



# **Southeast Water Coalition**

A joint powers authority to protect the Central Groundwater Basin

## **AGENDA**

### **SOUTHEAST WATER COALITION**

### **SPECIAL MEETING OF THE ADMINISTRATIVE ENTITY**

**CITY OF WHITTIER  
PALM PARK AQUATIC CENTER  
5703 PALM AVE.  
WHITTIER, CA 90601**

**TUESDAY, JANUARY 22, 2019  
11:30 AM**

- 1. ROLL CALL**
- 2. PUBLIC COMMENTS**
- 3. CONSENT CALENDAR**

***\*\*Consent Calendar items will be considered and approved in one motion unless removed by an Administrative Entity Member for discussion.\*\****

- a. **SEWC ADMINISTRATIVE ENTITY MINUTES OF NOVEMBER 15, 2018  
REGULAR MEETING**

Recommendation: Approve minutes as submitted.

***\*\*End of Consent Calendar\*\****

**4. NOTICE OF OPPORTUNITY FOR PUBLIC COMMENT: LOW-INCOME WATER RATE ASSISTANCE DRAFT REPORT**

Kyle Cason, AE Chair, City of Whittier

Recommendation: That the Administrative Entity take the following actions:

- 1) Review the State Water Resources Control Board's draft report on Options for Implementation of a Statewide Low-Income Water Rate Assistance Program (W-LIRA); and
- 2) Discuss submitting written comments on W-LIRA draft report on behalf of SEWC by Friday, February 1, 2019 at noon 12:00 p.m.

**5. DRAFT SCOPE OF WORK FOR EMERGENCY INTERCONNECTS PROJECT**

Kyle Cason, AE Chair, City of Whittier

Gina Nila, AE Vice-Chair, City of Commerce

Recommendation: That the Administrative Entity take the following actions:

- 1) Review and edit the draft Scope of Work for SEWC's Emergency Interconnects project;
- 2) Authorize submittal of edited draft Scope of Work to SEWC Board of Directors for approval at their February 7, 2019 meeting.

**6. LEGISLATIVE UPDATE**

Kyle Cason, AE Chair, City of Whittier

Recommendation: That the Administrative Entity take the following action:

- 1) Receive and file an update on current water-related bills under consideration in State Legislature.

**7. FISCAL YEAR (FY) 2017-2018 WNDE AUDIT PLANNING LETTER**

Kyle Cason, AE Chair, City of Whittier

Recommendation: That the Administrative Entity take the following action:

Receive and file an update on the status of the FY 2017-2018 SEWC Audit Planning Letter from White Nelson Diehl Evans.

8. **FEBRUARY 7, 2019 BOARD OF DIRECTORS AGENDA**  
Kristen Sales, KJServices Environmental Consulting  
Recommendation: Consider Draft SEWC JPA Board of Directors Agenda

9. **WRITTEN COMMUNICATIONS**

10. **ADMINISTRATIVE ENTITY MEMBER COMMENTS**

**AMERICANS WITH DISABILITIES ACT:** In compliance with the Americans with Disabilities Act of 1990, the City of Whittier is committed to providing reasonable accommodations for a person with a disability. Please call Veronica Barrios with the City of Whittier at (562) 567-9501, if special accommodations are necessary and/or if information is needed in an alternative format. Special requests must be made in a reasonable amount of time in order that accommodations can be arranged.

The next meeting of the Southeast Water Coalition Administrative Entity will be on Thursday, March 21, 2019, 11:30 am, City of Whittier, Emergency Operations Center, 13200 Penn Street, Whittier, CA 90602.

*I, Veronica Barrios, City of Whittier, do hereby certify, under penalty of perjury under the laws of the State of California that the foregoing notice was posted pursuant to Government Code Section 54950 Et. Seq. and City of Whittier Ordinance at the following locations: Whittier City Hall, Whittier Public Library, and the Whittwood Branch Library.*

*Dated: January 17, 2018*



Veronica Barrios  
Administrative Secretary  
Department of Public Works

**MINUTES OF THE  
SOUTHEAST WATER COALITION  
JOINT POWERS AUTHORITY  
REGULAR MEETING OF THE ADMINISTRATIVE ENTITY**

**CITY OF WHITTIER  
EMERGENCY OPERATIONS CENTER  
13200 PENN STREET  
WHITTIER, CA 90602**

**THURSDAY, NOVEMBER 15, 2018  
11:30 AM**

The regular meeting of the Southeast Water Coalition Joint Powers Authority Administrative Entity was called to order at 11:37 a.m. by AE Chair Kyle Cason. At the time the meeting was called to order a quorum of members were present. Roll call was taken with the following Administrative Entity members present:

**1. ROLL CALL**

|                          |  |
|--------------------------|--|
| Gina Nila, AE Vice-Chair | City of Commerce                       |
| Dan Mueller              | City of Downey (arrived at 11:51 a.m.) |
| Jason Wen                | City of Lakewood                       |
| Julian Lee               | City of Norwalk                        |
| Matt Tryon               | City of Santa Fe Springs               |
| Joanna Hurtado-Moreno    | City of Vernon                         |
| Kyle Cason, AE Chair     | City of Whittier                       |
| Phuong Nguyen            | City of Whittier                       |
| Others in Attendance     |  |
| Kristen Sales            | KJServices Environmental Consulting    |

**2. PUBLIC COMMENTS**

No Public Comments were received. AE Chair Cason (Whittier) asked for a motion to close Public Comments. The motion was made by AE Vice-Chair Gina Nila (Commerce) and seconded by Jason Wen (Lakewood).

3. **CONSENT CALENDAR**

Administrative Entity (AE) Chair Kyle Cason (Whittier) called for a motion to approve the Consent Calendar.

Mr. Lee (Norwalk) made a motion to approve the Consent Calendar. The motion was seconded by Mr. Tryon (Santa Fe Springs). With abstentions from Ms. Hurtado-Moreno (Vernon) and Mr. Wen (Lakewood), the motion was approved by a unanimous voice vote of the Administrative Entity members.

4. **RFP FOR PROGRAM MANAGEMENT SERVICES**

During discussion of this agenda item, Ms. Sales of KJServices Environmental Consulting, stepped out of the room so that the Administrative Entity (AE) members could speak freely about the RFP for Program Management Services.

After the AE finished their discussion, Ms. Sales re-entered the meeting room. AE Chair Kyle Cason (Whittier) stated that the AE had decided to move forward with an informal RFP process for Program Management Services. Ms. Sales confirmed KJServices' interest in and ability to reply to a RFP for Program Management for the Southeast Water Coalition.

AE Chair Cason added that the tentative timeline would be for the AE to bring this item to the Board of Directors at their December 6, 2018 meeting and return to the Board at their February 7, 2019 meeting with any received proposals.

AE Chair Kyle Cason called for a motion to receive and file this item. The motion was made by Mr. Wen (Lakewood) and seconded by Ms. Hurtado-Moreno (Vernon). The motion was approved a unanimous voice vote of the Administrative Entity.

5. **LEGISLATIVE UPDATE**

Administrative Entity (AE) Chair Kyle Cason (Whittier) provided an overview of this item.

AE Chair Cason stated that SB-998 had been signed into law on September 28, 2018 and added that the City of Whittier had received an outline for the implementation of its notification protocols. Dan Mueller (Downey) stated that the City of Downey had received the same outline, and added that the City had discussed making modifications to its existing water service discontinuation procedures. AE Chair Cason stated that Whittier would have to make minor tweaks to their existing procedures, but added that they already send out three notices between shutting off residential water service.

AE Chair Cason then provided a summary of SB-845, which would require community water systems with 200 or more service connections to provide an

opportunity for its customers to provide a voluntary remittance either as part of their customers' regular water bill, or by using a specialized notification procedure. Remittances would be used to fund the Safe and Affordable Drinking Water Fund, to add in securing safe drinking water for disadvantaged customers across the State. AE Chair Cason stated that SB-845 did not pass the Legislature before the end of the 2018 Session, but stated that if it came back, the bill would require the CWS to make a substantial educational outreach effort to inform their customers.

AE Chair Cason then addressed Measure W, stating that it was projected to pass, but not all the votes would be certified until December 6, 2018. Phuong Nguyen (Whittier) stated that if Measure W passed, cities would not receive the money until mid-2020. Dan Mueller (Downey) stated that funds would start to be allocated the middle of next Fiscal Year, approximately February, 2020. Ms. Nguyen stated that it would take the County a year to collect the taxes and a year to distribute the funds back to the cities, and for that to take place, the cities must enter into an agreement with the County. Ms. Nguyen also stated that the City of Los Angeles would receive the most Measure W money, since they currently have the most impermeable surfaces in the County.

AE Chair Cason then summarized the results of the Central Basin Board of Directors elections. AE Chair Cason also stated that the Central Basin nominations for at-large and large water purveyor representatives would take place in February, 2019. Ms. Hurtado-Moreno stated that Vernon was interested in running their Water Administrator, Fred Cardenas, as a candidate for the at-large seat. The AE members also discussed that among the large water purveyors, candidates from Golden State, Liberty, and Cal Water were all possible. AE Vice-Chair Gina Nila (Commerce) stated that the AE should provide an update to the SEWC Board of Directors on the Central Basin appointments, recap the functioning governance of the Central Basin Board, and receive info from City Staff regarding participation. AE Vice-Chair Nila suggested SEWC reach out to Mark Grajeda, sitting Central Basin Board member representing at-large cities, to present to the SEWC Board of Directors on this issue.

AE Chair Kyle Cason called for a motion to receive and file this item. The motion was made by Ms. Nila (Commerce), and seconded by Mr. Mueller (Downey). The motion was approved by a unanimous voice vote of the Administrative Entity.

6. **STRATEGIC PLAN PROJECT - GIS FOR EMERGENCY INTERCONNECTIONS**

AE Chair Kyle Cason (Whittier) provided an overview on the Strategic Plan Project work accomplished thus far. AE Chair Cason stated that the next step of the Emergency Interconnections project would be to engage a consultant to create a geographic information system (GIS) map of the emergency interconnections between SEWC member cities.

Dan Mueller (Downey) stated that he would submit his Emergency Interconnection Matrix for Downey.

AE Vice-Chair Gina Nila (Commerce) suggested that engaging the GIS consultant should wait until Spring 2019, after the RFP for Program Management Services has been awarded.

Jason Wen (Lakewood) stated that the Emergency Interconnections project should be similar to a water meter project, which wouldn't necessarily require GIS mapping, but a shovel-reading grant proposal for conceptual grants. AE Vice-Chair Nila added that SEWC should engage a consultant to search for and apply for grants related to water interconnections upgrades. Mr. Wen and AE Vice-Chair Nila agreed that the consultant should also address water quality issues and SCADA connections between SEWC member cities.

The Administrative Entity members discussed drafting a Scope of Work for this project that included both the existing goals of SEWC (per the Strategic Plan), and the Proposed goals of the Emergency Interconnects project. The AE prioritized the following objectives for the Scope of Work:

- Seek a grant opportunity for interconnection projects related to groundwater reliability and emergency preparedness across SEWC member cities.
- Use funds from Consultant Services line item to pay for the Emergency Interconnects project.
- Hire a consultant to identify funding opportunities that would fulfill the goals of this project, and draft grant proposals.

AE Chair Kyle Cason (Whittier) called for a motion to draft a Scope of Work for the Emergency Interconnects project and bring to the Board of Directors for their approval. The motion was made by Mr. Lee (Norwalk), and seconded by Mr. Wen (Lakewood). The motion was approved by a unanimous voice vote of the Administrative Entity.

## 7. **WATER QUALITY UPDATE**

Administrative Entity (AE) Chair Kyle Cason (Whittier) provided an overview of this item.

AE Chair Cason stated that the City of Whittier had recently conducted a water rate study, and asked the AE members if SEWC should contact a consultant to give a presentation on the trend of increasing water rates to the Board of Directors.

The AE members agreed that there should be a standing item on Board of Directors agendas for a Water Quality Update. The AE members stated that they could bring in representatives from other agencies to provide presentations on issues relevant to water quality in the SEWC region.

AE Chair Cason suggested the SEWC Board receive annual or biannual updates from the Water Replenishment District, DTSC, and regional water boards regarding the status of remediation projects and quality control in the Omega Plume. AE Chair Cason also suggested a presentation on Measure W from an LA County representative. The AE members also suggested regularly scheduled presentations from the Division of Drinking Water, the Central Basin Municipal Water District, and the West Basin Water Association.

The AE members also mentioned attending WRD's Water Quality Committee meetings, which meet the 2nd Tuesday of the month. AE Chair Cason suggested that if any AE members were able to attend, they do so and provide updates to the Administrative Entity. AE Chair Cason also stated that SEWC should stay in regular contact with WRD for water quality updates.

AE Chair Cason (Whittier) called for a motion to receive and file the item. The motion was made by Mr. Tryon (Santa Fe Springs), and seconded by Ms. Nila (Commerce). The motion was approved by a unanimous voice vote of the Administrative Entity.

8. **DECEMBER 6, 2018 BOARD OF DIRECTORS AGENDA**

Ms. Kristen Sales (KJServices) stated that there may be a possible conflict with the League of California Cities holiday party, and added that she would send out an email to the Board Members to see if they were have quorum for the December 6, 2018 meeting.

Ms. Sales then provided an overview of the following items to present at the next Policy Board meeting on December 6, 2018:

- 1) Update on RFP for Program Management Services
- 2) Draft Scope of Work and Informal Request for Proposals for SEWC Strategic Plan Project - Emergency Interconnects GIS Map
- 3) Update on Central Basin Board of Director Appointments in February, 2019

9. **WRITTEN COMMUNICATIONS**

No Written Communications were received.

10. **ADMINISTRATIVE ENTITY MEMBER COMMENTS**

No Administrative Entity Member comments were received.

11. **ADJOURNMENT**

AE Chair Cason adjourned the meeting at 1:08 p.m.



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CHAIR

ATTEST:

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# Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

## SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY AGENDA REPORT

**Date:** January 22, 2019  
**To:** Southeast Water Coalition Administrative Entity  
**From:** Kyle Cason, AE Chair, City of Whittier  
**Subject:** **Notice of Opportunity for Public Comment: Low-Income Water Rate Assistance Draft Report**

**Recommendation:** That the Administrative Entity take the following actions:

- 1) Review the State Water Resources Control Board's draft report on Options for Implementation of a Statewide Low-Income Water Rate Assistance Program (W-LIRA); and
- 2) Discuss submitting written comments on W-LIRA draft report on behalf of SEWC by Friday, February 1, 2019 at noon 12:00 p.m.

### **Background:**

With the passage of AB-401 (Dodd) Low-Income Water Rate Assistance Program in October, 2015, the State Water Resources Control Board (Water Board) was required to develop a plan for the funding and implementation of the Low-Income Water Rate Assistance Program.

On January 3, 2019, the State Board released Notice of Opportunity for Public Comment on their Low-Income Water Rate Assistance (W-LIRA) Draft Report. The draft report analyzes option for the design, funding, and administration of a W-LIRA program, as well as other option to improve water affordability. The Water Board will use comments received on the draft report to inform the final report to the Legislature in 2019.

Deadline for submission of written comments is Friday, February 1, 2019 at noon 12 p.m.

### **Discussion:**

The Water Board's Draft Report summarizes the growing challenges of water affordability across the State, including rising costs for ratepayers and the lack of enrollment in local low-income rate assistance programs. The Report specifically cites the limitations of Proposition 218 for publicly-owned water systems, and the financial and administrative burdens on CWS to operate standalone rate assistance programs.

The Water Board sets the program benefit eligibility to all households with income under

SEWC ADMINISTRATIVE ENTITY STAFF REPORT – SPECIAL MTG. OF 1/22/19  
NOTICE OF OPPORTUNITY FOR PUBLIC COMMENT: LOW-INCOME WATER RATE  
ASSISTANCE DRAFT REPORT

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200% of the Federal Poverty Line. The monetary value of the discounts would be based on a consumption level of 12CCF per household, each month, as opposed to each household's actual amount consumed and billed. (For a four-person household, 12CCF of water use a month equates to 75 gallons of water per person per day.)

The State Board states that around 34% of California households would be income-eligible for this program. Eligibility is broken down into three tiers:

- Households paying up to \$90/mo = 20% discount on water bill
- “ “ \$90-\$120/mo = 35% “ “
- “ “ above \$120/mo = 50% “ “

The Draft Report calculates the initial total annual cost of the W-LIRA, and thus the revenue target for program operation, to be \$606.4 million annually. This estimate assumes a feasible 84% enrollment of program-eligible households, plus 10% administrative overhead costs.

The Water Board recommends that revenue sources be progressive, and offers suggestions of a combination of a personal income tax and a bottled water sales tax. Passage of any new tax would require a 2/3rds supermajority vote in the state Legislature, and the bottled water sales tax would require a ballot referendum.

Revenue collection would be handled by the California Franchise Tax Board (FTB) and the Department of Tax and Fee Administration (formally the Board of Equalization). The Draft Report suggests several options for the benefit distribution and administration of the program:

- via electric or gas bills
- via CalFresh
- via new EBT program
- via tax credits
- via water bills\*\*

\*\*Benefit distribution via water bills would require all community water systems (CWS) to modify their billing systems to add monthly W-LIRA credit, and bill the state for their expenditures and administrative costs (not to exceed 10%). In addition, the CWS would be responsible for verifying the income eligibility of its low-income households and distributing the benefits authorized by the Water Board.

The Water Board notes in their Draft Report that the failure of the proposed water meter tax (SB-623 and SB-845, Safe and Affordable Drinking Water Fund) to pass in both the State Legislature and the Governor's Budget Trailer Bill, has influenced the creation of the W-LIRA.

SEWC ADMINISTRATIVE ENTITY STAFF REPORT – SPECIAL MTG. OF 1/22/19  
NOTICE OF OPPORTUNITY FOR PUBLIC COMMENT: LOW-INCOME WATER RATE  
ASSISTANCE DRAFT REPORT

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Since the potential passage of a Statewide Low-Income Water Rate Assistance Program would impact the members of the Southeast Water Coalition (SEWC) directly, it is recommended the Administrative Entity members discuss submitting written comments on the Draft Report by the deadline of February 1, 2019.

The next scheduled SEWC Board of Directors meeting is February 7, 2019.

**Attachment(s):**

1. State Water Resources Control Board Notice of Opportunity for Public Comment
2. Options for Implementation of a Statewide Low-Income Water Rate Assistance Program draft report

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State Water Resources Control Board

## NOTICE OF OPPORTUNITY FOR PUBLIC COMMENT

### Low-Income Water Rate Assistance Draft Report

**NOTICE IS HEREBY GIVEN** that the State Water Resources Control Board (State Water Board) will accept public comments on the draft report on Options for Implementation of a Statewide Low-Income Water Rate Assistance Program (W-LIRA) required by [AB 401](#) (2015, Dodd). The draft report analyzes options for the design, funding, and administration of a W-LIRA program and as well as other options to improve water affordability. The State Water Board will use comments received on the draft report to inform the final report to the Legislature.

#### DOCUMENT LOCATION

The Options for Implementation of a Statewide Low-Income Water Rate Assistance Program Report and Appendices are available on the State Water Board's website at: [https://www.waterboards.ca.gov/water\\_issues/programs/conservation\\_portal/assistance/](https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/assistance/).

#### SUBMISSION OF WRITTEN COMMENTS

The deadline for submission of written comments is:

**Friday, February 1, 2019 at noon 12:00 p.m.**

Comment letters may be submitted electronically in pdf format, less than 15 megabytes, to Ms. Jeanine Townsend, Clerk to the Board at: [commentletters@waterboards.ca.gov](mailto:commentletters@waterboards.ca.gov). Please indicate in the subject line: "**Comment Letter – Options for Implementation of a Statewide Low-Income Water Rate Assistance Program.**"

Comment letter may be submitted by mail to the attention of:

Jeanine Townsend, Clerk to the Board  
State Water Resources Control Board  
P.O. Box 100, Sacramento, CA 95812-2000 (mail)  
1001 I Street, 24th floor, Sacramento, CA 95814 (hand delivery)

Comment letters may also be submitted by fax to (916) 341-5620. Couriers delivering comment letters must check in with lobby security personnel on the first floor of the CalEPA Building at the above address. Any previously-submitted comments may be viewed at: [https://www.waterboards.ca.gov/public\\_notices/comments/](https://www.waterboards.ca.gov/public_notices/comments/).

Questions on comment submittal may be directed to Ms. Townsend, at (916) 341-5600.

**FUTURE NOTICES**

Any change to the date and time of the comment period will be noticed via the State Water Board's automated email list known as the Lyris. Any person desiring to receive future notice updates concerning Water Affordability should sign up on the automated e-mail list. To sign up, enter your name and email address at the bottom on the webpage:

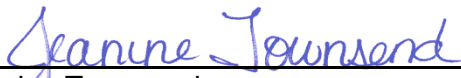
[https://www.waterboards.ca.gov/water\\_issues/programs/conservation\\_portal/assistance/](https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/assistance/).

Please accept the Lyris confirmation in your inbox to complete the subscription.

**ADDITIONAL INFORMATION**

Please direct questions about this notice to [Mary.Yang@waterboards.ca.gov](mailto:Mary.Yang@waterboards.ca.gov) or (916) 322-6507.

January 3, 2019  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Jeanine Townsend  
Clerk to the Board

***Options for Implementation of a Statewide  
Low-Income Water Rate Assistance Program***

***State Water Resources Control Board  
January 3, 2019***

DRAFT

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Appendices can be accessed through the State Water Board website at:

[https://www.waterboards.ca.gov/water\\_issues/programs/conservation\\_portal/assistance/](https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/assistance/).



## Introduction

In 2012, California enacted the Human Right to Water Act (Assembly Bill (AB) 685), establishing a state policy that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking and sanitary purposes. Since the passage of AB 685, the Legislature passed and the Governor signed various laws<sup>1</sup> aimed at making this policy a reality. There is, however, more to do. In recognition that many Californians may not be able to pay their water bills, AB 401 (Dodd, 2015) enacted the Low-Income Water Rate Assistance Act, which directed the State Water Resources Control Board (State Water Board or Board) to submit recommendations for a statewide Low-Income Water Rate Assistance Program (W-LIRA).

In this draft report, the State Water Board outlines possible components for developing a successful program to help low-income households pay their water bills. Specifically, the report identifies potential program recipients, different mechanisms for delivering benefits to low-income households, and possible funding sources to implement such a W-LIRA program. The purpose of this report is to present ideas for a W-LIRA program for public and stakeholder input, and the options outlined reflect discussions with public interest groups and stakeholders. The Board will use the input gathered in response to this draft to develop a final report to the Legislature in 2019.

In addition to welcoming feedback on this AB 401 draft report, the State Water Board also encourages review of the Office of Environmental Health Hazard Assessment's (OEHHA) draft *Framework and Tool for Evaluating California's Progress in Achieving the Human Right to Water*. Following the adoption of a Human Right to Water Resolution<sup>2</sup> in 2016, the Board enlisted OEHHA to develop a methodology for evaluating the state's progress in meeting the Human Right to Water policy. OEHHA's draft framework and tool can help evaluate and track our progress towards achieving safe, clean, affordable, and accessible water for all Californians.

While AB 401 is focused on assisting low-income households in paying their water bills, the State Water Board is committed to achieving the Human Right to Water in full. Multiple strategies will be necessary. This includes securing sustainable funding for the long-term operation and maintenance of water systems, consolidation of unsustainable systems, and improving technical, managerial, and financial capacity for systems serving disadvantaged communities. While the state continues to explore options for comprehensive solutions, developing a W-LIRA program will provide a necessary safety net for the most vulnerable Californians.

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<sup>1</sup> These laws include: Senate Bill (SB) 88 (2015), SB 552 (2016), SB 1263 (2016), AB 401 (2015), AB 1668 & SB 606 (2018), AB 2501 (2018), and SB 998 (2018).

<sup>2</sup> State Water Board. Human Right to Water Resolution. Available at URL: [http://www.waterboards.ca.gov/board\\_decisions/adopted\\_orders/resolutions/2016/rs2016\\_0010.pdf](http://www.waterboards.ca.gov/board_decisions/adopted_orders/resolutions/2016/rs2016_0010.pdf).

## Executive Summary

### The Growing Water Affordability Challenge

Drinking water is a basic human need. Satisfying this need, however, is becoming more difficult for California's households, as the retail cost of water has risen substantially over the last decade and is expected to rise significantly over the coming years. Figure 1 shows that, adjusting for inflation, the average Californian household was paying around 45% more per month for drinking water service in 2015 than in 2007. The burden of rapidly-rising drinking water costs falls most heavily on the 13 million Californians living in low-income households, many of whom have seen their incomes stagnate during the same period. The high and rising costs of other basic needs for California residents, including housing, food, and other utility services, means that cost increases for any single need, such as water, can lead families to make difficult and risky tradeoffs which could harm their health and welfare. Expenditures to meet basic water needs are expected to continue to rise rapidly due to the need for water systems to replace aging infrastructure, meet treatment standards, diversify supplies, and maintain a well-trained workforce.

**Figure 1. Inflation-adjusted Increase in average price of water (15 CCF<sup>3</sup>) for California Households**



Source: American Water Works Association Data, 2007-2015

### Need for a Statewide Program

Only 46% of California's population is served by a community water system (CWS)<sup>4</sup> offering some form of a rate assistance program, and many of these programs have low levels of enrollment and limited

<sup>3</sup> Centum cubic feet (CCF) is also known as a hundred cubic feet (HCF), which is 748 gallons. For a four person household, 12 CCF of use in a month equates to 75 gallons of water per person per day.

<sup>4</sup> Community water systems serve communities with more than 25 people year-round. It is a term the Board's Drinking Water Division uses to distinguish them from other drinking water providers, such as domestic wells, truck stops, camp grounds, etc.

financial support. As a result, less than 20% of the state's low-income population currently receives benefits from a low-income rate assistance program. One reason for the limitation in program offerings is that publicly-owned water systems are constrained by Proposition 218<sup>5</sup> in the use of their water fees and charges. Systems that do provide low-income rate assistance benefits are able to fund them from non-fee revenues.

There are also administrative obstacles associated with providing a rate assistance program to water users at the system level. Asking approximately 3,000 individual CWS to operate their own standalone rate assistance programs for their individual customer bases is infeasible. As illustrated in Figure 2, using 200% of the federal poverty level (FPL) as the baseline eligibility criteria for W-LIRA programs would mean that for many systems more than 50% of their customers would be eligible for assistance. To operate a low-income rate assistance program, these systems would likely have to impose outsized cost burdens on higher-income households served by the systems.

**Figure 2. Large Water Systems with High Percentages of Low-Income Households That Could be Eligible for Rate Assistance**



Note: Calculated using Census data and system water boundaries. The percentages shown above represent the proportion of residential customers served by the system who have incomes under 200% of the Federal Poverty Level.

<sup>5</sup> Passed in 1996, Proposition 218 requires certain local government taxes, fees and assessments to go before the voters for approval.

Because developing a comprehensive low-income rate assistance program at the system level is not practical, the Board envisions a statewide program, with benefits distributed through other existing assistance program, such as utility bill credits, tax credits, or direct cash benefits.

The Board recommends progressive revenue sources (i.e. taxes or fees) in order not to burden some of the residents that this program seeks to serve. For example, taxes on personal and business income would provide progressive revenues, while fees on bottled water or alcohol would have a nexus to water use.

Eligibility criteria and benefit levels would influence the total program costs. AB 401 directed the Board to use 200% of the FPL as the primary eligibility criteria in its analysis; however, the Board seeks input on alternate eligibility criteria that can feasibly be implemented across the state (some of which are discussed in Appendix F). Benefit levels could be tied to the cost of water, other assistance programs, or certain affordability criteria. The Board developed the working proposal below to elicit input and inform a robust discussion. The program scenario would offer a three-tiered benefit to all eligible residential households (those with income under 200% of the FPL) in the state.<sup>6</sup> The program would provide a benefit equivalent to the tiers below. The monetary value of the discounts provided in each tier would be based on a consumption level of 12CCF each month for each of the 3,000 community water systems, rather than each household's actual amount consumed (and actual bills), as explained below in Chapter 2.

#### **Text Box 1: Potential Program Benefit Levels**

**Tier 1:** 20% discount to all households that have incomes below 200% of the federal poverty level (FPL) in water systems where monthly water expenditures (at 12 CCF) are below \$90,

**Tier 2:** 35% discount to all households that have incomes below 200% of the FPL in water systems where monthly water expenditures (at 12 CCF) are between \$90 and \$120, and

**Tier 3:** 50% discount to all households that have incomes below 200% of the FPL in water systems where monthly water costs (at 12 CCF) are above \$120.

Because the average monthly water bill is around \$60 per month,<sup>7</sup> most low-income households would be in Tier 1.

The proposed benefit levels would provide substantial assistance to all low-income households, but also a larger benefit to those in the CWS that have the greatest drinking water expenditure burden. Moreover, both the program eligibility criteria and first two benefit tiers correspond to the California Alternative Rates for Energy (CARE) program design where 4.3 million low-income households receive a 30-35% discount on their electric bill and a 20% discount on their natural gas bill. However, CARE benefits relate to customers' actual bill amounts rather the system-wide rates for a set level of consumption, as in this report's working proposal.

This scenario is projected to cost about \$606 million in the first year for benefit distribution and program administration. Costs would adjust over time based on changes in the number of eligible households and

<sup>6</sup> The Federal Poverty Level is based on household size; so larger households would qualify with higher incomes than smaller households.

<sup>7</sup> See Chapter 2: Program Design Scenarios: Eligibility, Benefit Level, and Total Program Cost.

water rates. The total annual cost includes ongoing program management costs, such as potential expanded household enrollment verification procedures, marketing and outreach, and benefit distribution system modifications, as discussed further in Chapter 4 and the Appendices. Modifications to this scenario would result in different cost projections. For example, shrinking eligibility to households earning up to 150% of the FPL would reduce program costs, while expanding eligibility to households earning up to 250% of the FPL would raise program costs. The same logic applies to the program benefit levels, including the amount of water use upon which calculations are based. In addition, initial program costs would decrease if the program were phased-in overtime, such as if benefits were initially only extended to low-income households in areas with higher water bills.

Although there are many options for improving water affordability, the need to address this growing crisis is clear. The Board looks forward to receiving feedback on this report and to working with stakeholders, the Administration, and the Legislature to develop and implement policy solutions.

#### Safe Drinking Water Must Be a Priority

The development of a W-LIRA program and other discussions on water affordability should not delay the urgent need to address the problem of unsafe drinking water. This is an urgent public health crisis and solutions are already well developed. Hundreds of thousands of Californians lack access to safe drinking water. A significant challenge is the lack of a sustainable funding for long-term operations and maintenance for drinking water systems. Over the past two years, the Legislature has proposed a modest surcharge of \$1 per month on certain California households to address the systematic challenges that prevent the delivery of safe drinking water to Californians.<sup>8</sup> Low-income residents would be exempt from paying such a charge, and community water systems would be allowed to retain a portion of the funding for their expenses of collecting and transmitting the monies to the state.

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<sup>8</sup> SB 623, SB 844 and SB 845.

## **Chapter 1: Why help households pay for drinking water service? The need for Low-Income Rate Assistance in California**

AB 401 mandates that the State Water Board, in collaboration with the Department of Tax and Fee Administration (formally known as the State Board of Equalization) and relevant stakeholders, develop a plan for the funding and implementation of a W-LIRA, which would include specified elements (see Appendix A for the full text of AB 401). This draft report (including its appendices) reflects the analysis from the planning process envisioned by AB 401, while allowing for additional public and stakeholder feedback.

### **Why help households pay for drinking water service?**

Rising income inequality coupled with California's high cost of living means that meeting basic needs, including housing, food, clothing, transportation, healthcare, and utilities is increasingly a struggle for many households. Currently, 34% of Californians, roughly 13 million people, live in households with income under 200% of the federal poverty level (FPL), which in 2018 is \$50,200 for a family of four. When families are unable to pay their bills, they face difficult and highly consequential trade-offs, like skipping meals and going hungry, risking eviction, or facing potential disconnection for electric, gas, or water services.

An analysis of U.S. Census data reveals that the real median household income in California in 2017 was lower than it was in 2007.<sup>9</sup> Across the nation more broadly, there has been a stagnation in real incomes for low- to moderate-income earners, and a lack of households moving out of poverty conditions spanning the last 30 years.<sup>10</sup> At the same time, the largest necessary cost of living – housing costs – have shown rapidly increasing divergence from household income since 2000.<sup>11</sup> Low-income households need more support to make ends meet. Providing all low-income households with financial assistance to help pay their water bills is a small, but important way the state can support provision of basic necessities for all Californians.

Table 1 shows the results of the stagnation in household incomes for the lower end of the income distribution in California. Recent data shows that nearly 15% of California households have an income below the FPL and more than one-third of California households have an income below 200% of the FPL.<sup>12</sup>

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<sup>9</sup> Alternatively, the percentages of households under 100% or 200% of the FPL are slightly higher in 2015 than 2005.

<sup>10</sup> Drew Desilver (2014). Pew Research Center. *For most workers, real wages have barely budged for decades*. Available at: <http://www.pewresearch.org/fact-tank/2014/10/09/for-most-workers-real-wages-have-barely-budged-for-decades/>; Elise Gold (2015). Economic Policy Institute. *2014 Continues a 35-Year Trend of Broad-Based Wage Stagnation*. Available at: <http://www.epi.org/publication/stagnant-wages-in-2014/>.

<sup>11</sup> California Housing and Community Development Department (2017). *California's Housing Future: Challenges and Opportunities Public Draft*. Available at: <http://www.hcd.ca.gov/policy-research/plans-reports/docs/California%27s-Housing-Future-Full-Public-Draft.pdf>.

<sup>12</sup> The percentage of households below the 100% and 200% FPL closely corresponds to the national averages, which are 16% and 35%. For reference, 200% of FPL for a 4-person household in 2015 was \$48,600. This income level roughly corresponds to the Board's 2015 median household income cutoff for defining "disadvantaged communities" (DAC) of \$49,454. The DAC threshold in turn is set at 80% of the state's median household income (which is \$61,818) and the metric is widely used to determine eligibility

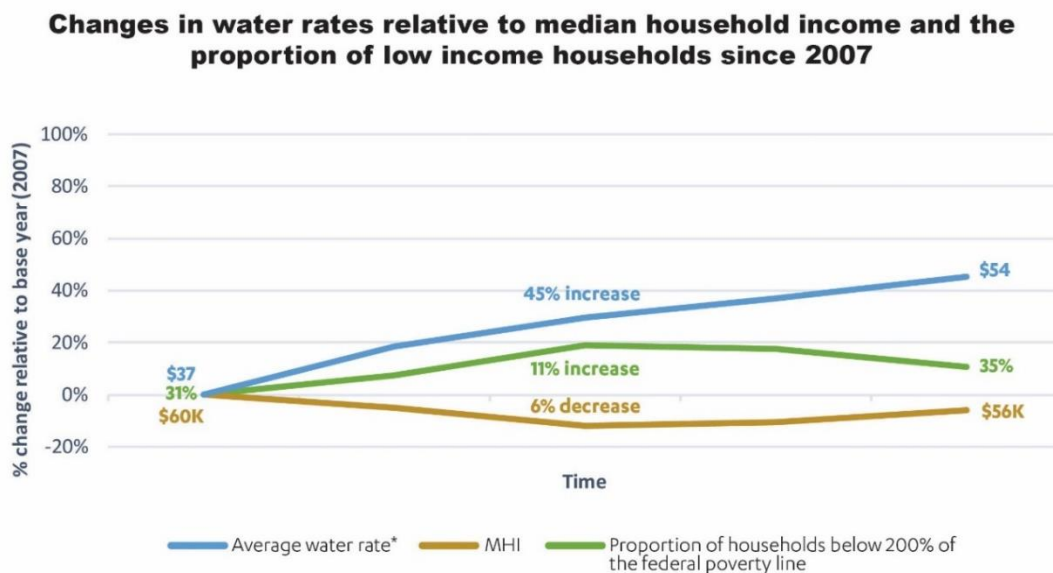
**Table 1. Financially Disadvantaged California Households**

| Designation                         | % Percent of State Households |
|-------------------------------------|-------------------------------|
| Below 100% of Federal Poverty Level | 14%                           |
| Below 150% of Federal Poverty Level | 24%                           |
| Below 200% of Federal Poverty Level | 34%                           |

Source: 2010-2014 American Community Survey Data

Figure 3 illustrates the combined effects of stagnating incomes for low- and median-income households and rising retail drinking water costs.

**Figure 3. Changes in water rates relative to median household income and the proportion of low-income households since 2007 (adjusted for inflation)**



There are at least four additional rationales to support the development of a W-LIRA program in California:

for other drinking water system financial assistance programs in California. The 200% FPL threshold is particularly relevant for the purpose of considering the need for a W-LIRA program because these income levels are most commonly used as eligibility criteria for existing low-income rate assistance programs. AB 401 also specifically mentions the 200% FPL threshold.



1. *The devastating health and livelihood impacts people experience where water is unaffordable,*
2. *The rapidly-rising retail cost of drinking water,*
3. *The general absence of robust low-income rate assistance program or affordability programs, when they are available for many other basic household needs, and*
4. *The inability of many individual water systems to support a rate assistance program on their own.*

Each of these motivations for a W-LIRA program is explained in turn below.

#### *#1- Health and livelihood impacts*

If water is unaffordable, low-income households will likely either consume less water than is healthy and/or consume less of other vital goods and services to pay for the water they need.<sup>13</sup> In other words, low-income households face tradeoffs that harm their health and welfare.<sup>14</sup> One example of this is in the City of Detroit, where 156,000 households struggled with increased water rates alongside necessary electricity costs for heating during a frigid winter. Households prioritized the immediate need of electricity over water, and the city experienced a high rate of water shutoffs due to non-payment.<sup>15</sup>

Unaffordable water service, especially in light of low-income households' extremely-constrained incomes, can lead to service disconnections. A major public health concern from water shutoffs is water-related illnesses. A recent study by the Henry Ford Hospital examined the public health implications of water shutoffs in the City of Detroit. By analyzing water-borne illnesses and comparing them to home addresses of water shutoffs, researchers found that patients diagnosed with skin and soft tissue diseases were 1.48 times more likely to live on a block that experienced water shutoffs. Following the release of the study in July 2017, a panel of experts, including physicians, called for the declaration of a public health emergency in the city because of the correlation between water shutoffs and water-related illnesses.<sup>16</sup> For similar reasons, the City of Pittsburgh Water and Sewer Authority recently placed a moratorium on drinking water service shutoffs in the winter season.<sup>17</sup> Moreover, the recent Hepatitis A outbreak across parts of California among at-risk populations without permanent shelter has been partially attributed to a lack of access to adequate water and sanitation facilities.<sup>18</sup> At a broader scale, shutoffs and lack of affordable access to water can result in an economic burden to the state, as low-income families facing these challenges incur outsized healthcare costs, some of which are subsidized by the state.

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<sup>13</sup> Davis, Jon P. and Teodoro, Manuel P. (2017). "Financial Capability and Affordability." Chapter 22 in *Water and Wastewater Finance and Pricing: The Changing Landscape*, Fourth Edition.

<sup>14</sup> Morduch, Jonathan, and Schneider, Rachel. *The Financial Diaries: How American Families Cope in a World of Uncertainty*. Princeton University Press, 2017.

<sup>15</sup> Filson, J. and Avery, T. (2017). "Water Shutoffs in Detroit: An Ongoing Crisis." *Food & Water Watch*.

<sup>16</sup> Chambers, Jennifer. Experts: Water shutoffs causing public health emergency. *The Detroit News*. [Online] July 26, 2017. Available at: <http://www.detroitnews.com/story/news/local/detroit-city/2017/07/26/detroit-water-shutoffs-health-study/104016812/>.

<sup>17</sup> The Pittsburgh Water and Sewer Authority (2017). Winter Moratorium Program- Frequently Asked Questions. Available at: [http://apps.pittsburghpa.gov/redtail/images/1647\\_WinterMoratoriumProgram\\_FINAL.PDF](http://apps.pittsburghpa.gov/redtail/images/1647_WinterMoratoriumProgram_FINAL.PDF).

<sup>18</sup> For instance, see California Department of Public Health (2018). "Hepatitis A Outbreak in California". Available at: <https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/Immunization/Hepatitis-A-Outbreak.aspx>.



Households that cannot pay their water bill in turn face negative impacts to their credit, risk of loss of property, and/or eviction. An example of this is in the City of Baltimore where the water system often sells unpaid water bills as property liens in tax sales. Households that cannot pay back the bill in addition to charges and interest to the buyer of the lien lose the home to foreclosure. From 2014 to 2015, the number of homes sold at tax sales in Baltimore with water-only liens rose from 671 to 902.<sup>19</sup> While the Board does not yet have a complete dataset for statewide water shutoffs, shutoff concerns were raised at the public meetings Board staff held around the state, and in the comment letters the Board received.<sup>20</sup>

## #2- The rapidly-rising retail cost of drinking water

Understanding drinking water affordability for households requires consideration of the necessary expenditure for water paid by a household, the income of the household, as well as the costs of other vital goods and services such as housing, utilities, food, transportation, and healthcare.<sup>21</sup> Water affordability becomes a more pressing issue for households as water service rates rise.

The Board began maintaining water rate data for California's drinking systems in 2014. Using this data for estimation purposes, the average California household in 2015 paid around \$60 per month for 12 CCF of drinking water service. Longer-standing sources of rate data indicate that the retail price of water has risen dramatically above the pace of inflation in California (and the U.S. more broadly) over the last decade.<sup>22</sup> Moreover, financial analysts project the retail price of water to rise significantly in California over the coming years.<sup>23</sup>

As summarized in Figure 4, rising rates for water service are attributable to a number of factors, two of which are relatively unique to water within basic service sectors.<sup>24</sup> First, water has been historically underpriced compared to the true cost of service,<sup>25</sup> which has led to many water systems in California now having aging infrastructure that must be replaced. In addition, more stringent water quality standards

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<sup>19</sup> Jacobson, Joan (2016). *Keeping the Water On: Strategies for addressing high increases in water and sewer rates for Baltimore's most vulnerable customers*. The Abell Foundation.

<sup>20</sup> See [https://www.waterboards.ca.gov/water\\_issues/programs/conservation\\_portal/assistance/](https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/assistance/) for links to AB 401 comment letters.

<sup>21</sup> For instance, see Teodoro, M. P. (2018). Measuring Household Affordability for Water and Sewer Utilities. *Journal-American Water Works Association*, 110(1), 13-24. While designing a statewide affordability program with an eligibility or benefit criteria which takes account of the cost of other vital goods and services for low-income households may be ideal, it was deemed infeasible for two reasons. First, it is not possible to obtain accurate and representative data on variation in other essential costs outside of large metropolitan areas, as shown in a close reading of Teodoro, 2018. Second, and perhaps more importantly, it is unreasonable to expect a potential statewide drinking water affordability program to compensate for the high local cost of other essential services given that this potential program has no federal or state general fund assistance and is being considered after the establishment of other much longer-standing benefit programs.

<sup>22</sup> 2015 California-Nevada Water and Wastewater Rate Survey. American Water Works Association and Raftelis. Available at: <http://ca-nvawwa.org/canv/downloads/2016/CANVRateSurvey2015.pdf>.

<sup>23</sup> Carroll, Rory. September 18, 2015. "California water prices set to rise next year: Fitch." Available at: <http://www.reuters.com/article/us-california-water-rates/california-water-prices-set-to-rise-next-year-fitch-idUSKCN0QN1PH20150818>.

<sup>24</sup> 2015 California-Nevada Water and Wastewater Rate Survey. American Water Works Association and Raftelis. Available at: <http://ca-nv-awwa.org/canv/downloads/2016/CANVRateSurvey2015.pdf>; [American Society of Civil Engineers, California Infrastructure Overview \(2017\)](#).

<sup>25</sup> For instance, see Timmins, C. (2002). Does the median voter consume too much water? Analyzing the redistributive role of residential water bills. *National Tax Journal*, 687-702.

require additional costs for treatment and operator training.<sup>26</sup> Second, the percentage of federal support in the total public spending on infrastructure for water utilities has fallen from over 30% in the 1970s to less than 5% in 2015.<sup>27</sup> In other words, state agencies and especially local water systems need to finance their own operations to a much greater extent than in the past.

**Figure 4. Drivers of Rising Water Rates in California**



Source: Based on feedback from water system managers and review of academic literature on water rates.

Among these cost drivers, climate change adaptation will play a significant role in the future of water affordability as both populations and suppliers shift behaviors and practices in response to climatic impacts. At the household level, the effects of higher temperatures will be felt across the state, with increases of 5°F and 10°F predicted by the 2030s and late 2090s, respectively.<sup>28</sup> Numerous studies show these increased temperatures will result in greater residential water demand;<sup>29</sup> the most specific urban case study shows an annual per capita increase of 1.6 gallons per 1°F increase, for temperatures above 78°F.<sup>30</sup>

Alongside this increase in demand, there will also be an increase in the difficulty of maintaining safe and consistent water supplies due to physical and hydrologic shifts, including drought, occurring throughout the state. One widely-recognized challenge is sea level rise, which is expected to increase and inundate

<sup>26</sup> Hanak, E., Gray, B., Lund, J., Mitchell, D., Chappelle, C., Fahlund, A., Jessoe, K., Medellin-Azuara, J., Misczynski, D., Nachbaur, J., Suddeth, R., Freeman, E., and Stryjewski, E. "Paying for Water in California." (2014). Public Policy Institute of California, pg. 35.

<sup>27</sup> U.S. Congressional Budget Office (2015), Public Spending on Transportation and Water Infrastructure, 1956 to 2014, Available at: <https://www.cbo.gov/publication/49910>; Eskaf, Shadi, September 26, 2015. "Four Trends in Government Spending on Water and Wastewater Utilities Since 1956" Available at: <http://efc.web.unc.edu/2015/09/09/four-trends-government-spending-water/>.

<sup>28</sup> CalEPA & CPDH, 2013

<sup>29</sup> Pacific Institute, 2012; Wang et al., 2015; Neale et al., 2007

<sup>30</sup> Protopapas et al., 2000

groundwater with salts, decreasing groundwater availability for drinking water supplies.<sup>31</sup> Additionally, the increased prevalence of wildfire burns across California described by Westerling et al. (2011) and Westerling & Bryant (2007) is diminishing watershed health and will likely lead to increases in the costs of drinking water supplies. Lastly, and most importantly for California, the Sierra Nevada snowpack, which currently supplies the state with over 60% of its water supply for urban and agricultural uses, is shrinking and will continue to do so, forcing water providers to seek alternatives.

In addition to past and expected future water rate increases for all customers, the water sector is different than other basic services in its variability in retail rates across different retail systems. Retail rate divergence by neighboring systems is not unique to California<sup>32</sup> but is certainly very common within the state.<sup>33</sup> Again, the average California household paid around \$60 per month for 12 CCF of drinking water service in 2015, but there was tremendous variation in the price paid by households. Many systems (973) charge rates higher than the state average, with some charging one and a half (175), two (28), or three times (4) the average price for the same amount of water. The state's geography, population distribution, and hydrology mean that source water quality and quantity vary tremendously, and some systems face high costs to obtain and treat water.

Prominent examples of very high drinking water costs include those experienced by residents of Cantua Creek in Fresno County and Lucerne in Lake County. Residents in Cantua Creek pay roughly \$174 a month.<sup>34</sup> Residents in the Lucerne pay roughly \$350 in monthly water bills due to system upgrades.<sup>35</sup> Moreover, in the City of Fontana, residents will experience a 30.7% increase in water rates over the next three years.<sup>36</sup> Larger cities are not exempt from this trend; the City of San Francisco rates have risen 127% over seven years.<sup>37</sup> As more fully discussed in the report, differences in the geographic location, source water quality, regulatory oversight, and socioeconomic profile of systems drive variation in rates across water systems in California.

### *#3- Comparable programs exist in other sectors*

Another justification for the creation of a W-LIRA in California is that statewide programs already operate to subsidize other essential services at the household level. As discussed in more detail in Appendix C, robust, relatively-longstanding mandated programs at the federal and state levels subsidize the

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<sup>31</sup> Hoover, et al., 2017

<sup>32</sup> Gregory, Ted; Reyes, Cecilia; O'Connell, Patrick M.; and Caputo, Angela; Same Lake, Unequal Rates: Why our water rates are surging – and why black and poor suburbs pay more. (October 25, 2017). Chicago Tribune, Available at <http://graphics.chicagotribune.com/news/lake-michigan-drinking-water-rates/index.html>; Jordi Honey-Rosés, David Gill, Claudio Pareja (March 2016), British Columbia Municipal Water Survey 2016.

<sup>33</sup> For instance, see the analysis of retail price variation for 18 CCF in Los Angeles County in DeShazo, J.R.; Pierce, Gregory; and McCann, Henry. "Los Angeles County Community Water Systems Atlas and Policy Guide: Supply Vulnerabilities, At-Risk Populations, Conservation Opportunities, Pricing Policies, and Customer Assistance Programs." UCLA: Luskin Center for Innovation.

<sup>34</sup> Public comment made by Cantua Creek resident at the AB 401 Public Meeting. (2017). Fresno, CA. Additional information available at: <http://www.co.fresno.ca.us/home/showdocument?id=5925>.

<sup>35</sup> Dilling, Audrey. "Why This California Town's Water Costs Way More Than the National Average." (2017). *KQED News*.

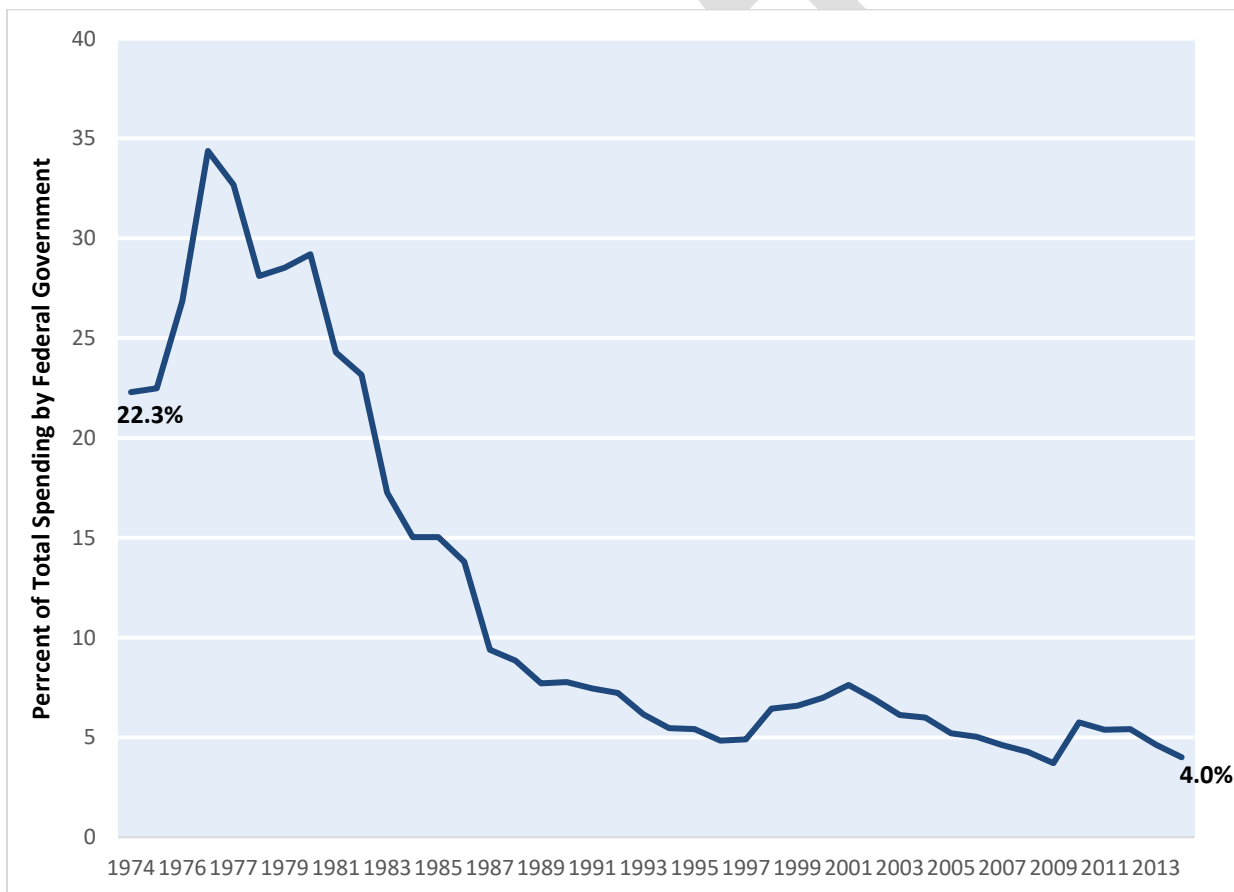
<sup>36</sup> "Water Rates for Fontana Water Company Customers Will Go Up 30.7 Percent, CPU Says." (2017). *Fontana Herald News*. Available at: [https://www.fontanaheraldnews.com/news/water-rates-for-fontana-water-company-customers-will-go-up/article\\_af2cb0e4-6d97-11e7-a4e0-eb5fe175579c.html](https://www.fontanaheraldnews.com/news/water-rates-for-fontana-water-company-customers-will-go-up/article_af2cb0e4-6d97-11e7-a4e0-eb5fe175579c.html)

<sup>37</sup> The Price of Water: Water Rates Dashboard-San Francisco. (2017). *Circle of Blue*. Available at <http://www.circleofblue.org/waterpricing/>.

affordability of basic energy and telephone services for low-income households who apply and are eligible.<sup>38</sup>

By contrast, no state or federal programs provide affordability assistance directly to households for drinking water services. Similarly, the relative role of federal financial support for water utilities nationwide has fallen since the mid-1970s, as compared to local and state government financial support for water utilities. Figure 6 shows that the federal government supported over 30% of total spending on water utility infrastructure through the 1970s, but less than 5% by 2014.<sup>39</sup>

**Figure 6. The Percent of Total Public Infrastructure Spending on Water Utilities by the Federal Government (1974-2014)**



Similarly, nationwide, programs addressing water affordability have traditionally been left up to individual CWS. This holds true in California except for large investor-owned utility systems, which are regulated by the California Public Utilities Commission (CPUC) to provide LIRA programs.

The State Water Board estimates that approximately 46% of the entire Californian population is served by a water system offering some type of rate assistance. Unfortunately, however, the presence of a rate

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<sup>39</sup> See the Congressional Budget Office’s March 2015 report *Public Spending on Transportation and Water Infrastructure, 1956 to 2014*, which contains detailed data of public spending on transportation and water infrastructure at local, state, and federal levels.

assistance program does not mean that the program adequately addresses the affordability need experienced by the system's population. The biggest obstacle faced by existing programs is their limited extent and inability to support those households that are most in need, because many low-income households do not pay a water bill directly, and because the existing programs have low enrollment levels and provide insufficient support. In addition, except for the investor-owned water systems, these existing rate assistance programs are funded by non-rate revenues to comply with Proposition 218, and therefore their funding is insufficient to provide benefits to all eligible households in their jurisdiction. Table 2 shows annual rate assistance programs expenditure data for drinking water systems serving 31% of the state's population in 2015. These systems all offered rate assistance programs and were most likely to have high enrollment rates as compared to other water systems.

**Table 2. W-LIRA Program Expenditure for Sample Water Systems in California (2015)**

| <b>Water Systems</b>                              | <b>Percent of State's Population Served by System</b> | <b>Amount spent on low-income rate assistance in 2015</b> |
|---|---|---|
| Los Angeles Department of Water and Power (LADWP) | 10%   | \$26 million  |
| CPUC Private Water Systems                        | 14%   | \$27 million  |
| 24 Other Large Urban Public Water Suppliers       | 7%  | \$4.2 million   |
| <b>TOTAL</b>                                      | <b>31%</b>  | <b>\$57.2 million</b>                                     |

Sources: LADWP and CPUC financial reports, and a survey of municipal systems conducted directly by the Board

*#4: The limitations of standalone system rate assistance programs*

The final justification for a W-LIRA program is the fact that many individual water systems in California economically cannot support a rate assistance program on their own. Although there are about 3,000 CWS operating in California, over 80% of the population is served by the 400 largest systems. While the most intuitive solution would seem to be to allow or enable the 3,000 individual CWS to operate their own standalone rate assistance programs for their customer base, the Board's research shows that individual CWS would bear vastly different cost burdens to provide assistance to eligible customers. Ultimately, this means that customers ineligible for assistance in one system (i.e., higher-income customers) might pay much more to support affordability for eligible customers in their system than ineligible customers would in another system. Although most of the systems with the highest eligibility burdens are classified as small or very small, more than 22% of systems throughout the state would have eligibility burdens of more than 50% of their residential customers.

On the other hand, large, more sophisticated systems also see high eligibility rates. Figure 2 illustrates that even among some systems which serve 3,000 or more customers, imposing a requirement to run a standalone rate assistance program would likely cause outsized affordability burdens as well. To operate a W-LIRA program in these systems, outsized cost burdens would need to be passed on to ineligible households within each CWS. Even if a CWS were willing to raise revenue for a rate assistance program in this way, it could face legal challenges from ratepayers arguing that the system's use of water rate revenues for rate assistance program benefits may be subject to Proposition 218. The likely result of encouraging or mandating affordability assistance in systems with high eligibility burdens would be that a sizeable number of CWS would simply not be able to operate a sustainable rate assistance program that would meet the goals envisioned by the Human Right to Water and the Low-Income Water Rate

Assistance Act. Given the challenges facing the many water systems with high eligibility burdens, a W-LIRA appears more feasible to address the statewide mandate of the Human Right to Water.

DRAFT

## Chapter 2: Program Design Scenarios: Eligibility, Benefit Level, and Total Program Cost

This chapter proposes a W-LIRA program scenario, with a focus on three key elements in the program design. *Eligibility* is defined as the number of program-qualifying households based on socioeconomic criteria. *Benefit* is the type and dollar amount of annual financial assistance received by an eligible household. *Estimated annual program cost* is equal to the number of eligible households multiplied by the household benefit per household and adjusted for expected enrollment (which decreases total costs) and administrative costs (which increases total costs). Table 4 shows a basic example program scenario cost calculation incorporating each of these three program design elements.

**Table 4. Example W-LIRA Program Scenario Calculation**

|             |  |                 |
|-------------|--|-----------------|
| Eligibility | Estimated Number of Eligible Households          | 1,000           |
| Benefit     | Theoretical Benefit per Household                | \$100           |
|             | Maximum Total Benefits to be Distributed         | \$100,000       |
| Annual Cost | Accounting for Expected Enrollment Level*        | \$84,000        |
|             | <b>Estimated Annual Program Operating Cost**</b> | <b>\$92,400</b> |

\*This enrollment value mirrors the California Alternative Rates for Energy (CARE) program's enrollment level 84%, as explained in Chapter 4.

\*\* Assuming 10% administrative costs to operate the program, as explained in Chapter 4.

Appendix E discusses the advantages and disadvantages of several alternative program designs with different eligibility and benefit criteria (and thus total costs) to the proposed scenario which were fully considered in the process of plan development and stakeholder engagement. Using the data and methods described in Appendix B, more than 70 program scenarios were evaluated and empirically estimated over the past three years.

The proposed program scenario would offer three-tiered benefit levels to all eligible residential households in the state, as described in Assembly Bill (AB) 401. In the context of a statewide water assistance program, there is no administratively feasible way to provide an individual percentage discount on each household level consumption,<sup>40</sup> unless there are verified data on household consumption reported to the program administrator of the assistance program.<sup>41</sup> Therefore, this scenario would provide a benefit based on the cost of consuming 12 CCF as described below:

*Tier 1: 20% discount to all households that have incomes below 200% of the federal poverty level (FPL) in water systems where monthly water expenditures (at 12 CCF) are below \$90,*

*Tier 2: 35% discount to all households that have incomes below 200% of the FPL in water systems where monthly water expenditures (at 12 CCF) are between \$90 and \$120, and*

<sup>40</sup> This is how the four large energy investor-owned utilities operate the California Alternative Rates for Energy (CARE) program.

<sup>41</sup> While this could be achieved via a data transfer process for some systems, the per household consumption-based bill discounts would prove administratively costly to implement across all water systems which either do not meter consumption, have different billing periods, or do not have fully digitized administrative operations (see Chapter 4 for more discussion of this challenge).

*Tier 3: 50% discount to all households that have incomes below 200% of the FPL in water systems where monthly water costs (at 12 CCF) are above \$120.*

The estimated total annual cost of such a program, and thus the annual revenue target for program operation, in its first year is \$606.4 million. Changes to the proportion of the state's households eligible for the program (those with incomes under 200% of the FPL) could raise or lower the cost of the program. Moreover, the annual cost of the program would rise if residential water rates at the 12 CCF consumption level continue to increase.

## **Proposed Program Scenario Factors**

### ***Eligibility: Baseline eligibility as 200% of the FPL***

Most assistance scenarios used in the Board's analysis have a common eligibility criteria of household income equal to or below 200% of the FPL. There are several reasons for the establishment of this common eligibility criteria. Firstly, 200% of the FPL is explicitly defined as the "low-income" criterion in the AB 401 legislation text. Secondly, this eligibility criterion is inclusive: more than one-third of the state's households have incomes at or below 200% of the FPL. Thirdly, 200% of the FPL is a commonly-used criterion by other Low-Income Assistance Programs (LIRA) and social benefit programs (most notably CARE) in California. Use of 200% of the FPL has a clear precedent and allows for potential administrative cost efficiencies between eligibility for other programs and the new W-LIRA program.

### ***Benefit Type: Percentage of total bill benefit***

Water systems across the state charge vastly different total dollar amounts for the same volume of water consumed (i.e. 12 CCF), even within the same customer class (residential customers using the same sized pipe). Since all water systems— except those regulated by the CPUC— have discretion over rate design and levels consistent with cost of service requirements, there is wide variability in rate structure design, as further discussed in Chapter 1. (Chapter 1 also explains why some systems face much higher source water costs than others). Consequently, the Board faced the challenge of developing proposals for providing eligible households with equitable benefits based on a certain component of the bill.

Given the complexity in rate structures, a benefit assigned as a percentage of a residential bill at a specified consumption level (including all fixed and variable costs but excluding other non-water service related to charges and fees) is likely to be more equitable than a flat benefit discount, or a discount to a certain component of the bill. To illustrate this point, an example of the affordability support experienced by households served by different community water systems with different rate levels and structures (but the same consumption level, 12 CCF) is shown in Table 6 below.

### ***Three Tier Structure***

The tiered benefit structure was developed from the average statewide water expenditure of about \$60 a month for 12 CCF. Low-income households that pay more than 150% (Tier 2) and 200% (Tier 3) of the state average water bill would be eligible for a higher percentage of bill discounts structured through the Proposed Program Scenario. The tiered percentages of bill discounts were chosen with reference to those offered by CARE at 20% (Tier 1) and 35% (Tier 2), with the highest tier of 50% (Tier 3) increasing incrementally by another 15%.

The Proposed Program Scenario has the collective advantage of providing not only substantial affordability assistance to all low-income households, but also a larger benefit to those who face the



greatest drinking water cost burdens.<sup>42</sup> The biggest disadvantage of this program scenario is that it would require verification of rate data at the system level, and, for newly enrolling households, verification of income data, raising the cost of program administration. The Board would need to verify the cost of 12 CCF for residential customers (for Tier 2 and 3 purposes), and households not already enrolled in the CARE program would need to document their eligibility status (income).

The 20% discount is equivalent to the CARE discount for natural gas service, as well as the high end of discounts currently offered by existing low-income rate assistance programs in California. A discount of 35%, also offered to CARE customers for electricity service, helps households that face water bills exceeding the state average by more than 150% to 200% of the bill average. Finally, the 50% discount tier accounts for the small number of water systems charging more than 200% of the state average for 12 CCF water bills and has a precedent in California Water Service where 50% is the benefit level for households served in very high cost areas.<sup>43</sup> Following annual updates to the Board’s record of drinking water costs, information used to determine eligibility and benefit would be adjusted.

**Consumption: 12 CCF of water monthly**

This program scenario has the advantage of providing not only substantial affordability assistance to all low-income households, but also a larger benefit to those who have the greatest drinking water cost burden. Moreover, both the eligibility criteria and the first two benefit tiers correspond to the criteria laid out by the statewide CARE program for electricity and natural gas affordability. The 12 CCF consumption level accounts for indoor use for large households or a modest amount of outdoor use. As shown in Table 5, the benefit also allows the average California household to afford above 55 gallons/person/day, the current standard for indoor set by AB 1668 (2018) and provides for some outdoor use for a family of four.

**Table 5. Daily Water Use Available to a Family of Four at 12 CCF Monthly**

| Daily Water Use Category | Amount Allocated             |
|--------------------------|------------------------------|
| Indoor Use               | 220 gallons (55 gallons x 4) |
| Outdoor Use              | 75 gallons                   |
| Total Use                | 295 gallons                  |

12 CCF = 8977 gallons. 8977 gallons = 295 gallons x 30.42 (365/12) days in average month.

For the statewide W-LIRA program, a benefit associated with a percentage of a fixed volume like 12 CCF, would be provided regardless of whether an individual household is consuming more or less than this level. A shortcoming of this approach occurs when necessary household level consumption exceeds 12 CCF, as no additional assistance would be provided compared to what the same household would receive if its necessary consumption was lower than 12 CCF. However, as described above, the 12 CCF consumption level addresses situations where more than four people reside in a household and where households can use modest amounts of water for outdoor irrigation. An additional benefit of using a fixed consumption level is that the W-LIRA program is less exposed to risk of manipulation and does not subsidize or incentivize over-use.<sup>44</sup> In addition, since most low-income households do not pay a water bill

<sup>42</sup> While additional or alternative eligibility criteria or benefit tiers might allow for more refined targeting, going beyond the complexity of the primary scenario would be extraordinarily difficult for a statewide program.

<sup>43</sup> Available at: [https://www.calwater.com/docs/rates/rates\\_tariffs/all/20180101-Low-Income\\_Ratepayer\\_Assistance\\_-\\_Schedule\\_LIRA.pdf](https://www.calwater.com/docs/rates/rates_tariffs/all/20180101-Low-Income_Ratepayer_Assistance_-_Schedule_LIRA.pdf).

<sup>44</sup> On the other hand, using a benefit calculation which is untied to consumption but is set based on the

directly, there is no way to determine their water use, and providing them with benefits requires a uniform approach such as using a fixed consumption level (e.g. 12 CCF) for calculating a benefit level.

To illustrate how a benefit based on a fixed consumption level would work, an example comparing two eligible low-income households is shown below in Table 6. The two households are served by the same community water system but have different consumption levels. The monthly water bill for 12 CCF in this system is \$60, and thus the benefit distributed to each household will be \$12 (20% of \$60). Therefore, when allotting a percent discount to 12 CCF in the various billing tiers, households receive a positive conservation signal to the households that are able to consume less water, while reducing their water bill simultaneously.

**Table 6. Illustration of Benefit for Fixed Volume Provided to Households with Different Water Consumption Levels**

|  | <b>Household A</b> | <b>Household B</b> |
|--|--------------------|--------------------|
| Water Consumption Level                          | 12 CCF             | 6 CCF              |
| Initial Monthly Water Bill Amount                | \$ 60              | \$ 40              |
| Monthly Benefit Received                         | \$ 12              | \$ 12              |
| <b>Remainder of Bill to be paid by Household</b> | <b>\$ 48</b>       | <b>\$ 28</b>       |

Another reason that 12 CCF was chosen as the primary option for analysis is due to access to robust real data at that consumption level. As described in Appendix B, the independent analysis for this report was undertaken using self-reported, system-level expenditure at three consumption levels: 6, 12, and 24 CCF. Both 6 CCF and 24 CCF were also considered but not evaluated. In light of the state’s water conservation priorities and public health goals, 24 CCF was considered too high of a level to subsidize. Conversely, 6 CCF was generally considered too low of a level of supply to support households, considering that many low-income households are larger than the state average.<sup>45</sup> Some organizations have provided a recommendation that the Board use a lower consumption level, such as 9 CCF, which more closely tracks basic indoor use.<sup>46</sup> The Board notes that besides the above stated reasons for using 12 CCF, the fundamental question relates to a value judgment about the types of uses and activities that should be subsidized. In the electric sector, the CARE program provides discounts for use up to 400% of the “baseline,” demonstrating a willingness to subsidize consumption over basic levels.<sup>47</sup>

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rate set by the system for a consumption level is potentially open to manipulation by systems via rate setting. Systems could respond to a W-LIRA program by shifting the rate burden to consumption levels below 12 CCF, and thus elevate the benefit for eligible households. This type of strategic rate setting would harm a system’s non-eligible households who consume less than 12 CCF of water and dampen the conservation signal to all households, and thus the net incentive to a given system to alter rates is unclear. In stakeholder meetings, water system representatives have also stated that they would not or could not practically engage in this type of strategic rate setting. If the W-LIRA program is established, the Board will monitor this potential for rate setting response to the program going forward.

<sup>45</sup> Using 2016 American Community Survey data, the average household under 225% of the FPL in California has 10% more members than the average household above 225% of the FPL.

<sup>46</sup> See for example, the Association of California Water Agencies comment letters.

<sup>47</sup> See [Public Utilities Code Section 739.1](#) h(i)(1).

### **Enrollment and Administrative Cost Assumptions**

To calculate the annual program cost for any W-LIRA scenario, the plan assumes an 84% enrollment of program-eligible households. This is the enrollment rate achieved by the CARE program, and is the highest enrollment rate observed among state or federal benefit programs. The plan also assumes an additional 10% administrative (or overhead) cost above the dollar value of benefits directly distributed to households for a statewide W-LIRA program. Accessing comparable data or calculating exact administrative cost burden, even for large state and federal benefit programs, is not straightforward. While some existing Board programs have lower overhead rates than 10%, most state or federal benefit programs have higher rates. Moreover, there are substantive start-up costs, including data management, marketing and outreach, billing system adjustments, and fund management that will require higher initial administrative costs and that will vary depending on the selected program option.

Around 34% of the state's households would be income-eligible for this program. Of this 34%, only a small proportion of households will be eligible for the higher tier benefits, 2% and <1% for Tiers 2 and 3 respectively. Building on these high-end estimates for eligibility and enrollment, the Board calculates the initial total annual cost of such a program, and thus the revenue target for program operation, to be \$606.4 million annually.<sup>48</sup>

**Table 7. Primary Scenario Breakdown of Eligibility and Cost by Tier**

| <b>Tier Criterion (Cumulative)<br/>200% FPL</b> | <b>Tier 1<br/>Paying up to<br/>\$90</b> | <b>Tier 2<br/>Paying at \$90-<br/>\$120</b> | <b>Tier 3<br/>Paying Above<br/>\$120</b> | <b>Total</b> |
|---|---|---|--|--------------|
| Estimated Number of Eligible Households*        | 4,045,564                               | 198,040                                     | 106,041                                  | 4,349,645    |
| Benefit Level per Household                     | 20% of Water Bill                       | 35% of Water Bill                           | 50% of Water Bill                        |              |
| Maximum Total Benefits to be Distributed        | \$ 493.9                                | \$82.6                                      | \$79.8                                   | \$656.3      |
| Accounting for an Expected Enrollment of 84%**  | \$414.9                                 | \$69.4                                      | \$67.0                                   | \$551.3      |
| Total Program Operating Costs (in millions)***  | \$456.40                                | \$76.3                                      | \$73.7                                   | \$606.4      |

\*Accounting for all households in the state (including those not captured by the Board's 2015 rate data (2%) and those not served by CWS (6%)).

\*\*This enrollment value reflects of CARE's enrollment estimation of 84%.

\*\*\* Assuming 10% administrative costs to operate this program.

<sup>48</sup> This figure is generated based on a \$656.3 million annual program cost at 100% enrollment. At a more feasible 84% enrollment target with 10% administrative overhead, the total cost is \$606.4 million.

## Chapter 3: Revenue Collection Options

This chapter focuses on how a W-LIRA could be independently and sustainably financed through new revenue collection options. A range of options to finance the program were considered, including taxes on high personal income earners or businesses via the state income tax system, bottled water taxes, surcharges on non-eligible households’ water bills, and other revenue sources (see Appendix G). The broad advantages and disadvantages of each potential revenue source are also discussed in Appendix G. The Board recommends that revenue sources be progressive (see Text Box 2) to avoid imposing additional financial burdens on low-income households. Examples of progressive state taxes include Proposition 63 (2004), the Mental Health Services (MHS) Act and Proposition 39 (2012) also known as the California Clean Energy and Jobs Act.<sup>49</sup> The MHS Act imposed a 1% special tax on personal taxable income in excess of \$1 million to fund MHS.<sup>50</sup> Prop 39 closed tax loopholes for out-of-state corporations.<sup>51</sup>

**Text Box 2: Defining Progressive Revenue Sources**

Generally, progressive revenue sources include taxes on income, capital gains, and property. Other taxes, such as sales and excise (production) taxes on certain goods impact economically disadvantaged populations to the extent that they consume these goods and depending on whether the goods or services being taxed are easily substitutable. For example, taxes on food are regressive because everyone needs to eat and there are no substitutes for food. Taxes on luxury goods, on the other hand, generally do not impact low-income households because they are less likely to purchase those goods.

While a personal income tax similar to Prop 63 and Prop 39 would generate significant revenues, additional funding would be needed to support a W-LIRA program as outlined in this document. Table 8 (below) describes a combination of revenue sources to fund a W-LIRA program as detailed in Chapter 2 scenario. A quarter percent tax increase on personal income above \$1 million, combined with sales tax revenues from bottled water sales is estimated to generate \$ 619.6 million.<sup>52</sup>

**Table 8: Potential Revenue Sources Scenario**

| Source                  | Revenue Estimate |
|-------------------------|------------------|
| Personal income tax     | \$466 million*   |
| Bottled water sales tax | \$153.6 million* |
| Total                   | \$619.6 million  |

\* Estimate for income tax is based on 2017 tax receipts. Estimate for bottled water sales tax is based on California Department of Tax and Finance Administration estimate for fiscal year 2022-2023, which would be the first full year of tax collection for an initiative passed on the 2020 ballot.

<sup>49</sup> California Department of Education Website. California Clean Energy Jobs Act (Proposition 39). Available at: <https://www.cde.ca.gov/ls/fa/ce/>.

<sup>50</sup> 2004 Cal. Legis. Serv. Prop. 63; CAL. REV. & TAX CODE §§17043(a), 19602.5.

<sup>51</sup> Available at: [https://lao.ca.gov/ballot/2012/39\\_11\\_2012.aspx](https://lao.ca.gov/ballot/2012/39_11_2012.aspx).

<sup>52</sup> This figure is generated based on a \$656.3 million annual program cost at 100% enrollment. At a more attainable 84% enrollment target with 10% administrative overhead, the total cost is \$606.4 million.

The Board notes that the feasibility of passing any new tax or fee for this purpose, as required by Proposition 26<sup>53</sup>, would require a supermajority vote in the state Legislature to come into effect. Additionally, the bottled water sales tax would require a ballot referendum.

The Board invites input on feasible and sustainable revenue sources for a W-LIRA program.

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<sup>53</sup> Proposition 26 was passed in 2010 requiring a supermajority vote of the Legislature to pass fees, levies, charges and taxes.

## ***Chapter 4: Options for Benefit Distribution and Administrative Features of a Statewide Low-Income Ratepayer Assistance Program***

### Administrative considerations

The administrative mechanics of a W-LIRA would be vastly different depending on the method of the benefit delivery model (energy utility bill credit vs. tax credit vs. Electronic Benefits Transfer (EBT)). For a benefit delivered via the electric or gas bill, the CPUC and the Board would have administrative and oversight responsibilities, while the electric utilities (both publicly-owned and investor-owned) would be responsible for implementation to low-income customers. For a tax credit, the California Franchise Tax Board (FTB) would be responsible for implementation. In an EBT scenario, counties would have the bulk of the implementation and management responsibilities while the California Department of Social Services would likely have oversight responsibilities. Regardless of program design, revenue collection would be handled by the FTB and Department of Tax and Fee Administration (formally known as the Board of Equalization) depending on the revenue sources used for the program.

The administrative and management needs under any program design include tracking and delivering benefits, marketing, education, outreach, fund management, and designing and evaluating metrics for program effectiveness. The administrative costs would differ, however, between the program designs. For a tax credit, tax forms (and tax preparation software) would have to be modified. Under a community water system benefit distribution program, the system would be responsible for delivering benefits via bills, which would entail modifications to billing systems (and would have the previously-discussed other drawbacks). For an electric or gas program, the utilities would also require new accounting procedures to track W-LIRA funds apart from ratepayer contributions. For a benefit delivered via the California Department of Social Services' CalFresh program, counties would need new procedures to ensure each CalFresh recipient's EBT card was loaded with the appropriate dollar value. In independent EBT programs, a new set of administrative procedures, personnel, and information technology resources would be necessary.

The section below describes the challenges associated with each of the program scenarios. This is not meant to be an exhaustive list (see Appendix F for more detail), but rather provides additional factors that merit consideration in selecting a preferred program design.

The Board welcomes input on program design and administrative elements that should be included in the final report.

### Benefit distribution via electric or gas bills

There are 65 electric and gas utilities in the state and each would need to modify its billing system to add the monthly W-LIRA credit. In addition, each utility would need to bill the state for its expenditures for delivering the W-LIRA credit along with applicable administrative costs. Those costs might include training for customer service personnel about the W-LIRA program, modifications to marketing, and education, and outreach programs. The utilities would have to work closely with the State Water Board to provide the appropriate benefit to each customer based upon water system rates and to modify benefit levels when recipients move from one water system to another within their service area. The CPUC, the State Water Board, the Legislature, and potentially the Commission on State Mandates would each have a role in determining which administrative costs and costs to maintain data privacy would be recoverable from the W-LIRA fund. In addition, some publicly-owned electric utilities would need to modify their LIRA enrollment criteria and take significant steps to increase overall enrollment levels.

### Benefit distribution via CalFresh

Each of the 58 counties would need to modify its CalFresh program to incorporate the new W-LIRA benefit. They would have to work closely with the State Water Board to load the appropriate monthly benefit onto recipient EBT cards based upon water system rates and modify benefit levels when recipients move from one water system to another within the county. As with electric utilities, the counties would also face administrative costs associated with marketing, education and outreach, and billing the state for the costs of running the program. (Even if revenues were sent directly to the counties, they would still have to develop accounting mechanisms to ensure that revenues were aligned with expenditures). Furthermore, enrollment in CalFresh is limited to citizens, and any additional federal changes to the program such as additional eligibility verification requirements could impact enrollment levels and reduce the number of households that would benefit from the W-LIRA. (See Appendix I).

### Benefit distribution via a new EBT program

As described above, creating a new program to deliver monthly benefits via EBT cards would involve start-up and ongoing administrative costs, including costs to ensure data privacy, for the counties. The counties would have to work closely with the State Water Board to provide the appropriate benefit onto recipient EBT cards based upon water system rates and modify benefit levels when recipients move from one water system to another within the county. Also, while a new stand-alone program could be clearly marketed as a water benefit and be extended to all low-income households regardless of citizenship status. Data management, including confidentiality and privacy protections, would need to be addressed. (See Appendix J).

### Benefit distribution via tax credits

The FTB could apply the credits on individual tax filings annually based upon whether a filer met program eligibility criteria. The FTB would have to work closely with the State Water Board to provide the appropriate benefit to each taxpayer based upon water system rates and modify benefit levels when recipients move from one water system to another within the State. The Legislature or FTB would also have to determine how to calculate a benefit for a household that moved one or more times during the year.

### Benefit distribution via water bills

As with the energy utilities, each of the nearly 3,000 CWS would need to modify its billing system to add the monthly W-LIRA credit and each 3,000 CWS would need to bill the state for its expenditures for delivering the W-LIRA credit along with applicable administrative costs (not to exceed 10%). Those costs might include training for customer service personnel about the W-LIRA program, and modifications to marketing, education, and outreach programs. In addition, low-income households would have to demonstrate their eligibility to their CWS, making the CWS responsible for verifying the income eligibility and distributing the benefits authorized by the Board.

### *Reasons to consider providing water benefits through other programs*

Many low-income households pay for water indirectly through rent because they do not have individual water meters. Estimates vary as there is no perfect source for this information, but at least 29% to as



much as 46% of households in the state do not pay a water bill directly or are master-metered.<sup>54</sup> Table 9 below shows how water meters are much less prevalent than electric and gas meters.

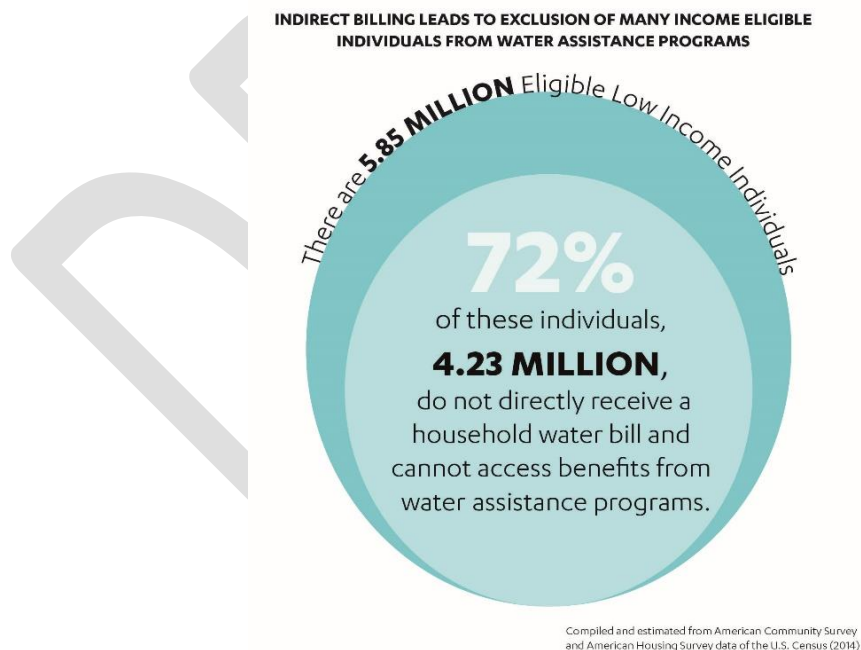
**Table 9. Californian Households Reporting That They Do Not Pay a Direct Bill for Utility Service**

| Bill/service type | Prevalence |
|-------------------|------------|
| Water             | 44%        |
| Natural Gas       | 13%        |
| Electricity       | 5%         |

Source: 2015 American Housing Survey data on California sub-sample

As illustrated in Figure 8, there are households with incomes under 200% federal poverty level (FPL) and living in multi-family housing, an estimated 72% (or 1.4 million households) do not directly receive a water bill and thus cannot access benefits from water affordability assistance programs.<sup>55</sup> In the water sector, master-metering has effectively meant that no affordability benefit has been delivered to eligible households.<sup>56</sup>

**Figure 8: Low-Income Households That Do Not Receive a Water Bill**



<sup>54</sup> Varying estimates derived from 2015 Census, American Community Survey data for California, the Water Research Foundation’s national 2017 report *Customer Assistance Programs for Multi-Family Residential and Other Hard-to-Reach Customers* and from the 2015 American Housing Survey to refine our assumptions of the number of master-metered accounts and the number of households each account serves.

<sup>55</sup> This estimate was made using data on the percentage of low-income (below 200% of FPL) tenants in different housing types who were master-metered and sub-metered from the 2015 American Housing Survey, which was then mapped onto the number of low-income households across the state derived from the from the 2010-2014 American Community Survey.

<sup>56</sup> While some drinking water systems maintain in their official documents that they allow income eligible master-metered households to apply for drinking water affordability programs in conjunction with their landlords, we have yet to identify a system which actually delivered a benefit to a non-metered customer.



Master-metering is particularly problematic for water affordability programs because eligible low-income households are much more likely to live in multi-unit dwellings. Each of the options discussed above and in Appendix M would allow low-income households to receive a benefit regardless of whether they pay a water bill directly or indirectly.

### ***Conclusion***

Drinking water costs have been rising much more quickly than inflation and the multitude of upward cost drivers are likely to intensify, leading to even greater water rate increases across the state. These rate increases will reduce affordability for low-income households already struggling with rising expenses for housing, food, other utilities, and other basic needs. This report offers a set of options for rate assistance programs with statewide coverage and meaningful benefit levels. These options have a significant cost, but these are costs that California can afford given our existing financial assistance to low-income households for other basic needs. The Board urges stakeholders to provide constructive feedback on this report so that the Legislature can act on water affordability.

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# Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

## SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY AGENDA REPORT

**Date:** January 22, 2019  
**To:** Southeast Water Coalition Administrative Entity  
**From:** Kyle Cason, AE Chair, City of Whittier  
Gina Nila, AE Vice-Chair, City of Commerce

**Subject: Draft Scope of Work for Emergency Interconnects Project**

**Recommendation:** That the Administrative Entity take the following actions:

- 1) Review and edit the draft Scope of Work for SEWC's Emergency Interconnects project;
- 2) Authorize submittal of edited draft Scope of Work to SEWC Board of Directors for approval at their February 7, 2019 meeting.

**Background:**

At the November 15, 2018 meeting of the Administrative Entity (AE), the AE members discussed next steps in the proposed Emergency Interconnects Project, as part of the SEWC Strategic Plan.

AE Chair Kyle Cason (Whittier) stated that the AE should engage a consultant to create a geographic information system (GIS) map of the emergency interconnections between SEWC member cities. AE Vice-Chair Gina Nila (Commerce) stated that any RFP process for an Emergency Interconnects Project consultant should wait until after SEWC had awarded a contract for a Program Management Services consultant.

Attached is a Draft Scope of Work for the Emergency Interconnects Project, to be included in a Request for Proposals (RFP) for this project.

It is recommended the AE members review and edit the document and authorize its submittal for Board of Directors approval at their February 7, 2019 meeting.

**Attachment(s):**

1. Draft Scope of Work for Emergency Interconnects Project

**SOUTHEAST WATER COALITION  
JOINT POWERS AUTHORITY**

**DRAFT SCOPE OF WORK  
EMERGENCY INTERCONNECTS PROJECT**

**SPECIAL MEETING OF THE ADMINISTRATIVE ENTITY  
JANUARY 22, 2019**

**Background:**

The mission statement of the Southeast Water Coalition (SEWC) is to “advocate for water policies that ensure the availability of reliable, quality, and affordable water” (2017 Southeast Water Coalition Strategic Plan).

Since adopting the Southeast Water Coalition Strategic Plan in April, 2017, SEWC has sought to pursue the twin goals of providing “leadership and collaborate to protect and sustain the Central Basin groundwater supply of the SEWC region” (Goal 1 - Groundwater Protection), and seeking “funding for water resource projects and programs benefiting the SEWC region” (Goal 3 - Funding).

Page 7 of the Strategic Plan outlines the proposed strategies and objectives to achieve SEWC’s goals:

*Strategy 1.2 - Identify and support projects that enhance and protect groundwater in the SEWC region to “shovel-ready” status to take advantage of funding opportunities:*

*Objective 1.2.1 Develop a SEWC region plan including projects, policies, or programs that protect and enhance water quality within the SEWC region*

*Objective 1.2.2 Identify and collaborate to develop the conceptual project components required to achieve “shovel-ready” status, including preparation of preliminary studies for regional projects (including groundwater storage)*

*Objective 1.2.3 Analyze opportunities for developing system interties between member agencies to increase water supply resiliency*

**Emergency Interconnects Project:**

SEWC’s Emergency Interconnects Project seeks to fulfill Objective 1.2.3 by:

- Gathering data on the existing water supply interties between the eleven SEWC member cities

- Identifying existing interties that need repair or updating
- Identifying points at which new interties between cities would enhance water supply resilience

Furthermore, the Emergency Interconnects Project seeks to fulfill Objective 1.2.2 by:

- seeking project funding for proposed emergency interconnections between member cities that would enhance water supply resilience.

This would include the preparation of preliminary studies for projects in the SEWC region, and prioritizing “shovel-ready” projects between member cities.

The SEWC Administrative Entity (AE) has prioritized the following objectives for the Emergency Interconnects Project Scope of Work:

- Hire a consultant to identify funding opportunities that would fulfill the goals of this project, develop conceptual project components to achieve “shovel-ready” status, and draft proposals for project grants.
- Seek a grant opportunity for interconnection projects related to groundwater reliability and emergency preparedness across SEWC member cities.
- Use funds from Consultant Services line item to pay for the Emergency Interconnects Project.

SEWC seeks to engage a consultant for this project that would:

- Utilize the SEWC Capital Funding Programs Project Matrix and Project Summaries submitted by AE members as guidelines to organize and prioritize potential projects, including but not limited to:
  - Repair and upgrade current interties
  - Replace meters
  - Upgrade control valves
  - Seek funding for SCADA Control upgrades
  - Prioritize the development of new projects that increase water supply and quality reliability between SEWC member cities:
    - In-line booster pump from Lakewood to Cerritos
    - Create interconnection on Painter/Carmenita between Whittier and Santa Fe Springs
    - Create interconnection on Florence/605 between Downey and Santa Fe Springs
- Research funding opportunities, including eligibility, timelines, budgets, deadlines and other filing requirements

- Prepare project abstracts to “shovel-ready” status
- Prioritize a variety of sources for plan projects and grants, including
  - Proposition 1 funding
  - State Water Resources Control Board
  - State funding related to water reliability
  - MWD’s Integrated Resources Plan
  - LA IRWMP opportunities
  - Central Basin’s stated goals and objectives

**Budget Impact:**

The approved Fiscal Year 2018-2019 SEWC budget allocated \$60,000 for Consultant Services, of which, \$1,300 has been earmarked to cover the cost of the FY 2017-2018 SEWC Audit. Therefore, at the time of this report, SEWC has \$58,700 to expend on hiring a consultant for the Emergency Interconnects Project in the remainder of the current fiscal year.

**Schedule:**

It is recommended that SEWC hire an Emergency Interconnects Project consultant prior to June 30, 2019.



# Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

## SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY AGENDA REPORT

**Date:** January 22, 2019  
**To:** Southeast Water Coalition Administrative Entity  
**From:** Kyle Cason, AE Chair, City of Whittier

**Subject:** Legislative Update

**Recommendation:** That the Administrative Entity take the following actions:

- 1) Receive and file an update on current water-related bills under consideration in State Legislature

**Background:**

The California State Legislature reconvened for the 2019-2020 Session on on January 7, 2019. The last day for bills to be introduced is February 22, 2019.

**SB-45 (Allen) Wildfire, Drought, and Flood Protection Bond Act of 2020**

The California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018, approved by the voters as Proposition 68 at the June 5, 2018, statewide primary direct election, authorizes the issuance of bonds in an amount of \$4,000,000,000 pursuant to the State General Obligation Bond Law to finance a drought, water, parks, climate, coastal protection, and outdoor access for all program. This bill would enact the Wildfire, Drought, and Flood Protection Bond Act of 2020, which, if approved by the voters, would authorize the issuance of bonds in an unspecified amount pursuant to the State General Obligation Bond Law to finance projects to restore fire damaged areas, reduce wildfire risk, create healthy forest and watersheds, reduce climate impacts on urban areas and vulnerable populations, protect water supply and water quality, protect rivers, lakes, and streams, reduce flood risk, protect fish and wildlife from climate impacts, improve climate resilience of agricultural lands, and protect coastal lands and resources. This bill contains other related provisions.

Bill may be acted upon or after January 3, 2019.

**AB-134 (Bloom) Safe, clean, affordable, and accessible drinking water**

Existing law, the California Safe Drinking Water Act, requires the State Water Resources Control Board to administer provisions relating to the regulation of drinking water to protect public health. Existing law declares it to be the established policy of the state that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes. This bill would state findings and declarations relating to the intent of the Legislature to adopt policies to ensure that every Californian has the right to safe, clean, affordable, and accessible drinking water.

Bill was read for the first time on January 7, 2019.

**Attachment(s):**

1. Text of SB-45 (Allen) Wildfire, Drought, and Flood Protection Bond Act of 2020
2. Text of AB-134 (Bloom) Safe, clean, affordable, and accessible drinking water

**Introduced by Senator Allen**December 3, 2018

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An act to add Division 46 (commencing with Section 80200) to the Public Resources Code, relating to public resources, by providing the funds necessary therefor through an election for the issuance and sale of bonds of the State of California and for the handling and disposition of those funds, and declaring the urgency thereof, to take effect immediately.

## LEGISLATIVE COUNSEL'S DIGEST

SB 45, as introduced, Allen. Wildfire, Drought, and Flood Protection Bond Act of 2020.

The California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018, approved by the voters as Proposition 68 at the June 5, 2018, statewide primary direct election, authorizes the issuance of bonds in an amount of \$4,000,000,000 pursuant to the State General Obligation Bond Law to finance a drought, water, parks, climate, coastal protection, and outdoor access for all program.

This bill would enact the Wildfire, Drought, and Flood Protection Bond Act of 2020, which, if approved by the voters, would authorize the issuance of bonds in an unspecified amount pursuant to the State General Obligation Bond Law to finance projects to restore fire damaged areas, reduce wildfire risk, create healthy forest and watersheds, reduce climate impacts on urban areas and vulnerable populations, protect water supply and water quality, protect rivers, lakes, and streams, reduce flood risk, protect fish and wildlife from climate impacts, improve climate resilience of agricultural lands, and protect coastal lands and resources.



This bill would provide for the submission of these provisions to the voters at the \_\_\_\_, 2020, \_\_\_\_ election.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Division 46 (commencing with Section 80200)  
2 is added to the Public Resources Code, to read:

3  
4 DIVISION 46. WILDFIRE, DROUGHT, AND FLOOD  
5 PROTECTION BOND ACT OF 2020

6  
7 CHAPTER 1. GENERAL PROVISIONS

8  
9 80200. This division shall be known, and may be cited, as the  
10 Wildfire, Drought, and Flood Protection Bond Act of 2020.

11 80201. The people of California find and declare all of the  
12 following:

13 (a) California’s changing climate creates increased risk of  
14 catastrophic wildfire, drought, severe heat events, sea level rise,  
15 as well as impacts to agriculture, water supply and water quality,  
16 and the health of the forests, watershed, and wildlife.

17 (b) These risks and impacts vary by region and can overwhelm  
18 the resources of local governments that must cope with severe  
19 climate change-related events.

20 (c) Reducing vulnerability to fire, flood, drought, and other  
21 climate-change related events require a statewide investment to  
22 increase climate resilience of communities and natural systems.

23 80202. For purposes of this division, the following definitions  
24 apply:

25 (a) “Committee” means the Wildfire, Drought, and Flood  
26 Protection Finance Committee created pursuant to Section 80402.

27 (b) “Disadvantaged community” means a community with a  
28 median household income less than 80 percent of the statewide  
29 average.

30 (c) “Fund” means the Wildfire, Drought, and Flood Protection  
31 Fund created pursuant to Section 80210.

1 80203. An amount that equals not more than 5 percent of the  
2 funds allocated for a grant program pursuant to this division may  
3 be used to pay the administrative costs of that program.

4 80204. (a) Except as provided in subdivision (b), up to 10  
5 percent of funds allocated for each program funded by this division  
6 may be expended, including, but not limited to, by grants, for  
7 planning and monitoring necessary for the successful design,  
8 selection, and implementation of the projects authorized under that  
9 program. This section shall not otherwise restrict funds ordinarily  
10 used by an agency for “preliminary plans,” “working drawings,”  
11 and “construction” as defined in the annual Budget Act for a capital  
12 outlay project or grant project. Planning may include feasibility  
13 studies for environmental site cleanup that would further the  
14 purpose of a project that is eligible for funding under this division.  
15 Monitoring may include measuring greenhouse gas emissions  
16 reductions and carbon sequestration associated with program  
17 expenditures under this division.

18 (b) Funds used for planning projects that benefit disadvantaged  
19 communities may exceed 10 percent of the funds allocated if the  
20 state agency administering the moneys determines that there is a  
21 need for the additional funding.

22 80205. To the extent feasible, a project that includes water  
23 efficiencies, stormwater capture for infiltration or reuse, or carbon  
24 sequestration features in the project design may be given priority  
25 for grant funding under this division.

26 80206. Moneys allocated pursuant to this division shall not be  
27 used to fulfill any mitigation requirements imposed by law.

28 80207. (a) To the extent feasible in implementing this division  
29 and except as provided in subdivision (b), a state agency receiving  
30 funding under this division shall seek to achieve wildlife  
31 conservation objectives through projects on public lands or  
32 voluntary projects on private lands. Projects on private lands shall  
33 be evaluated based on the durability of the benefits created by the  
34 investment. Funds may be used for payments for the protection or  
35 creation of measurable habitat improvements or other  
36 improvements to the condition of endangered or threatened species,  
37 including through the development and implementation of habitat  
38 credit exchanges.

39 (b) This section shall not apply to Chapter 3 (commencing with  
40 Section 80230), Chapter 5 (commencing with Section 80250),

1 Chapter 6 (commencing with Section 80260), Chapter 8  
2 (commencing with Section 80280), or Chapter 10 (commencing  
3 with Section 80300).

4 80208. Funds provided pursuant to this division, and any  
5 appropriation or transfer of those funds, shall not be deemed to be  
6 a transfer of funds for the purposes of Chapter 9 (commencing  
7 with Section 2780) of Division 3 of the Fish and Game Code.

8 80209. For grants awarded for projects that serve a  
9 disadvantaged community, the administering entity may provide  
10 advanced payments in the amount of 25 percent of the grant award  
11 to the recipient to initiate the project in a timely manner. The  
12 administering entity shall adopt additional requirements for the  
13 recipient of the grant regarding the use of the advanced payments  
14 to ensure that the moneys are used properly.

15 80210. (a) The proceeds of bonds issued and sold pursuant to  
16 this division, exclusive of refunding bonds issued and sold pursuant  
17 to Section 80412, shall be deposited in the Wildfire, Drought, and  
18 Flood Protection Fund, which is hereby created in the State  
19 Treasury.

20 (b) Proceeds of bonds issued and sold pursuant to this division  
21 shall be allocated according to the following schedule:

- 22 (1) \_\_\_\_ dollars (\$\_\_\_\_) for restoring fire damaged areas.
- 23 (2) \_\_\_\_ dollars (\$\_\_\_\_) for reducing wildfire risk.
- 24 (3) \_\_\_\_ dollars (\$\_\_\_\_) for creating healthy forests and  
25 watersheds.
- 26 (4) \_\_\_\_ dollars (\$\_\_\_\_) for reducing climate impacts on urban  
27 areas and vulnerable populations.
- 28 (5) \_\_\_\_ dollars (\$\_\_\_\_) for protecting water supply and water  
29 quality.
- 30 (6) \_\_\_\_ dollars (\$\_\_\_\_) for protecting rivers, lakes, and streams.
- 31 (7) \_\_\_\_ dollars (\$\_\_\_\_) for reducing flood risks.
- 32 (8) \_\_\_\_ dollars (\$\_\_\_\_) for protecting fish and wildlife and  
33 natural resources from climate impacts.
- 34 (9) \_\_\_\_ dollars (\$\_\_\_\_) for improving climate resilience of  
35 agricultural lands.
- 36 (10) \_\_\_\_ dollars (\$\_\_\_\_) for protecting coastal lands and  
37 resources.

38 80211. The Legislature may enact legislation necessary to  
39 implement programs funded by this division.

1           CHAPTER 2. RESTORING FIRE DAMAGED AREAS

2  
3       80220. The sum of \_\_\_\_ dollars (\$\_\_\_\_) shall be available for  
4 appropriation by the Legislature for the restoration of wildfire  
5 damaged areas. Eligible projects include, but are not limited to,  
6 grants to public agencies for revegetation and other projects to  
7 reduce erosion, flood, and mudslide risk, clean up of hazardous  
8 sites, and habitat restoration.

9  
10           CHAPTER 3. REDUCING WILDFIRE RISK

11  
12       80230. The sum of \_\_\_\_ dollars (\$\_\_\_\_) shall be available  
13 for appropriation by the Legislature for the reduction in the risk  
14 of wildfire threat to lives, properties, and natural habitats. Eligible  
15 projects include, but are not limited to, grants to assist with any  
16 of the following:

- 17       (a) Structure and community retrofit projects.
- 18       (b) Improvement in the alert and evacuation systems.
- 19       (c) Establishment of urban-wildland buffers in high fire hazard  
20 areas.
- 21       (d) Science-based vegetation treatment programs near urban  
22 areas.

23  
24           CHAPTER 4. CREATING HEALTHY FOREST AND WATERSHEDS

25  
26       80240. The sum of \_\_\_\_ dollars (\$\_\_\_\_) shall be available  
27 for appropriation by the Legislature for the protection and  
28 restoration of forests, including redwoods, conifers, oak woodlands,  
29 chaparral, deserts, and other habitat types to ensure the long-term  
30 ecological health of these natural systems, to reduce risk of extreme  
31 wildfires, floods, and other climate impacts, and to improve water  
32 supply and water quality, carbon sequestration, community access,  
33 and other public benefits.

34  
35           CHAPTER 5. REDUCING CLIMATE RISKS IN URBAN AREAS AND  
36           ON VULNERABLE POPULATIONS

37  
38       80250. The sum of \_\_\_\_ dollars (\$\_\_\_\_) shall be available  
39 for appropriation by the Legislature for the reduction of climate  
40 impacts on urban areas and vulnerable populations. Eligible

1 projects include, but are not limited to, urban greening, urban  
2 forestry projects, and other projects to reduce urban heat island  
3 effects, to establish cooling centers, and to safeguard vulnerable  
4 populations.

5

6 CHAPTER 6. PROTECTING WATER SUPPLY AND WATER QUALITY

7

8 80260. The sum of \_\_\_\_ dollars (\$\_\_\_\_) shall be available  
9 for appropriation by the Legislature for the protection of  
10 California’s water supply and water quality. Eligible projects  
11 include, but are not limited to, the following:

- 12 (a) Safe drinking water projects.
- 13 (b) Water quality projects.
- 14 (c) Sustainable groundwater management projects.

15

16 CHAPTER 7. PROTECTING RIVERS, LAKES, AND STREAMS

17

18 80270. The sum of \_\_\_\_ dollars (\$\_\_\_\_) shall be available  
19 for appropriation by the Legislature for the protection and  
20 restoration of rivers, lakes, and streams. Eligible projects include,  
21 but are not limited to, the following:

- 22 (a) River parkway projects.
- 23 (b) Projects to implement the Lake Tahoe Environmental  
24 Improvement Program.
- 25 (c) Projects to restore the Salton Sea authorized pursuant to  
26 Public Law 105-372, the Salton Sea Reclamation Act of 1998.
- 27 (d) Projects for the acquisition or restoration of public lands  
28 within the Los Angeles River Watershed.

29

30 CHAPTER 8. REDUCING FLOOD RISK

31

32 80280. The sum of \_\_\_\_ dollars (\$\_\_\_\_) shall be available  
33 for appropriation by the Legislature for the reduction of flood risks,  
34 including the establishment of flood corridors, bypasses, and  
35 associated infrastructure.

1 CHAPTER 9. PROTECTING FISH AND WILDLIFE FROM CLIMATE  
2 IMPACTS

3  
4 80290. The sum of \_\_\_\_ dollars (\$\_\_\_\_) shall be available  
5 for appropriation by the Legislature for the protection of  
6 California’s fish and wildlife resources. Eligible projects include,  
7 but are not limited to, the following:

- 8 (a) Salmon and other fishery restoration projects.
- 9 (b) Projects to protect wetlands and wildfire refuges for  
10 migratory birds.
- 11 (c) Establishment, protection, and restoration of wildlife  
12 corridors and habitat linkages.
- 13 (d) Conservation actions on private lands.

14  
15 CHAPTER 10. IMPROVING CLIMATE RESILIENCE OF  
16 AGRICULTURAL LANDS

17  
18 80300. The sum of \_\_\_\_ dollars (\$\_\_\_\_) shall be available  
19 for appropriation by the Legislature for the improvement in climate  
20 resilience of agricultural lands. Eligible projects include, but are  
21 not limited to, the following:

- 22 (a) Grants to promote practices on farms and ranches that  
23 improve agricultural and open space soil health, carbon  
24 sequestration, and erosion control, water quality and water  
25 retention.
- 26 (b) California Farmland Conservancy Program established  
27 pursuant to Division 10.2 (commencing with Section 10200) of  
28 the Public Resources Code.

29  
30 CHAPTER 11. PROTECTING COASTAL LANDS AND RESOURCES

31  
32 80310. The sum of \_\_\_\_ dollars (\$\_\_\_\_) shall be available  
33 for appropriation by the Legislature for the protection of coastal  
34 lands, waters and natural resources, and wildlife from climate  
35 impacts. Eligible projects include, but are not limited to, projects  
36 to restore coastal wetlands and projects to address sea level rise  
37 and temperature increase.

CHAPTER 12. FISCAL PROVISIONS

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80400. (a) Bonds in the total amount of \_\_\_\_ dollars (\$\_\_\_\_), and any additional bonds authorized, issued, and appropriated in accordance with this division pursuant to other provisions of law, not including the amount of any refunding bonds issued in accordance with Section 80412, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this division and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, issued, and delivered, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both the principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) The Treasurer shall sell the bonds authorized by the committee pursuant to this section. The bonds shall be sold upon the terms and conditions specified in a resolution to be adopted by the committee pursuant to Section 16731 of the Government Code.

80401. The bonds authorized by this division shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), as amended from time to time, and all of the provisions of that law apply to the bonds and to this division.

80402. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), of the bonds authorized by this division, the Wildfire, Drought, and Flood Protection Finance Committee is hereby created. For purposes of this division, the Wildfire, Drought, and Flood Protection Finance Committee is the “committee” as that term is used in the State General Obligation Bond Law.

(b) The committee consists of the Director of Finance, the Treasurer, and the Controller. Notwithstanding any other law, any member may designate a representative to act as that member in

1 his or her place for all purposes, as though the member were  
2 personally present.

3 (c) The Treasurer shall serve as the chairperson of the  
4 committee.

5 (d) A majority of the committee may act for the committee.

6 80403. The committee shall determine whether or not it is  
7 necessary or desirable to issue bonds authorized by this division  
8 in order to carry out the actions specified in this division and, if  
9 so, the amount of bonds to be issued and sold. Successive issues  
10 of bonds may be authorized and sold to carry out those actions  
11 progressively, and it is not necessary that all of the bonds  
12 authorized to be issued be sold at any one time.

13 80404. For purposes of the State General Obligation Bond  
14 Law, “board,” as defined in Section 16722 of the Government  
15 Code, means the Secretary of the Natural Resources Agency.

16 80405. There shall be collected each year and in the same  
17 manner and at the same time as other state revenue is collected,  
18 in addition to the ordinary revenues of the state, a sum in an amount  
19 required to pay the principal of, and interest on, the bonds each  
20 year. It is the duty of all officers charged by law with any duty in  
21 regard to the collection of the revenue to do and perform each and  
22 every act that is necessary to collect that additional sum.

23 80406. Notwithstanding Section 13340 of the Government  
24 Code, there is hereby appropriated from the General Fund in the  
25 State Treasury, for the purposes of this division, an amount that  
26 will equal the total of the following:

27 (a) The sum annually necessary to pay the principal of, and  
28 interest on, bonds issued and sold pursuant to this division, as the  
29 principal and interest become due and payable.

30 (b) The sum that is necessary to carry out the provisions of  
31 Section 80409, appropriated without regard to fiscal years.

32 80407. The board may request the Pooled Money Investment  
33 Board to make a loan from the Pooled Money Investment Account,  
34 including other authorized forms of interim financing that include,  
35 but are not limited to, commercial paper, in accordance with  
36 Section 16312 of the Government Code for the purpose of carrying  
37 out this division. The amount of the request shall not exceed the  
38 amount of the unsold bonds that the committee has, by resolution,  
39 authorized to be sold for the purpose of carrying out this division,  
40 excluding refunding bonds authorized pursuant to Section 80412,



1 less any amount loaned and not yet repaid pursuant to this section  
2 and withdrawn from the General Fund pursuant to Section 80409  
3 and not yet returned to the General Fund. The board shall execute  
4 those documents required by the Pooled Money Investment Board  
5 to obtain and repay the loan. Any amounts loaned shall be  
6 deposited in the fund to be allocated in accordance with this  
7 division.

8 80408. Notwithstanding any other provision of this division,  
9 or of the State General Obligation Bond Law, if the Treasurer sells  
10 bonds that include a bond counsel opinion to the effect that the  
11 interest on the bonds is excluded from gross income for federal  
12 tax purposes under designated conditions or is otherwise entitled  
13 to any federal tax advantage, the Treasurer may maintain separate  
14 accounts for the bond proceeds invested and for the investment  
15 earnings on those proceeds, and may use or direct the use of those  
16 proceeds or earnings to pay any rebate, penalty, or other payment  
17 required under federal law or take any other action with respect  
18 to the investment and use of those bond proceeds, as may be  
19 required or desirable under federal law in order to maintain the  
20 tax-exempt status of those bonds and to obtain any other advantage  
21 under federal law on behalf of the funds of this state.

22 80409. For the purposes of carrying out this division, the  
23 Director of Finance may authorize the withdrawal from the General  
24 Fund of an amount or amounts not to exceed the amount of the  
25 unsold bonds that have been authorized by the committee to be  
26 sold for the purpose of carrying out this division, excluding  
27 refunding bonds authorized pursuant to Section 80412, less any  
28 amount loaned pursuant to Section 80407 and not yet repaid and  
29 any amount withdrawn from the General Fund pursuant to this  
30 section and not yet returned to the General Fund. Any amounts  
31 withdrawn shall be deposited in the fund to be allocated in  
32 accordance with this division. Any moneys made available under  
33 this section shall be returned to the General Fund, with interest at  
34 the rate earned by the moneys in the Pooled Money Investment  
35 Account, from proceeds received from the sale of bonds for the  
36 purpose of carrying out this division.

37 80410. All moneys deposited in the fund that are derived from  
38 premium and accrued interest on bonds sold pursuant to this  
39 division shall be reserved in the fund and shall be available for  
40 transfer to the General Fund as a credit to expenditures for bond

1 interest, except that amounts derived from premiums may be  
2 reserved and used to pay the cost of bond issuance before any  
3 transfer to the General Fund.

4 80411. Pursuant to Chapter 4 (commencing with Section  
5 16720) of Part 3 of Division 4 of Title 2 of the Government Code,  
6 the cost of bond issuance shall be paid or reimbursed out of the  
7 bond proceeds, including premiums, if any. To the extent the cost  
8 of bond issuance is not paid from premiums received from the sale  
9 of bonds, these costs shall be allocated proportionally to each  
10 program funded through this division by the applicable bond sale.

11 80412. The bonds issued and sold pursuant to this division  
12 may be refunded in accordance with Article 6 (commencing with  
13 Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of  
14 the Government Code, which is a part of the State General  
15 Obligation Bond Law. Approval by the voters of the state for the  
16 issuance of the bonds under this division shall include approval  
17 of the issuance of any bonds issued to refund any bonds originally  
18 issued under this division or any previously issued refunding bonds.  
19 Any bond refunded with the proceeds of a refunding bond as  
20 authorized by this section may be legally defeased to the extent  
21 permitted by law in the manner and to the extent set forth in the  
22 resolution, as amended from time to time, authorizing that refunded  
23 bond.

24 80413. The proceeds from the sale of bonds authorized by this  
25 division are not “proceeds of taxes” as that term is used in Article  
26 XIII B of the California Constitution, and the disbursement of these  
27 proceeds is not subject to the limitations imposed by that article.

28 SEC. 2. Section 1 of this act shall take effect upon the approval  
29 by the voters of the Wildfire, Drought, and Flood Protection Bond  
30 Act of 2020.

31 SEC. 3. Section 1 of this act shall be submitted to the voters  
32 at the \_\_\_\_, 2020, statewide \_\_\_\_ election in accordance with  
33 provisions of the Government Code and the Elections Code  
34 governing the submission of a statewide measure to the voters.

35 SEC. 4. This act is an urgency statute necessary for the  
36 immediate preservation of the public peace, health, or safety within  
37 the meaning of Article IV of the Constitution and shall go into  
38 immediate effect. The facts constituting the necessity are:

- 1 In order to fund wildfire, drought, and flood protection programs
- 2 at the earliest possible date, it is necessary that this act take effect
- 3 immediately.

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**ASSEMBLY BILL**

**No. 134**

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**Introduced by Assembly Member Bloom**

December 5, 2018

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An act relating to water.

LEGISLATIVE COUNSEL'S DIGEST

AB 134, as introduced, Bloom. Safe, clean, affordable, and accessible drinking water.

Existing law, the California Safe Drinking Water Act, requires the State Water Resources Control Board to administer provisions relating to the regulation of drinking water to protect public health. Existing law declares it to be the established policy of the state that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.

This bill would state findings and declarations relating to the intent of the Legislature to adopt policies to ensure that every Californian has the right to safe, clean, affordable, and accessible drinking water.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares all of the  
2 following:

3 (a) Pursuant to Section 106.3 of the Water Code, every human  
4 being in the State of California has the right to safe, clean,  
5 affordable, and accessible water adequate for human consumption.

- 1 (b) Unfortunately, over one million Californians are exposed  
2 to unsafe drinking water each year. Children are particularly at  
3 risk because as many as one in four schools in the Central Valley  
4 have been impacted by unsafe drinking water.
- 5 (c) In fact, a significant number of California communities,  
6 especially disadvantaged communities, rely on a contaminated  
7 groundwater source for their drinking water supply. Contaminants  
8 include nitrate, arsenic, and disinfectant byproducts.
- 9 (d) The State Water Resources Control Board has identified a  
10 total of 331 water systems that are in violation of water quality  
11 standards. These water systems serve an estimated 500,000 people  
12 throughout the state. Additionally, the number of water systems  
13 with 14 or fewer connections that are currently in violation of  
14 water quality standards is estimated to be in the thousands.
- 15 (e) Of the 331 systems identified by the State Water Resources  
16 Control Board, 68 have violations associated with nitrates and in  
17 some cases, additional contaminants. In some of these water  
18 systems, unsafe contamination levels persist over time because  
19 the local agency cannot generate sufficient revenue from its  
20 customer base to implement, operate, or maintain the improvements  
21 necessary to address the problem.
- 22 (f) The challenge in these systems is often a product of a  
23 combination of factors, including the high costs of the investments  
24 required, low income of the customers, and the small number of  
25 customers across whom the costs would need to be spread.
- 26 (g) Water treatment systems are the key to providing safe  
27 drinking water to these communities, but the installation, operation,  
28 and maintenance of such systems are often very costly and there  
29 is no source of funding dedicated to this ongoing need.
- 30 (h) Therefore, it is the intent of the Legislature to adopt policies  
31 that will end this injustice and ensure that pursuant to California  
32 law, every Californian has the right to safe, clean, affordable, and  
33 accessible drinking water.



# Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

## SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY AGENDA REPORT

**Date:** January 22, 2019  
**To:** Southeast Water Coalition Administrative Entity  
**From:** Kyle Cason, Chair, City of Whittier

**Subject:** Fiscal Year (FY) 2017-2018 WNDE Audit Planning Letter

**Recommendation:** That the Administrative Entity take the following action:

Receive and file an update on the status of the FY 2017-2018 SEWC Audit Planning Letter from White Nelson Diehl Evans.

### **Discussion**

The Southeast Water Coalition Joint Power Agreement, Section 7.I stipulates:

*The controller of the Coalition shall cause an independent annual audit of the Coalitions' finance to be made by a certified public accountant in compliance with Government Code Section 6505.*

At the October 4, 2018 meeting of the SEWC Board of Directors, the Board authorized the City of Whittier's Director of Finance, servicing as SEWC Treasurer and Controller, to award a sole source contract to White Nelson Diehl Evans, LLP to administer the annual audit of SEWC financial documents for Fiscal Year (FY) 2017-2018 and prepare the Financial Transactions Report and Supplement.

On December 10, 2018, KJServices Environmental Consulting received the FY 2017-2018 SEWC Audit Planning Letter from WNDE, and distributed it via email to the Administrative Entity members on December 12, 2018.

The Audit Letter states that WNDE expects to issue their FY 17-18 audit report by January 31, 2019. If SEWC receives the audit documents by the proposed date, it is recommended the Administrative Entity present them for approval and finalization by the Board of Directors at their February 7, 2018 meeting.

### **Attachment(s):**

1. WNDE FY 17-18 Audit Planning Letter

To the Administrative Entity Members  
of the Southeast Water Coalition  
Whittier, CA

We are engaged to audit the financial statements of the governmental activity and general fund of the Southeast Water Coalition (the Coalition) for the year ended June 30, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 3, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we will consider the internal control of the Coalition. Such considerations will be solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the Coalition and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Coalition or to acts by management or employees acting on behalf of the Coalition.

Planned Scope and Timing of the Audit (Continued)

We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards. If a member of the Administrative Entity is aware of matters that have a material bearing on the financial statements taken as a whole (such as those described above in items 1-4), please contact Robert Callanan, the engagement partner, at 714-978-1300 or by email at rcallanan@wndecpa.com by December 24, 2018.

We expect to begin our audit in January 2019 and issue our report by January 31, 2019.

This information is intended solely for the use of the Board Members, Administrative Entity Members and management of the Southeast Water Coalition and is not intended to be and should not be used by anyone other than these specified parties.

*White Nelson Dick Evans LLP*

Irvine, California  
December 10, 2018