TMF Tune-up.

During the beta testing phase of the TMF Tune-up development, water systems were reluctant to participate even for practice. They were concerned that they would be providing excessive information to CDHS. In order to dispel these concerns, CDHS developed a Frequently Asked Questions document that states that DHS will use the information provided by water systems for statistical purposes in order to plan for future types of assistance that could be provided to water systems. This document further states that neither the responses nor the IDP scores would be provided to the regulators. Eventually, these Frequently Asked Questions will be placed on the Drinking Water web page beside the link to the TMF Tune-up.

To promote the TMF Tune-up DHS intends to inform all water systems by mail of the program and to make presentations at vendor workshops and conferences to announce it. A variety of articles will be published in different trade magazines. In addition, CDHS will encourage PWSs to complete the TMF Tune-up in conjunction with the normal regulatory inspections and as a component of the application process for new systems, changes of ownership, and funding programs.

- b. CHALLENGES: Increase the number of operators participating in the Expense Reimbursement Grant (ERG), increase the amount of reimbursements to qualified operators from the ERG, and provide training to operators in remote areas.

At the EPA Capacity Development Workshop at Indianapolis in May 2006 it became apparent to CDHS staff that California was not spending the ERG at the same rate as other states. With over 4500 eligible operators it was noted that only 270 had enrolled in the ERG. Plans were made to assemble members of the Cal-TAP Workgroup in the upcoming fiscal year to discuss strategies for making the funds more readily accessible to certified operators.

It was hoped that solutions could be found not only for releasing more ERG funds, but also for making training opportunities available to operators of SWSs in remote areas at the same time. The thought was that if a mechanism could be developed in which the operators did not have to prepay for the workshops or conferences, they would attend more events.

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This new system could also allow vendors to reach a few SWSs at a time in remote areas by offering trainings that were tailored to the specific needs of those systems without being constrained to needing a minimum class size to offset the cost of presenting the training. In addition, with a new system of reimbursing qualified operators, they would be able to obtain training materials such as study manuals for the certified operator's exam or the CSUS *Water Systems Operation and Maintenance* video and DVD training series without any out-of-pocket expenses. It is expected that changes will occur in SFY 2006-07 that will facilitate reimbursement from the ERG to qualified operators.

- c. CHALLENGE: Facilitate the process for obtaining an engineering report for SWSs applying for financing through SRF, Prop 50, and other funding sources.

CDHS recognizes that the majority of PWSs with viability concerns are the SWSs. Historically, SWSs have been at a disadvantage in completing for SRF loans because it has been difficult for them to hire an engineer to design a prospective project without having any money to pay the engineer at the time that the report is prepared. During SFY 2006-07 CDHS has undertaken contract negotiations with UCD to have engineering students under the oversight of a Professional Engineer design these projects for SWSs. It is expected that this contract will commence during SFY 2006-07 and will enable more SWSs to obtain SRF financing.

- d. CHALLENGE: Provide alternative training options for water system board members.

Attendance has been lower at the RCAC Board Member Responsibilities workshops than at other workshops that they offer. One of the reasons for this is that board members often have other full time jobs from which it is difficult to leave to travel and attend full day trainings. In order to accommodate this concern RCAC has been in the process of developing an on-line Board Member Responsibilities training whereby the board member could commit to one hour a week for six weeks at either noon or 6 pm. During SFY 2005-06 RCAC has been researching the best internet platform to use that would allow real time interaction between the presenters and the participants. The concept of this type of training may have far-reaching impacts on RCAC's entire training program if indeed people respond to this type of convenience.

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The first on-line Board Member Responsibilities workshop is expected to be offered during SFY 2006-07.

4. Review of the Implementation of the Existing System Strategy

CDHS has not completed an extensive review of the implementation of the existing system strategy during the SFY 2005-06. Instead, the program is continually evaluated and minor adjustments are made to procedures and documents as needed in order to refine our procedures for assisting PWSs in acquiring and maintaining TMF capacity. For example, the *Policy and Procedures Manual for the State Revolving Fund Programs* was updated during SFY 2005-06 in order to refine the procedures for the issuance of SRF financing. The district field staff and LPAs received training regarding these updated procedures. In addition, the TMF documents were revised to move the Emergency/Disaster Plan element from a Necessary to a Mandatory TMF component.

5. Modification to the Existing System Strategy

During the SFY 2005-06 CDHS has not made modifications to the overall existing system strategy based on a review of the strategy. On-going capacity development program activities have been discussed earlier in this report.

II. Reporting Period and Submittal Dates

The annual implementation reporting period reflects the SFY July 1, 2005 to June 30, 2006. This report will be submitted the United States Environmental Protection Agency Region IX by September 30, 2006.