

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

May 11, 2004 Board Meeting

9-9

Subject

Adopt policy principle on private water utility access to state water bond funds

Description

Staff proposes adoption of a policy principle that would, under certain circumstances, support availability of state grant funds to private water systems. This policy principle would guide Metropolitan staff in responding to legislation or administrative actions related to the availability of state water bond funds. Expanding access would benefit Metropolitan's service areas by supporting consistent water management practices by both public and private water utilities in the improvement of overall regional supply reliability. Further, taxpayers paying for Proposition 50 reside within the service areas of both public and private water purveyors.

Historically, private water systems and water companies were not permitted to compete with government-owned water districts for grants funded from state general obligation bonds. These investor-owned utilities already have access to the capital markets (both equity and bond markets) to fund their projects. However, some have argued that such a restriction unfairly denies benefits of tax-supported bond funding to state taxpayers within the areas served by private companies.

There have been attempts at developing legislation to allow private water systems and water companies to compete for water bond funding on an equal basis with public water districts, provided that the bond funds benefit the ratepayers of the utility and not the shareholders of the corporation. Such a change would result in an increase in the number of applications for grant moneys. For example, in 2003, Senator Mike Machado amended SB 909 to set up the parameters for access to general obligation bond funds by private utilities.

To provide policy direction to staff for future legislative and regulatory actions, staff recommends the following policy principle:

Metropolitan would support private water systems' and water companies' ability to apply for grant funds as co-applicants with water districts or other local government agencies, or as contractors to public agency applicants sharing the same service territory for capital projects.

The proposed policy principle would be consistent with previously adopted board principles encouraging more efficient and effective use of public moneys, including policy principles for statewide water infrastructure financing adopted by the Board in June 2003.

Policy

By Minute Item 45390, dated June 10, 2003, the Board adopted policy principles on water infrastructure financing.

California Environmental Quality Act (CEQA)

CEQA determination for Staff Recommendation:

The proposed action is not defined as a project under CEQA because it 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

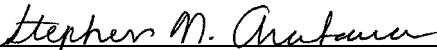
have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

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

Staff Recommendation

Adopt the CEQA determination and the proposed policy principle.

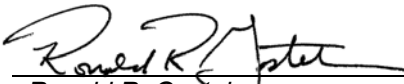
Fiscal Impact: None



Stephen N. Arakawa
Manager, Water Resource Management

4/27/2004

Date



Ronald R. Gastelum
Chief Executive Officer

4/27/2004

Date