

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

June 10, 2003 Board Meeting

9-6

Subject

Adopt policy principles on water infrastructure financing

Description

A series of pending constitutional amendments, bond measures and similar legislation seek to authorize state bond issues for infrastructure, including water projects, and to fundamentally change infrastructure financing in California. This board letter proposes policy principles that, if adopted, will guide Metropolitan staff in responding to this legislation.

1. Infrastructure Investment Fund. Assembly Constitutional Amendment 11 of 2002 (Richman), if approved by the voters, will require the transfer of a percentage of state General Fund revenues to a newly established California Twenty-First Century Infrastructure Investment Fund to be used for capital projects. The Legislature must allocate 50 percent of the funding for state infrastructure projects and 50 percent for local infrastructure. The transfers will start at one percent of General Fund revenues in 2006/07 and gradually ramp up to three percent, with adjustments for slowdowns or declines in General Fund revenue growth. ACA 11 is intended to provide a stable funding source for infrastructure. This amendment was approved by the Legislature in 2002 and will appear on the March 2004 statewide ballot. ACA 11 is consistent with proposed principles and staff recommends support.

AB 1011 (Richman) provides a formula for allocating amounts in the Twenty-First Century Infrastructure Investment Fund, if ACA 11 is approved by California voters. It provides that 50 percent of amounts available for local infrastructure would go to transportation projects, 15 percent would be allocated pursuant to competitive grant programs for water supply, water recycling, wastewater or stormwater projects, and 15 percent for parks and open space. The last 20 percent would be distributed to cities and counties on a per capita basis to be used for transportation, water or open space projects. A balanced investment in transportation and water infrastructure is consistent with the proposed principles.

2. Proposed Water Bonds. AB 93 (Canciamilla) seeks to authorize the Safe, Clean, and Reliable Water Supply Water Bond Act of 2004, to provide financing for clean water programs through the issuance of \$7.886 billion in state bonds. AB 740 (Pavley) establishes the Clean Air, Clean Water, and Coastal Protection Act of 2004 to authorize the issuance of \$2.9 billion in bonds to finance an air and water quality and coastal protection program. SB 750 (Machado), the Safe Drinking Water, Water Quality, Flood Protection, and Water Supply Reliability Act of 2004, would authorize \$5 billion in state general obligation bonds for purposes of financing a safe drinking water, water quality, flood protection, and water supply reliability program. These proposals differ in the types of projects they propose to fund and the manner in which they propose to allocate funding among eligible projects. Adoption of policy principles will assist staff in addressing these potentially competing proposals.

3. Voter Approval Requirements for Local Bonds. Constitutional amendments now pending in the Assembly seek to change the existing two-thirds voter approval requirement for local agency general obligation bonds issued to fund infrastructure projects. ACA 9 (Levine) would authorize a city, county, or special district to impose a "qualified special tax" to fund specified infrastructure construction projects with the approval of a majority of voters voting on the tax. ACA 11 of 2003 (Levine) and ACA 14 (Steinberg) provide for the approval of local agency general obligation bonds for infrastructure projects by 55 percent of the voters voting on the bond proposition, with varying requirements for the types of projects and conditions to issuance of bonds pursuant to

these amendments. These amendments, if approved by the Legislature and the voters, would give Metropolitan more flexibility in seeking approval to issue additional general obligation bonds.

Proposed policy principles are shown in [Attachment 1](#).

Policy

Gov. Code § 53060.5 – Metropolitan’s power to attend Legislature and present information to aid in passage of legislation beneficial to Metropolitan, or prevent passage of legislation detrimental to Metropolitan.

Metropolitan Water District Act § 200 – authority to submit proposition for the approval of Metropolitan general obligation bonds to the voters.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because the proposed action involves continuing administrative activities such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to the provisions of CEQA pursuant to Sections 15378(b)(2) and 15061(b)(3) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and policy principles on water infrastructure financing as shown in [Attachment 1](#).

Fiscal Impact: None

Option #2

Do not adopt policy principles on water infrastructure financing as shown in [Attachment 1](#).

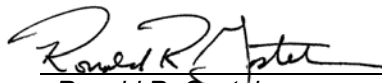
Fiscal Impact: None

Staff Recommendation

Option #1


 Brian G. Thomas
 Chief Financial Officer

5/23/2003
 Date


 Ronald R. Gastelum
 Chief Executive Officer

5/23/2003
 Date

[Attachment 1 – Policy Principles for Statewide Water Infrastructure Financing](#)

Policy Principles for Statewide Water Infrastructure Financing

1. Metropolitan should support state financing (including statewide bonds) for water infrastructure projects that:
 - Maintain or improve water quality, including water treatment facilities, groundwater cleanup and point source protection projects;
 - Provide for more efficient use of existing resources, including conservation and recycling projects;
 - Provide for more efficient distribution of water supplies, consistent with regional and statewide planning efforts, including surface storage, conjunctive use and distribution facilities;
 - Assure beneficiaries of multi-purpose projects pay their appropriate share of costs.
2. Funding should be awarded to eligible projects on a competitive basis, with priority to:
 - Projects that provide the broadest public benefit including regional projects;
 - Projects with local contributions including matching funds.
3. Local agency bonds for infrastructure projects should be authorized if approved by majority vote.
4. Projects that provide public benefit should be favored over those primarily intended for private benefit or gain.