

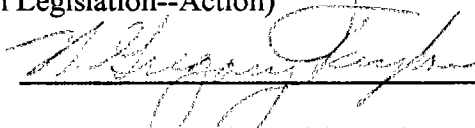


**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

8-17

April 8, 1998

**To:** Board of Directors (Committee on Legislation--Action)  
**From:** General Counsel   
**Subject:** Express support, if amended, to Assembly Bill 2299 (Escutia) - Urban Water Infrastructure Restoration

**RECOMMENDATION(S)**

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It is recommended that your Board support AB 2299 - Urban Water Infrastructure Restoration if amended to clarify the funding source in the manner described in this letter.

**DETAILED REPORT**

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AB 2299, introduced by Assemblywoman Martha M. Escutia, would authorize the Department of Water Resources to enter into contracts for loans to eligible public and private entities and for grants to eligible public agencies, for eligible water infrastructure projects in economically disadvantaged areas as defined.

The bill would authorize the department to make grants to pay for the costs incurred by an eligible public agency in connection with engineering feasibility studies and needs assessment. The bill would authorize the department to undertake plans, surveys, research, development, and studies that it determines to be necessary or desirable to carry out the urban water infrastructure restoration program. The bill would authorize the department to adopt regulations to carry out the bill's provisions.

The bill does not expressly provide for a funding source for the grants and loans. Support should be conditional upon funding sources not impairing the cash flow for the State Water Project. Such an impairment could indirectly result in increased billings to Metropolitan and other state water contractors and potentially reduce the bill reductions provided for under the Monterey amendment to the state water contracts.

NGT:rl  
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Attachment

AMENDED IN ASSEMBLY APRIL 1, 1998

CALIFORNIA LEGISLATURE—1997-98 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2299**

**Introduced by Assembly Member Escutia**

February 19, 1998

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An act ~~relating to coastal resources to add Chapter 10.8 (commencing with Section 13899) to Division 7 of the Water Code, relating to water.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 2299, as amended, Escutia. ~~Coastal nonpoint source pollution: legislative findings and declarations~~ *Urban water infrastructure restoration.*

*Existing law provides funds for various local water projects, facilities, and programs.*

*This bill would authorize the Department of Water Resources to enter into contracts for loans to eligible public and private entities and for grants to eligible public agencies, for eligible urban water infrastructure projects in economically disadvantaged areas, as defined. The bill would authorize the department to make grants to pay for the costs incurred by an eligible public agency in connection with engineering feasibility studies and needs assessment. The bill would authorize the department to undertake plans, surveys, research, development, and studies that it determines to be necessary or desirable to carry out the urban water infrastructure restoration program. The bill would authorize*

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*the department to adopt regulations to carry out the bill's provisions.*

~~The Porter-Cologne Water Quality Act governs the coordination and control of water quality in this state, and includes provisions relating to nonpoint source pollution. The California Coastal Act of 1976 imposes certain restrictions on development in the coastal zone of the state. The California Coastal Commission, pursuant to the coastal act, has specified duties with regard to the federally approved California Coastal Management Program.~~

~~This bill would make various findings and declarations relating to coastal nonpoint source pollution.~~

~~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~~  
2 *SECTION 1. The Legislature finds and declares all of*  
3 *the following:*  
4 *(a) Dilapidated drinking water infrastructure not only*  
5 *threatens water quality and supply, but also deters*  
6 *businesses from coming into a community and providing*  
7 *jobs.*  
8 *(b) The replacement or repair of aging water*  
9 *infrastructure requires a substantial investment.*  
10 *(c) Costs per household are high for small water*  
11 *systems because they lack economies of scale.*  
12 *(d) Small water systems are the least able to obtain*  
13 *access to outside capital to finance needed infrastructure*  
14 *improvements, according to the United States*  
15 *Environmental Protection Agency.*  
16 *(e) Monitoring results for many urban water systems*  
17 *in economically disadvantaged areas reveal levels of*  
18 *contamination that exceed state maximum contaminant*  
19 *levels (MCLs).*  
20 *(f) Furthermore, many urban water systems serving*  
21 *less than 10,000 people are not even monitored by the*  
22 *state for cancer-causing trihalomethanes (THMs).*



1 (g) Urban water systems in economically  
2 disadvantaged areas lack the resources to repair local  
3 water infrastructure by themselves.

4 (h) Households and businesses in economically  
5 disadvantaged areas should not be forced to pay  
6 higher-than-average water rates for costly water  
7 infrastructure replacement or repair.

8 (i) The state should make available a percentage of  
9 water bond funds for loans and grants to assist  
10 economically disadvantaged areas with urban water  
11 infrastructure restoration projects.

12 SEC. 2. Chapter 10.8 (commencing with Section  
13 13899) is added to Division 7 of the Water Code, to read:

14  
15 CHAPTER 10.8. URBAN WATER INFRASTRUCTURE  
16 RESTORATION  
17

18 13899. Unless the context otherwise requires, the  
19 following definitions govern the construction of this  
20 chapter:

21 (a) "Account" means \_\_\_\_.

22 (b) "Economically disadvantaged area" means any  
23 urban area of the state for which any of the following  
24 statements applies:

25 (1) A median household income that is less than  
26 \_\_\_\_.

27 (2) An annual average unemployment rate that is  
28 greater than \_\_\_\_.

29 (3) \_\_\_\_ percent of families have an income below  
30 the poverty level.

31 (c) "Eligible grant agencies" means those small public  
32 agencies that own, operate, or lease water systems that  
33 provide direct retail water service to customers in  
34 economically disadvantaged areas.

35 (d) "Eligible loan agencies" means those small public  
36 and private entities that own, operate, or lease water  
37 systems that provide direct retail water service to  
38 customers in economically disadvantaged areas.

39 (e) "Eligible urban water infrastructure project"  
40 means a project for the repair, restoration, or

1 *rehabilitation of existing water system pipelines, pump*  
2 *stations, valves, reservoirs, and all other appurtenant*  
3 *water delivery facilities that, as demonstrated through*  
4 *engineering feasibility and needs assessment studies, may*  
5 *be subject to impending failure which could jeopardize*  
6 *the health, safety, welfare, and economy of communities*  
7 *relying on those systems.*

8 13899.4. (a) *The department may enter into*  
9 *contracts to make loans to eligible loan agencies and*  
10 *grants to eligible grant agencies for the purposes set forth*  
11 *in this chapter. The factors to be considered by the*  
12 *department in determining whether to enter into a*  
13 *contract may include, but are not limited to, the necessity*  
14 *to protect service reliability and water quality.*

15 (b) *The department, for the purposes of entering into*  
16 *contracts under this chapter, shall request information*  
17 *with regard to, and verify, the expenditures of the eligible*  
18 *grant agencies and the eligible loan agencies, including*  
19 *but not limited to, expenditures for the purchase of water,*  
20 *power, operation and maintenance, administration,*  
21 *depreciation, and the payment of taxes.*

22 13899.6. *Any contract entered into pursuant to this*  
23 *chapter may include those provisions determined by the*  
24 *department to be necessary for the purpose of this*  
25 *chapter and shall include all of the following provisions,*  
26 *as applicable:*

27 (a) *An estimate of the reasonable cost of the eligible*  
28 *urban water infrastructure project.*

29 (b) *An agreement by the eligible loan agency to*  
30 *proceed expeditiously with, and complete, the eligible*  
31 *urban water infrastructure project, and provide for the*  
32 *payment of the agency's share of the cost of the project,*  
33 *including the principal of, and interest on, any loan.*

34 (c) *An agreement by the eligible grant agency to*  
35 *proceed expeditiously with, and complete, the eligible*  
36 *urban water infrastructure project, and provide for the*  
37 *payment of the agency's share of the cost for the project*  
38 *in the form of matching funds.*



1 13899.8. (a) Any contract for a loan may not provide  
2 for a moratorium on the payment of the principal of, or  
3 interest on, the loan.

4 (b) Any loan made pursuant to this chapter shall be for  
5 a period not to exceed 20 years.

6 (c) The department may enter into a contract for a  
7 loan for up to 100 percent of the total eligible cost of the  
8 design and construction of an eligible urban water  
9 infrastructure project.

10 (d) Any loan shall be available for water systems in  
11 economically disadvantaged areas with service  
12 connections that are not less than 550 nor greater than  
13 20,000 in number.

14 13899.10. (a) The department shall establish the  
15 interest rate for a loan made pursuant to this chapter at  
16 a rate equal to \_\_\_\_ percent of the interest rate paid  
17 by the state on the most recent sale of state general  
18 obligation bonds, to be computed according to the true  
19 interest cost method.

20 (b) If the interest rate determined pursuant to  
21 subdivision (a) is not a multiple of one-tenth of 1 percent,  
22 the interest rate shall be set at the next higher multiple  
23 of one-tenth of 1 percent.

24 (c) The interest rate set for each contract shall be  
25 applied throughout the repayment period of the  
26 contract. There shall be a level annual repayment of  
27 principal and interest on the loans.

28 13899.12. All principal and interest payments  
29 received pursuant to loan contracts entered into  
30 pursuant to this chapter shall be deposited in the account  
31 for the purposes of implementing this chapter, and shall  
32 not be transferred to the General Fund.

33 13899.14. All interest earned by assets in the account  
34 shall be deposited in the account.

35 13899.16. \_\_\_\_ percent of the total amount  
36 deposited in the account shall be used by the department  
37 to make grants to eligible grant agencies for the design  
38 and construction of eligible urban water infrastructure  
39 projects.

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1 (b) No single grant under this section shall exceed two  
2 million dollars (\$2,000,000) or 50 percent of the cost of the  
3 project, whichever is less.

4 (c) Grants shall be available for water systems in  
5 economically disadvantaged areas with service  
6 connections that are not less than 550 nor greater than  
7 20,000 in number.

8 13899.18. The department may make grants to an  
9 eligible grant agency to pay for the costs incurred in  
10 connection with engineering feasibility studies and needs  
11 assessment. The amount of a grant under this section may  
12 not exceed fifty thousand dollars (\$50,000).

13 13899.20. The department may, by contract,  
14 undertake plans, surveys, research, development, and  
15 studies that the department determines to be necessary,  
16 convenient, or desirable to carry out the purposes of this  
17 chapter; and may prepare recommendations with regard  
18 thereto, including the preparation of comprehensive  
19 statewide or areawide studies and reports on urban water  
20 infrastructure restoration under a comprehensive  
21 cooperative plan.

22 13899.22. Not more than 2.5 percent of the total  
23 amount deposited in the account may be used for both of  
24 the following purposes:

25 (a) To pay the costs incurred in connection with the  
26 administration of this chapter.

27 (b) For the purposes of Section 13899.20.

28 13899.24. The department may adopt regulations to  
29 carry out this chapter.  
30 the following:

31 ~~(a) The federal Coastal Zone Act Reauthorization~~  
32 ~~Amendments of 1990 (16 U.S.C. Sec. 1455b) require states~~  
33 ~~to establish nonpoint source pollution plans designed to~~  
34 ~~protect and restore coastal waters.~~

35 ~~(b) Nonpoint source pollution refers to the~~  
36 ~~contamination of rivers, lakes, streams, and coastal water~~  
37 ~~from sources that cannot be pinpointed, such as urban~~  
38 ~~runoff.~~

39 ~~(c) In January 1998, the United States Environmental~~  
40 ~~Protection Agency (USEPA) and the National Oceanic~~

1 ~~and Atmospheric Administration (NOAA) made a~~  
2 ~~number of findings relating to the conditions for~~  
3 ~~California to receive final approval of its coastal nonpoint~~  
4 ~~source pollution control program.~~

5 ~~(d) The USEPA and NOAA have found that~~  
6 ~~California's coastal nonpoint source pollution control~~  
7 ~~program does not include an adequate mechanism to~~  
8 ~~improve coordination among state agencies and between~~  
9 ~~state and local officials.~~

10 ~~(e) The USEPA and NOAA have made both of the~~  
11 ~~following determinations:~~

12 ~~(1) California should revise its laws to conform to the~~  
13 ~~federal recommendations regarding urban management~~  
14 ~~and nonpoint pollution control measures that should be~~  
15 ~~taken to control coastal water pollution.~~

16 ~~(2) The Office of Planning and Research should revise~~  
17 ~~its Environmental Checklist to include appropriate~~  
18 ~~provisions to address watershed, water quality, and~~  
19 ~~nonpoint source pollution impacts in the state.~~

20 ~~(f) The California Coastal Commission, the State~~  
21 ~~Water Resources Control Board, and all of the regional~~  
22 ~~water quality control boards in the state should take~~  
23 ~~appropriate action to work cooperatively together to~~  
24 ~~develop and implement a coastal nonpoint source~~  
25 ~~pollution control program.~~

