

- **Board of Directors**
Water Planning and Resources Committee

July 11, 2000 Board Meeting

10-3

Subject

Update on Implementation of Proposition 13 – The Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act of 2000

Description

Proposition 13 Funding Categories. In March 2000, 65 percent of California voters approved Proposition 13 (Costa-Machado Water Act of 2000) that authorizes the State of California to sell \$1.97 billion in general obligation bonds to support safe drinking, water quality, flood protection and water reliability projects throughout the state. The funding breakdowns are:

- \$630 million for supply, reliability and infrastructure programs;
- \$468 million for watershed protection programs;
- \$355 million for clean water and water recycling programs;
- \$292 million for flood protection programs;
- \$155 million for water conservation programs; and
- \$70 million for the Safe Drinking Water Program.

Bond Funds in the FY 2000-01 State Budget. The Governor's update to his January budget proposal, released on May 17, included \$763.3 million in expenditures from Proposition 13. In June, the Senate and Assembly approved the budget conference report for fiscal year 2000-01. Items of interest to Metropolitan and the Member Agencies in the budget conference report include:

- \$125 million from the General Fund for implementation of the CALFED Record of Decision;
- \$20 million from the General Fund for further implementation of CALFED's Integrated Storage Investigation;
- \$10 million from the General Fund for CALFED local assistance to the Delta export areas; and
- \$161.7 million for funding thirteen projects out of the Water Bond's Interim Water Supply and Water Quality Subaccount (see [Attachment 1](#)). Three of the thirteen projects on the Governor's list are designed to enhance water supply reliability and improve water quality within the Metropolitan service area, including:
 - \$45 million for the Water Supply Reliability Program to help finance groundwater storage projects within Southern California to enhance storage of imported water in wet years for use in dry years when there is limited supply and more competing needs;
 - \$20 million for the Water Quality Exchange Partnership to assist in the development of a partnership among agricultural and urban interests to enhance and optimize water supply, water quality and water management capabilities. If successful, the partnership will result in major additions to water-related infrastructure outside the Bay-Delta to improve agricultural water supply reliability throughout the eastern San Joaquin Valley and urban water quality in Southern California. These investments will be consistent with the current consensus-based efforts to restore environmental values to the San Joaquin River; and
 - \$4 million for the Desalination Research and Innovation Partnership (DRIP) to help develop cost-effective advanced water treatment technologies for desalination of Colorado River water, brackish groundwater, municipal wastewater and agricultural drainage water. DRIP partners include the San Diego County Water Authority, West Basin Municipal Water District, Orange County Water District,

Alameda County Water District, Santa Clara Valley Water District, Sonoma County Water Agency, the University of California and Metropolitan;

The budget conference report does not contain any funding for projects from the water bond other than those proposed by the Governor in his "May Revise" budget or as specifically provided for in the bond act. However, staff anticipates that in August there will be legislative attempts to earmark water bond program funding for projects around the state (outside the competitive process by administering agencies).

State Procedures for Distribution of Bond Funds. The majority of funds under Proposition 13 require appropriation by the State Legislature prior to distribution. Of the \$1.97 billion in bond monies, most of the funding will be distributed by three state agencies: the Department of Water Resources (\$1.06 billion), the State Water Resources Control Board (\$695 million), and the Department of Health Services (\$70 million). Provided no legislative action is taken to further appropriate water bond funds, seventy percent of these funds (\$1.4 billion) will be allocated for loans and grants on a competitive basis to local agencies and nonprofit organizations. The remaining balance will be allocated for direct expenditures by state agencies. Overall, a total of nine state departments are involved in the allocation of these grants and loans.

Bond monies fall into two allocation categories: (1) monies that are allocated beginning 3 to 6 months after July 1, 2000. This category includes bond money that may be allocated by direct contract to most local and state agencies specified in the water bond; and (2) monies that are allocated beginning in 6 to 18 months after July 1, 2000. This category includes most competitive grants and loans bond money that may be allocated after new regulations are adopted or current regulations are modified to reflect bond program changes specified in Proposition 13. Bond money in this category would be allocated over multiple years.

Metropolitan will be monitoring the development of criteria and guidelines for the administration of loans and grants to assure that Metropolitan and its member agencies are able to take advantage of this funding.

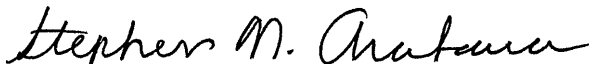
Collaborative Process of Identifying Projects for the Water Supply Reliability Program. Staff is working with Member Agency managers to develop a process to recommend to the Board for identifying projects that would increase Metropolitan's water supply reliability as required for the use of Proposition 13 funds currently designated for Metropolitan in the budget conference report. This effort includes developing a strategy for maximizing matching federal funds. The programs to be funded are envisioned to offer multiple benefits at the local, regional, and state levels. The process that Metropolitan develops will be carefully crafted to meet the deadlines associated with the state's process.


Policy

Information only.

Fiscal Impact

Significant benefits are derived from the water-related funding in the State Administration's fiscal year 2000-01 budget. This includes \$69 million for Metropolitan-related programs, \$134.2 million for Santa Ana River Watershed programs, \$145 million for projects related to the CALFED Bay-Delta program, \$97.6 million for statewide water treatment and water recycling programs, and \$40.6 million for statewide water conservation activities.

 6/27/2000
 Stephen N. Arakawa Date
 Acting Manager, Water Resource Management

 6/27/2000
 General Manager Date

**Proposed Expenditures – Proposition 13, Chapter 9, Article 4
Interim Water Reliable Supply and Water Quality Infrastructure and Management Program**

APPLICANT	TITLE	AMOUNT
Santa Clara Valley Water District	San Luis Reservoir Low Point Project – Feasibility Studies	\$14.8 million (over three yrs.)
Friant Water Users and NRDC	San Joaquin River Restoration Program	\$15.7 million
San Luis & Delta-Mendota Water Authority	San Joaquin River Water Quality Improvement Project, Phase 1	\$17.5 million
Westlands Water District	Conjunctive Use and Groundwater Recharge Project	\$12.5 million
Westlands Water District	Irrigation Systems Improvement Project	\$5.0 million
San Luis Water District	Water Conservation/Canal Lining	\$1.0 million
Del Puerto Water District	Irrigation Systems Improvement	\$0.5 million
Dudley Ridge Water District	Sandridge Off-Stream Reservoir Site	\$7.5 million
Kern County Water Agency	Kern River Restoration Project	\$23.0 million
Metropolitan Water District of SC	Desalination Research and Innovation Partnership (DRIP)	\$4.0 million
Metropolitan Water District of SC	Water Supply Reliability Projects	\$45.0 million
Metropolitan Water District of SC	Water Quality Exchange Partnership	\$20.0 million
Victor Valley WD/Mojave Water Agency	Groundwater Recharge/Conjunctive Use	\$5.0 million
	TOTAL for 2000-01 budget year	\$161.7 million
	TOTAL	\$171.5 million