



- **Board of Directors**  
**Communications and Legislation Committee**

July 23, 1999

9-4

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**Subject**

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Support and Seek Further Amendments to SB 530 (Costa) and AB 564 (Machado) -- General Obligation Bond Measures to Finance Water Management Programs [Board letter 8-3, dated May 5, 1999, Recommended that Staff Seek Amendments to SB 530 and AB 564]

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**Description**

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**Background.** During the 1997 legislative session, SB 312 (Costa) and AB 254 (Machado) were introduced to provide bond financing to address the state's flooding problems. Although the bills did not pass out of the Legislature that year, the legislation was further developed through work with various stakeholder groups to fund a more comprehensive program. Similar bills introduced in the current session, SB 530 (Costa) and AB 564 (Machado), provide funding for a variety of programs related to water quality, water use efficiency, groundwater banking, flood control and watershed management. The funding in the legislation for the proposed general obligation bond measure currently totals \$1.8 billion. A breakdown of the funding categories is included in the attachment.

**Current Status.** SB 530 was passed by the full Senate on a 21-4 vote on July 15. AB 254 is currently on the Assembly floor. Both authors' staff continue to meet with various stakeholder groups in an attempt to address concerns and discuss further changes to the bond language. The Legislature returns from its summer recess on August 16. It is anticipated the water bonds will move to a conference committee along with other bond measures pending before the Legislature (e.g. parks, transportation, housing, library, etc.) prior to the September 10, 1999, adjournment deadline. If approved by the Legislature, the legislation would create the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act, which would place a measure on the March 2000 statewide primary election ballot authorizing the sale of \$1.8 billion in general obligation bonds.

**Possible Amendments.** Metropolitan staff are continuing to work with Sacramento legislative representatives, Southern California interests, and other stakeholders to refine funding programs in the legislation that would maximize our ability to implement local water management programs and provide funding for CALFED Stage 1 actions. The following is a preliminary list of proposed amendments that reflect the collective interests of Metropolitan's member agencies.

- **Desalination & Advanced Treatment Technology.** Provide an additional \$100 million in grant funds for projects that desalt groundwater, surface water, or projects that demonstrate new disinfectant technologies for drinking water supplies. **Justification:** The current CALFED plan calls for expanding water recycling, desalination and conjunctive use to reduce future demands on the Delta. Urban areas will need financial assistance to make these projects cost effective, meet CALFED's objectives and prevent further groundwater degradation. Water quality disinfection demonstration projects, such as ultraviolet disinfection, are needed to determine whether water utilities can rely on advanced treatment technologies to meet future needs.
- **Brine Disposal Systems.** Provide an additional \$50 million for brine disposal systems that, in conjunction with desalination projects, are needed to export salts accumulating in groundwater basins and prevent

further groundwater degradation. **Justification:** A study conducted by Metropolitan and the U.S. Bureau of Reclamation identified a need for \$200 million in new brine disposal systems. Urban areas will need financial assistance to make these projects cost effective, meet CALFED's objectives, and prevent further groundwater degradation.

- **Water Recycling.** Provide an additional \$12 million in financial assistance for water recycling studies and construction. **Justification:** Increased levels of water recycling will need to be developed to meet CALFED objectives, which will require accelerated levels of financial assistance.
- **Water Conservation.** Provide an additional \$55 million in grant funds for urban water conservation programs. Authorize investor-owned utilities access to loan funds under water conservation programs. **Justification:** Additional funding for local water conservation programs will reduce demand on imported water supplies and stretch existing supplies. State co-funding would allow member agencies to develop additional programs that were previously not cost effective.

**Outreach/Coordination.** Metropolitan staff will continue to coordinate with other Southern California organizations and agencies to promote common interests and projects that increase water reliability and quality objectives. Staff will continue to keep your Board apprised of developments as efforts continue to develop consensus on the legislation.

## Policy

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Administrative Code Section #2800

## Board Options/Fiscal Impacts

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**Option #1:** Direct staff to seek further amendments to the proposed legislation to include: (1) a fair share of program funding for Southern California projects, including water quality, advanced treatment technology, salinity management, water conservation, water reuse, groundwater banking, and others; (2) appropriate state funding for CALFED Stage 1 activities; and (3) authorize investor-owned utilities access to loan funds under water conservation programs. Continue outreach with Southern California business, labor, environmental, and water interests to further refine and develop support for potential amendments. **Fiscal Impact:** Could provide additional State funding to Southern California for water quality, water recycling, water conservation, groundwater banking, and watershed management programs. Could also provide funding for CALFED Stage 1 activities.

**Option #2:** Direct staff not to seek further amendments to the proposed legislation. Support current bond language. **Fiscal Impact:** Could provide State funding, but at a lower level than Option #1, to Southern California for water quality, water recycling, water conservation, groundwater banking, and watershed management. Could also provide funding for CALFED Stage 1 activities.

**Option #3:** Recommend an oppose position on SB 530 and AB 564. **Fiscal Impact:** Would eliminate new funding for Southern California projects and CALFED Stage 1 activities in the proposed bond measure.

**Option #4:** Take no position on the pending water bond legislation.

## Staff Recommendation

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Option 1

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Timothy H. Quinn, Deputy General Manager      Date

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General Manager      Date

RN:cl

Attachment

**Bond Measures to Finance Water Management Projects  
SB 530 (Costa) & AB 564 (Machado)**

Program Category	SB530/AB564 Water Bond (Millions)
<b>1. Safe Drinking Water Program</b>	\$100
<b>2. Flood Protection</b>	
A) Corridor Program	\$75
B) Delta Levees	\$75
C) Subventions Program	\$190
D) Urban Streams	\$100
E) Delta Enhancement	\$5
	\$445
<b>3. Watershed Protection</b>	
A) Protection Program	\$100
B) Education Program	\$50
C) River Protection Program	\$100
	\$250
<b>4. Clean Water &amp; Water Recycling Program</b>	
A) Non-Point Source Control	\$100
B) Clean Water Program	\$130
C) Water Recycling Program	\$124
	\$354
<b>5. Water Conservation Program</b>	
A) Ag Conservation	\$50
B) Groundwater Recharge	\$40
C) Infrastructure Rehabilitation	\$65
D) Urban Conservation	\$45
	\$200
<b>6. Water Supply, Reliability &amp; Infrastructure</b>	
A) Conjunctive Use	\$200
B) Bay-Delta Multi-Purpose Water Mgmt.	\$300
	\$500
<b>TOTAL</b>	<b>\$1.8 Billion</b>