

**BOARD MEETING AGENDA
SPECIAL MEETING OF THE BOARD OF DIRECTORS OF
CITRUS HEIGHTS WATER DISTRICT (CHWD)
March 20, 2019 beginning at 6:30 PM**



**DISTRICT ADMINISTRATIVE OFFICE
6230 SYLVAN ROAD, CITRUS HEIGHTS, CA**

In compliance with the Americans with Disabilities Act, if you have a disability and need a disability-related modification or accommodation to participate in this meeting, please contact the General Manager at (916) 725-6873. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

CALL TO ORDER:

Upon request, agenda items may be moved to accommodate those in attendance wishing to address that item. Please inform the General Manager.

ROLL CALL OF DIRECTORS:

BUSINESS:

B-1. Discussion and Possible Action to Approve a Letter of Support for Senate Bill 669 (A)
Consider approving a letter of support for a Safe Water Drinking Trust (Caballero).

B-2. Discussion and Possible Action to Approve a Letter of Support for Assembly Bill 533 (A)
Consider approving a letter of support for Water Conservation Tax Relief Legislation (Holden).

FUTURE CHWD BOARD OF DIRECTORS MEETING DATES:

April 17, 2019	6:30 PM	Regular Meeting
May 15, 2019	6:30 PM	Regular Meeting
June 19, 2019	6:30 PM	Regular Meeting
July 17, 2019	6:30 PM	Regular Meeting
August 21, 2019	6:30 PM	Regular Meeting
September 18, 2019	6:30 PM	Regular Meeting
October 16, 2019	6:30 PM	Regular Meeting
November 20, 2019	6:30 PM	Regular Meeting
December 2, 2019	6:30 PM	Special Meeting
December 18, 2019	6:30 PM	Regular Meeting

ADJOURNMENT:

CERTIFICATION:

I do hereby declare and certify that this agenda for this Regular Meeting of the Board of Directors of the Citrus Heights Water District was posted in a location accessible to the public at the District Administrative Office Building, 6230 Sylvan Road, Citrus Heights, CA 95610 at least 24 hours prior to the special meeting in accordance with Government Code Section 54956.

Christopher Castruita, Chief Board Clerk

Dated: March 19, 2019

CITRUS HEIGHTS WATER DISTRICT

DISTRICT STAFF REPORT TO BOARD OF DIRECTORS MARCH 20, 2019 MEETING

SUBJECT : DISCUSSION AND POSSIBLE ACTION TO APPROVE A LETTER OF SUPPORT FOR STATE OF CALIFORNIA SENATE BILL 669
STATUS : Action Item
REPORT DATE : March 19, 2019
PREPARED BY : Christopher Castruita, Management Services Supervisor/Chief Board Clerk

OBJECTIVE:

Consider approving a letter of support for a Safe Drinking Water Trust (Caballero).

BACKGROUND AND ANALYSIS:

State of California (State) Senate Bill (SB) 669, authored by State Senator Anna Caballero of Salinas, proposes an alternative proposal to a water tax that would address a lack of access to safe drinking water for some people who live in rural, disadvantaged communities. The bill would invest funds from the State General Fund budget surplus into a Safe Drinking Water Trust. The investment income from the trust would be used to ensure that community water systems in disadvantaged communities could operate their systems in order to provide clean drinking water.

Most Californians have access to safe drinking water like that provided by CHWD, but some disadvantaged communities do not. Lack of access to safe drinking water is considered a public health issue by many throughout the State. A funding gap exists for operations & maintenance (O&M) costs for community water systems that treat water. In general, O&M costs cannot be financed using existing state and federal drinking water funding sources.

At their February 21, 2018 Meeting, the CHWD Board of Directors (Board) approved Resolution 03-2018, which expresses general opposition to any type of water tax or public goods charge. Unlike a water tax, the proposed Trust would provide funds to low-income communities with fewer negative impacts to local water providers and their customers. By using State General Fund monies rather than levying a tax on CHWD rate-payers, the Trust would keep water more affordable for those rate-payers including low-income rate payers living within the District.

Both the Association of California Water Agencies (ACWA) and the Regional Water Authority (RWA) support the Safe Drinking Water Trust, as outlined in letters dated March 13, 2019 (see Attachment 3) and March 1, 2019 (see Attachment 4), respectively. Both ACWA and RWA encourage member agencies to adopt similar positions of support.

Should the Board approve the letter of support, staff will distribute it to local State representatives and appropriate State Senate and Assembly committee members.

RECOMMENDATION:

Approve a letter of support for a Safe Drinking Water Trust (Caballero).

ATTACHMENTS:

1. SB 669 Bill Language

2. ACWA Letter of Opposition to Statewide Water Tax dated March 13, 2019
3. RWA Letter of Support for SB 669 to Senator Caballero dated March 1, 2019
4. Proposed Letter of Support for SB 669

ACTION:

Moved by Director _____, Seconded by Director _____, Carried _____

ATTACHMENT 1

Senate Bill 669 Bill Language

Introduced by Senator CaballeroFebruary 22, 2019

An act to add Chapter 4.6 (commencing with Section 116765) and Chapter 4.7 (commencing with Section 116771) to, Part 12 of Division 104 of the Health and Safety Code, relating to water, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 669, as introduced, Caballero. Water quality: Safe Drinking Water Fund.

(1) Existing law, the California Safe Drinking Water Act, requires the State Water Resources Control Board to administer provisions relating to the regulation of drinking water to protect public health. Existing law declares it to be the established policy of the state that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.

This bill would establish the Safe Drinking Water Fund in the State Treasury and would provide that moneys in the fund are continuously appropriated to the state board. The bill would require the state board to administer the fund to assist community water systems in disadvantaged communities that are chronically noncompliant relative to the federal and state drinking water standards and do not have the financial capacity to pay for operation and maintenance costs to comply with those standards, as specified. The bill would authorize the state board to provide for the deposit into the fund of federal contributions, voluntary contributions, gifts, grants, and bequests, transfers by the Legislature from the General Fund and the Greenhouse Gas Reduction Fund, funding from authorized general obligation bond acts, and net revenue from the Safe Drinking Water Trust that this bill would create.

The bill would require the state board to expend moneys in the fund for grants, loans, contracts, or services to assist eligible applicants. The bill by July 1, 2021, and by July 1 of each year thereafter, would require the state board to adopt, working with a multistakeholder advisory group, after a public workshop and a public hearing, an annual fund implementation plan. The bill would require the state board annually to prepare and make publicly available a report of expenditures of the fund and to adopt annually, after a public hearing, an annual update to a specified needs analysis. By creating a new continuously appropriated fund, this bill would make an appropriation.

(2) Existing law requires a trustee to administer a trust with reasonable care, skill, and caution under the circumstances then prevailing that a prudent person acting in a like capacity would use, as specified. The existing Uniform Prudent Investor Act requires a trustee to invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust.

This bill would create in the State Treasury the Safe Drinking Water Trust Fund, to hold the trust property of the Safe Drinking Water Trust. The bill would create the Safe Drinking Water Trust Commission, consisting of 3 members, to serve as the trustee of the trust and would require the trustee to abide by the act and have all of the fiduciary duties, responsibilities, and obligations consistent with serving as a trustee of a trust. The bill would require the trustee to transfer the net income from the trust fund to the Safe Drinking Water Fund for expenditure, as prescribed. The bill would authorize funding of the trust principal, subject to transfer by the Legislature. The bill would require the trustee to accept donations that shall be deemed trust property and increase the principal of the trust. The bill would require the trustee to meet, not less than quarterly, to review the investment of the trust principal and administer the trust. The bill would require the trustee to provide the state board annually with an accounting of the investments and a forecast of the projected income to be distributed from the funds in future fiscal years. The bill would require the trust to be deemed a charitable trust subject to the supervision of the Attorney General.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Chapter 4.6 (commencing with Section 116765)
2 is added to Part 12 of Division 104 of the Health and Safety Code,
3 to read:

4
5 CHAPTER 4.6. SAFE DRINKING WATER

6
7 Article 1. Legislative Findings and Declarations

8
9 116765. The Legislature finds and declares all of the following:

10 (a) Section 106.3 of the Water Code declares that it is the policy
11 of the state that every human being has the right to safe, clean,
12 affordable, and accessible water adequate for human consumption,
13 cooking, and sanitary purposes.

14 (b) For all community water systems, the operation and
15 maintenance costs to supply, treat, and distribute potable water
16 that complies with federal and state drinking water standards on
17 a routine and consistent basis may be significant.

18 (c) Some community water systems in disadvantaged
19 communities that do not have access to safe drinking water do not
20 have the technical, managerial, or financial capacity that is needed
21 to comply with the federal and state drinking water standards on
22 a routine and consistent basis.

23 (d) Some state or federal drinking water project funding sources
24 prohibit the use of that funding for operation and maintenance
25 costs. If a community water system does not have the financial
26 capacity to fund operations and maintenance costs, the community
27 water system may not be able to access funding for capital costs
28 to comply with the federal and state drinking water standards on
29 a routine and consistent basis.

30 (e) Hundreds of thousands of Californians, particularly those
31 living in small disadvantaged communities, rely on unsafe drinking
32 water from a chronically noncompliant community water system,
33 which impacts human health, household costs, and community
34 economic development.

35 (f) It is important that new permitted public water systems are
36 sustainable.

37 (g) Chapter 843 of the Statutes of 2016 added Section 116527
38 to and amended Section 116540 of the Health and Safety Code

1 and added Section 106.4 to the Water Code to authorize the State
 2 Water Resources Control Board to prevent the permitting of new,
 3 unsustainable public water systems.

4 (h) It is in the interest of the state to identify, help develop, and
 5 help implement solutions for those chronically noncompliant
 6 community water systems in disadvantaged communities that do
 7 not have the technical, managerial, or financial capacity to comply
 8 with the federal and state drinking water standards, and as a result,
 9 have ongoing violations.

10 (i) To assist chronically noncompliant community water systems
 11 in disadvantaged communities to come into compliance with the
 12 federal and state drinking water standards and become
 13 self-sufficient, the net revenue from a safe drinking water trust is
 14 a reasonable and sustainable way to provide state funding
 15 assistance for operation and maintenance costs and consolidation
 16 costs where financial assistance is needed.

17 (j) Funding of the trust with General Fund dollars during one
 18 or more years of state budget surplus is an appropriate priority for
 19 the state because the lack of access to safe drinking water in some
 20 disadvantaged communities is a social and public health issue for
 21 the state. Once the trust is funded, the revenue from the trust will
 22 be a long-term durable solution to assist chronically noncompliant
 23 community water systems in disadvantaged communities in
 24 becoming self-sufficient relative to safe drinking water.

25
 26 Article 2. Definitions
 27

28 116766. For the purposes of this chapter:

29 (a) “Administrator” has the same meaning as defined in Section
 30 116686.

31 (b) “Board” means the State Water Resources Control Board.

32 (c) “Community water system” has the same meaning as defined
 33 in Section 116275.

34 (d) “Disadvantaged community” has the same meaning as
 35 defined in Section 116275.

36 (e) “Eligible applicant” means a public agency, a local
 37 educational agency, a nonprofit organization, a public utility, a
 38 federally recognized Indian tribe, a state Indian tribe listed on the
 39 Native American Heritage Commission’s California Tribal
 40 Consultation List, a mutual water company, and an administrator.

1 (f) “Fund” means the Safe Drinking Water Fund established
2 pursuant to Section 116767.

3 (g) “Public water system” has the same meaning as defined in
4 Section 116275.

5 (h) “Replacement water” means bottled water, vended water,
6 or point-of-use or point-of-entry treatment units.

7
8
9

Article 3. Safe Drinking Water Fund

10 116767. The Safe Drinking Water Fund is hereby established
11 in the State Treasury. Notwithstanding Section 13340 of the
12 Government Code, all moneys in the fund are continuously
13 appropriated to the board, without regard to fiscal years, in
14 accordance with this chapter. Moneys in the fund at the close of
15 the fiscal year shall remain in the fund and shall not revert to the
16 General Fund. Moneys in the fund shall not be available for
17 appropriation or borrowed for use for any purpose not established
18 in this chapter unless that use of the moneys is authorized by statute
19 that receives an affirmative vote of two-thirds of the membership
20 in each house of the Legislature.

21 116768. (a) The board shall administer the fund to assist
22 community water systems in disadvantaged communities that are
23 chronically noncompliant relative to the federal and state drinking
24 water standards and do not have the financial capacity to pay for
25 operation and maintenance costs to comply with those standards
26 by providing assistance for all of the following:

27 (1) Operation and maintenance costs to both help bring the
28 systems into compliance with those standards and help the systems
29 become self-sufficient relative to safe drinking water.

30 (2) Consolidation costs for the community water systems.

31 (3) Replacement water to provide the systems with safe drinking
32 water as a short-term solution.

33 (4) The provision of administrative and managerial services
34 under Section 116686 for purposes of helping the systems become
35 self-sufficient in the long term.

36 (b) Consistent with subdivision (a), the board shall expend
37 moneys in the fund for grants, loans, contracts, or services to assist
38 eligible applicants.

- 1 (c) Consistent with subdivision (a), the goals for implementation
2 of this fund are that community water systems benefitting from
3 the funding both:
- 4 (1) Will become compliant relative to the federal and state
5 drinking water standards.
- 6 (2) Will become self-sufficient and will need assistance for no
7 longer than 10 years.
- 8 (d) The board may undertake any of the following actions to
9 implement the fund:
- 10 (1) Provide for the deposit of all of the following moneys into
11 the fund:
- 12 (A) Federal funding.
- 13 (B) Transfers by the Legislature from the General Fund.
- 14 (C) Net revenue from the Safe Drinking Water Trust.
- 15 (D) Funding from a general obligation bond act that authorizes
16 the deposit of bond moneys into the fund.
- 17 (E) Transfers by the Legislature from the Greenhouse Gas
18 Reduction Fund.
- 19 (F) Voluntary contributions, gifts, grants, or bequests.
- 20 (2) Enter into agreements for contributions to the fund from the
21 federal government, local or state agencies, private corporations,
22 or nonprofit organizations.
- 23 (3) Direct portions of the fund to a subset of eligible applicants
24 as required or appropriate based on funding source and consistent
25 with the annual fund implementation plan.
- 26 (e) The board may expend moneys from the fund for reasonable
27 costs associated with administration of the fund, including outreach
28 regarding the availability of the funding. The board may expend
29 no more than 5 percent of the annual revenue from the fund for
30 reasonable costs associated with the administration of the fund.
- 31 (f) The board shall provide for appropriate audit, accounting,
32 and fiscal management services, plans, and reports relative to the
33 fund.
- 34 (g) At least every five years, the board, in consultation with the
35 Legislative Analyst's Office, shall conduct a public review and
36 assessment of the fund that evaluates and reports on all of the
37 following:
- 38 (1) The effectiveness of expending moneys from the fund in
39 terms of both helping bring chronically noncompliant community
40 water systems in disadvantaged communities into compliance with

1 the federal and state safe drinking water standards and helping
2 chronically noncompliant community water systems in
3 disadvantaged communities become self-sufficient.

4 (2) The sources of funding and the amount of funding from each
5 source that went into the fund during the time period that is being
6 reviewed and assessed.

7 (3) The community water systems for which self-sufficiency
8 has been achieved and for which funding from the fund is no longer
9 necessary.

10 (4) The community water systems that have received funding
11 for 10 years or more and for which self-sufficiency has not been
12 achieved, the actions that have been taken, the reasons why
13 self-sufficiency has not been achieved, and, where appropriate,
14 the reasons why continued funding from the fund is necessary.

15 (h) The board shall make a report of the public review and
16 assessment described in subdivision (g) available on the board's
17 internet website.

18 (i) The board, an employee of the board, or any authorized
19 person shall not be deemed to have incurred or be required to incur
20 any obligation to provide additional funding or undertake additional
21 action solely as a result of having undertaken an action pursuant
22 to this chapter.

23 116769. By July 1, 2021, and by July 1 of each year thereafter,
24 the board shall do all of the following:

25 (a) Prepare and make publicly available a report of expenditures
26 from the fund.

27 (b) Adopt, after a public hearing, an annual update to the needs
28 analysis of drinking water systems first directed by the Legislature
29 in Item 3940-002-0001 of Section 2.00 of the Budget Act of 2018.

30 (c) Work with a multistakeholder advisory group to obtain input
31 regarding priorities for the fund that can reasonably be
32 accomplished in the next year and development of the annual fund
33 implementation plan.

34 (d) Adopt, after a public workshop and a public hearing, an
35 annual fund implementation plan.

36 SEC. 2. Chapter 4.7 (commencing with Section 116771) is
37 added to Part 12 of Division 104 of the Health and Safety Code,
38 to read:

CHAPTER 4.7. SAFE DRINKING WATER TRUST ACT OF 2019

Article 1. Short Title

116771. This chapter shall be known, and may be cited, as the Safe Drinking Water Trust Act of 2019.

Article 2. Legislative Findings of Necessity and Cause for Action

116772. (a) Because Section 106.3 of the Water Code establishes the policy of the state that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes, it is in the interest of the people of the state to enact this chapter to establish a trust fund for the governmental purpose of providing a perpetual source of funding to assist community water systems in disadvantaged communities that are chronically noncompliant relative to the federal and state drinking water standards and do not have the financial capability to pay for operation and maintenance costs to comply with those standards by providing funding assistance for all of the following:

- (1) Operation and maintenance costs to both help bring the systems into compliance with those standards and help the systems to become self-sufficient.
- (2) Consolidation costs for the systems.
- (3) Replacement water to provide the systems with safe drinking water as a short-term solution.
- (4) The provision of administrative and managerial services pursuant to Section 116686 for purposes of helping the systems become self-sufficient in the long term.

(b) The primary purpose of the Safe Drinking Water Trust, a charitable trust established pursuant to this chapter, shall be to provide a perpetual source of funding each year to the Safe Drinking Water Fund established pursuant to Section 116767 in furtherance of the trust fund purposes in subdivision (a).

(c) It is the intent of the Legislature that the funding for the trust be from General Fund dollars transferred to the trust by the Legislature during one or more years of state budget surplus.

1 Article 3. Safe Drinking Water Trust

2
3 116773. Unless the context otherwise requires, the following
4 definitions govern the construction of this chapter:

5 (a) “Board” means the State Water Resources Control Board.

6 (b) “Beneficiary” means the people of the state, as represented
7 by the board in its implementation of the provisions of Chapter
8 4.6 (commencing with Section 116765) and its administration of
9 the Safe Drinking Water Fund established pursuant to Section
10 116767. The beneficiary’s interest in the trust shall only be to the
11 net income generated from the trust principal.

12 (c) “Income” means the money, enhanced value, or other income
13 the trust receives as current return from the investment of the trust
14 principal.

15 (d) “Net income” means the trust income earned July 1 to June
16 30, inclusive, of the previous year minus all of the necessary and
17 reasonable expenses incident to the administration of the trust
18 during that same period.

19 (e) “Principal” means the trust property, inclusive of any
20 increase designated as part of the trust principal by the trustee as
21 a result of a higher than anticipated return on the investment
22 pursuant to paragraph (2) of subdivision (b) of Section 116773.6
23 that is held in trust for the beneficiary and to accomplish the
24 purposes described in Section 116772.

25 (f) “Trust” means the Safe Drinking Water Trust.

26 (g) “Trust fund” means the account established pursuant to
27 subdivision (a) of Section 116773.2 to hold the trust property.

28 (h) “Trust property” means the money transferred to the trust
29 fund pursuant to subdivision (d) of Section 116773.6 and any
30 donation to the trust fund received and accepted by the trustee after
31 January 1, 2020.

32 (i) “Trustee” means the Safe Drinking Water Trust Commission.

33 116773.2. (a) There is hereby created in the State Treasury
34 the Safe Drinking Water Trust Fund for holding the trust property
35 of the Safe Drinking Water Trust and for the purpose of
36 implementing the public and governmental purposes of this chapter.
37 Net income distributed by the trustee from the trust fund is hereby
38 transferred to the board for deposit in and expenditure from the
39 Safe Drinking Water Fund in accordance with Chapter 4.6
40 (commencing with Section 116765).

1 (b) Moneys in the trust fund, including the trust principal and
2 trust income, shall not be available for appropriation or be
3 borrowed for use for any purpose not established in this chapter.

4 (c) Funding of the trust principal is hereby authorized and is
5 subject to transfer by the Legislature. All transfers to the trust are
6 hereby irrevocably transferred from the General Fund during
7 budget surplus years to the trustee for deposit in the Safe Drinking
8 Water Trust Fund for investment to accomplish the purposes of
9 this chapter and on the conditions prescribed in Section 116773.6.

10 (d) Notwithstanding any other law, moneys deposited into the
11 Safe Drinking Water Trust Fund or to fund the trust shall not be
12 transferred to the General Fund.

13 116773.4. (a) There is hereby created the Safe Drinking Water
14 Trust Commission, consisting of three members, selected as
15 follows:

16 (1) The Treasurer, or the Treasurer's designee.

17 (2) The Lieutenant Governor, or the Lieutenant Governor's
18 designee.

19 (3) The Controller, or the Controller's designee.

20 (b) The Safe Drinking Water Trust Commission shall serve as
21 the trustee of the trust having all of the fiduciary duties,
22 responsibilities, and obligations consistent with serving as a trustee
23 of a trust.

24 (c) The Treasurer shall serve as chairperson of the Safe Drinking
25 Water Trust Commission. The commission shall annually elect
26 from its members a vice chairperson and a secretary who shall
27 hold office until December 31 and shall continue to serve until
28 their respective successors are elected.

29 (d) The trustee shall do all of the following:

30 (1) Meet not less than quarterly to review the investment of the
31 trust principal and administer the trust.

32 (2) Meet on the call of the chairperson, at the request of a
33 majority of the members, or at the request of the Governor.

34 (3) Adopt bylaws or other governing documents it deems
35 necessary for the regulation of its affairs and the conduct of its
36 business.

37 (e) Notwithstanding Section 10231.5 of the Government Code,
38 the Safe Drinking Water Trust Commission annually shall provide
39 the board with an accounting of the investments and a forecast of
40 the projected income to be distributed from the fund in future fiscal

1 years. The board shall include the information in the fund
2 implementation plan prepared by subdivision (c) of Section
3 116769.

4 116773.6. (a) The trustee of the Safe Drinking Water Trust
5 shall hold the trust property for the primary benefit of the trust's
6 beneficiary and shall hold, manage, and invest the trust principal
7 with the obligation of providing a perpetual source of annual
8 funding to the Safe Drinking Water Fund established in Section
9 116767. The trustee shall not invade the trust principal.

10 (b) The trustee shall collect, receive, and monetize, if prudent,
11 the income from the trust, and shall transfer the trust's net income
12 annually as follows:

13 (1) If the net income earned by the trust during the previous
14 fiscal year is less than or equal to ____ dollars (\$____), the trustee
15 shall deposit the entire value of the net income into the Safe
16 Drinking Water Fund for the benefit of the trust's beneficiary.

17 (2) If the net income earned by the trust during the previous
18 fiscal year is greater than ____ dollars (\$____), the trustee shall
19 deposit at least ____ dollars (\$____) into the Safe Drinking Water
20 Fund for the benefit of the trust's beneficiary and shall determine
21 if any additional portion of the net income should be deposited
22 into the Safe Drinking Water Fund that year. Any portion of the
23 net income not deposited in the Safe Drinking Water Fund shall
24 be deemed a part of the trust principal by the trustee as a result of
25 a higher than anticipated return on the investment on the trust
26 principal in the previous fiscal year.

27 (3) Notwithstanding any other law, the trustee, and any
28 employee or agent of the trustee, shall not sell, purchase, exchange,
29 or otherwise deal with or dispose of all or any parts of the principal
30 of the trust.

31 (c) The trustee shall exercise its administration of the trust as a
32 fiduciary to the beneficiary. The trustee, in its administration of
33 the trust, shall abide by the Uniform Prudent Investor Act (Article
34 2.5 (commencing with Section 16045) of Chapter 1 of Part 4 of
35 Division 9 of the Probate Code). The trustee shall have the powers,
36 obligations, and responsibilities of a trustee prescribed in Part 4
37 (commencing with Section 16000) of Division 9 of the Probate
38 Code that are not inconsistent with the purposes and provisions of
39 this chapter.

40 (d) The trust shall have both of the following powers:

- 1 (1) To accept donations that shall be deemed trust property and
- 2 increase the principal of the trust.
- 3 (2) Use no more than 1 percent of the trust income earned July
- 4 1 to June 30, inclusive, of each year to pay for the necessary and
- 5 reasonable expenses incident to the administration of the trust
- 6 during that same period.
- 7 (e) The trust shall be deemed a charitable trust subject to the
- 8 supervision of the Attorney General.

O

ATTACHMENT 2

Association of California Water Agencies
Letter of Opposition to Statewide Water Tax
dated March 13, 2019

March 13, 2019

The Honorable Bob Wieckowski, Chair
Senate Budget Subcommittee No. 2
State Capitol, Room 4085
Sacramento, CA 95814

The Honorable Richard Bloom, Chair
Assembly Budget Subcommittee No. 3
State Capitol, Room 2003
Sacramento, CA 95814

**Re: Budget Trailer Bill Language: Safe and Affordable Drinking Water Proposal/
PROPOSED STATEWIDE WATER TAX**

Position: OPPOSE UNLESS AMENDED

Dear Chair Wieckowski and Chair Bloom:

The below-listed organizations are **OPPOSE UNLESS AMENDED** to the water tax budget trailer bill.

Alameda County Water District	California Craft Beer Association	City of Redding
Alhambra Chamber of Commerce	California Municipal Utilities Association	City of Rialto/Rialto Utility Authority
Amador Water Agency	California Special Districts Association	City of Riverside
Anderson-Cottonwood Irrigation District	Calleguas Municipal Water District	City of Roseville
Apple Valley Chamber of Commerce	Camrosa Water District	City of Santa Rosa
Antelope Valley – East Kern Water Agency	Carlsbad Municipal Water District	City of Shasta Lake
Association of California Water Agencies	Carmichael Water District	City of Thousand Oaks
Bard Water District	Casitas Municipal Water District	City of Torrance
Bella Vista Water District	Central Basin Municipal Water District	Claremont Chamber of Commerce
Bighorn-Desert View Water Agency	Centerville Community Services District	Clovis Chamber of Commerce
BizFed Los Angeles County	Ceres Chamber of Commerce	Coachella Valley Water District
Borrego Water District	Cerritos Regional Chamber of Commerce	Coastside County Water District
Brawley Chamber of Commerce	Citrus Heights Water District	Contra Costa Water District
Brooktrails Township	City of Corona Department of Water and Power	Crescenta Valley Water District
Community Services District	City of Fairfield	Crestline-Lake Arrowhead Water Agency
Browns Valley Irrigation District	City of Garden Grove	Cucamonga Valley Water District
Calaveras County Water District	City of Glendale Water and Power	Culver City Chamber of Commerce
CalDesal	City of Lakewood	Del Paso Manor Water District
California Building Owners and Managers Association	City of Newport Beach	Desert Water Agency
California Business Properties Association	City of Oceanside	Downtown San Diego Partnership
California Cleaners Association		Dublin San Ramon Services District

East Orange County Water District
East Valley Water District
Eastern Municipal Water District
El Dorado County Chamber Alliance
El Dorado Hills Chamber of Commerce
El Dorado Irrigation District
El Monte/South El Monte Chamber of Commerce
El Segundo Chamber of Commerce
El Toro Water District
Florin Resources Conservation District/Elk Grove Water District
Elk Grove Chamber of Commerce
Elsinore Valley Municipal Water District
Fair Oaks Water District
Fallbrook Public Utility District
Folsom Chamber of Commerce
Foothill Municipal Water District
Fremont Chamber of Commerce
The Gateway Chambers Alliance
Georgetown Divide Public Utility District
Glendora Chamber of Commerce
Glenn-Colusa Irrigation District
Greater Coachella Valley Chamber of Commerce
Hawthorne Chamber of Commerce
Helix Water District
Hidden Valley Lake Community Services District
Hollywood Chamber of Commerce
Humboldt Bay Municipal Water District
Humboldt Community Services District
Idyllwild Water District

Indian Wells Valley Water District
Indio Water Authority
Inland Empire Utilities Agency
International Council of Shopping Centers
Irvine Ranch Water District
Kern County Water Agency
Kinneloa Irrigation District
Kirkwood Meadows Public Utility District
Lake Tahoe South Shore Chamber of Commerce
La Canada Irrigation District
La Verne Chamber of Commerce
Laguna Beach County Water District
Lake Hemet Municipal Water District
Las Virgenes Municipal Water District
LAX Coastal Area Chamber of Commerce
Lincoln Avenue Water Company
Long Beach Water Department
Malaga County Water District
Mammoth Community Water District
Mariana Ranchos County Water District
McKinleyville Community Services District
Mendocino County Russian River Flood Control & Water Conservation Improvement District
Merced Irrigation District
Mesa Crest Water Company
Mesa Water District
Mid-Peninsula Water District
Millview County Water District
Mission Springs Water District
Mojave Water Agency
Monrovia Chamber of Commerce
Montara Water and Sanitation District
Monte Vista Water District

Municipal Water District of Orange County
Nevada Irrigation District
North Marin Water District
North Tahoe Public Utility District
Northern California Water Association
Norwalk Chamber of Commerce
Oakdale Irrigation District
Olivenhain Municipal Water District
Orange County Water District
Orchard Dale Water District
Otay Water District
Padre Dam Municipal Water District
Palm Ranch Irrigation District
Palmdale Water District
Paradise Irrigation District
Pasadena Water and Power
Pico Water District
Pittsburg Chamber of Commerce
Placer County Water Agency
Pleasanton Chamber of Commerce
Quartz Hill Water District
Rainbow Municipal Water District
Rancho California Water District
Rancho Cordova Chamber of Commerce
Rancho Cucamonga Chamber of Commerce
Redondo Beach Chamber of Commerce
Regional Water Authority
Redwood Valley County Water District
Richvale Irrigation District
Rincon del Diablo Municipal Water District
Rio Alto Water District
Rio Linda Elverta Community Water District
Roseville Area Chamber of Commerce

Rowland Water District	Shasta Community Services District	Upper Russian River Water Agency
Rubio Canon Land and Water Association	South Bay Chamber of Commerce	Upper San Gabriel Valley Municipal Water District
Sacramento Metro Chamber	South Coast Water District	Vallecitos Water District
Sacramento Suburban Water District	South Tahoe Public Utility District	Valley Center Municipal Water District
San Diego County Water Authority	Southern California Water Committee	Valley Industry & Commerce Association
San Diego Regional Chamber of Commerce	Stockton East Water District	Valley of the Moon Water District
San Dieguito Water District	Sweetwater Authority	Valley Water Company
San Gabriel County Water District	Tahoe City Public Utility District	Ventura County Economic Development Association
San Gabriel Valley Economic Partnership	Templeton Community Services District	Victor Valley Chamber of Commerce
San Gabriel Valley Municipal Water District	Textile Rental Service Association	Vista Irrigation District
San Juan Water District	Three Valleys Municipal Water District	Walnut Valley Water District
Santa Clarita Valley Chamber of Commerce	Torrance Area Chamber of Commerce	Westlands Water District
Santa Clarita Valley Water Agency	Tulare Irrigation District	Western Canal Water District
Santa Fe Irrigation District	Tuolumne Utilities District	Western Municipal Water District
Santa Margarita Water District	Twain Harte Community Services District	West Valley-Warner Center Chamber of Commerce
Santa Ynez River Water Conservation District	United Chamber Advocacy Network	Yolo County Flood Control Water Conservation District
Improvement District No. 1	United Water Conservation District	Yorba Linda Water District
Scotts Valley Water District		Yuba Water Agency

The 2019 budget trailer bill language is based on SB 623 (Monning, 2017) and is a slightly modified version of Governor Brown’s proposed statewide water tax budget trailer bill language from 2018, which the Legislature’s Budget Conference Committee affirmatively rejected in 2018. The language would establish a fund administered by the State Water Resources Control Board (State Water Board) to assist those who do not have access to safe drinking water. The organizations listed on this letter agree with the intent of the bill. The lack of access to safe drinking water in certain disadvantaged communities is a public health issue that the State needs to address. The bill proposes two types of funding: 1) agricultural assessments related to fertilizer sales and dairy and confined animal operations to address nitrate-related contamination; and 2) a state-mandated tax on drinking water (tap water) that the bill would require approximately 3,000 local water systems to assess on their local residential and business ratepayers’ water bills and send to Sacramento.

The above-listed organizations oppose the proposed statewide water tax.

PROBLEMS WITH THE PROPOSAL: Following are examples of problems with the proposed statewide water tax:

- 1) Requiring local water systems and cities across the state to impose a tax on drinking water for the State of California is not the appropriate response to the problem;
- 2) It is not sound policy to tax a resource that is essential to life;
- 3) State law sets forth a policy of a human right to water for human consumption that is safe, clean, **affordable** and accessible. Adding a regressive statewide water tax would work against keeping water affordable for all Californians; and
- 4) It is **highly inefficient to turn approximately 3,000 water systems into taxation entities for the state** and require them to collect the tax and send it straight to Sacramento. The costs for changing billing software (e.g., \$100,000 for one system) and hiring one or more staff (e.g., \$100,000 for salary and benefits for one employee for one system) to implement the tax would skyrocket if implemented by about 3,000 community water systems. The implementation costs would **add to the cost of water and work against keeping water affordable**.

RECOMMENDED FUNDING ALTERNATIVE – THE SAFE DRINKING WATER TRUST (SB 669, Caballero): In 2018, the water community suggested four alternatives to the proposed statewide water tax. This year, the Association of California Water Agencies and the California Municipal Utilities Association are sponsoring SB 669 (Caballero), which would create the Safe Drinking Water Trust (the Trust) in the State Treasury to fund a Safe Drinking Water Fund at the State Water Board.

Existing federal and state drinking water funding sources are available for capital costs. The federal Safe Drinking Water State Revolving Fund dollars and General Obligation Bond funding are examples. The voters just approved \$250 million for safe and clean water projects, prioritized for disadvantaged communities, in Proposition 68 in June of 2018. Key to resolving this funding issue is addressing the gap for operation and maintenance (O&M) costs for community water systems that treat drinking water in disadvantaged communities. O&M costs generally cannot be financed with existing federal and state safe drinking water funding sources. A financial solution is needed for O&M and system consolidation costs that can complement existing funding sources for capital costs.

The Trust's principal would be funded with an infusion of General Fund dollars during one (or two or three) budget surplus years. With the record budget surplus for the 2019-'20 Fiscal Year, this is the perfect year to create and fund the Trust. Funding the Trust via the General Fund, which is based largely on a progressive source of revenue (income tax), makes sense because taxpayers with higher incomes would contribute more, and taxpayers with lower incomes would contribute less. The Trust's principal would be invested, and the net income would be transferred to a Safe Drinking Water Fund, which the State Water Board would administer for drinking water solutions. Unlike the proposed water tax, the Trust would not add to the cost of water.

The above-listed organizations urge your "No" vote on the budget trailer bill language unless the proposed statewide water tax is removed and replaced with an acceptable alternative funding source – such as the Safe Drinking Water Trust proposed in SB 669 (Caballero).

If you have questions, please contact Cindy Tuck, Deputy Executive Director for Government Relations, Association of California Water Agencies at (916) 441-4545 or at cindy@acwa.com.

cc: The Honorable Governor Gavin Newsom
The Honorable Anna Caballero
Honorable Members, Senate Budget Subcommittee No. 2
Honorable Members, Assembly Budget Subcommittee No. 3
Honorable Joaquin Esquivel, Chair, State Water Board
Ms. Rachel Machi Wagoner, Deputy Legislative Secretary, Office of the Governor
Mr. Trevor Taylor, Legislative Aide, Office of Senator William W. Monning
Ms. Joanne Roy, Consultant, Senate Budget Subcommittee No. 2
Ms. Susan Chan, Consultant, Assembly Budget Subcommittee No. 3
Ms. Rocel Bettencourt, Budget Consultant, Senate Republican Caucus
Ms. Katie Sperla, Budget Consultant, Assembly Republican Caucus
Mr. Calvin Rusch, Policy Consultant, Assembly Republican Caucus

ATTACHMENT 3

Regional Water Authority Letter of Support for SB 669 to
Senator Caballero dated March 1, 2019



March 1, 2019

Paul Schubert, Chair
Kerry Schmitz, Vice
Chair

The Honorable Anna Caballero
State Capitol, Room 5052
Sacramento, CA 95814

Members

Re: SB 669 Water Quality: Safe Drinking Water Fund.

Position: Support

Dear Senator Caballero:

On behalf of the Regional Water Authority (“RWA”), I am writing to express RWA’s support for SB 669, your measure related to stable funding for safe drinking water.

As introduced on February 22, 2019, SB 669 would establish a safe drinking water trust, intended to be funded by the General Fund, the annual income from which would provide on-going funding for safe drinking water projects.

RWA and Sacramento region water suppliers have been successfully providing the elements of the human right to water (clean, reliable, and affordable water) for more than a century. SB 669 will advance the achievement of all of the elements of the human right to water without detriment to any of them.

For these reasons, RWA supports SB 669. If you or your staff have any questions, please contact Ryan Ojakian of RWA’s staff at (916) 967-7692 or rojakian@rwah2o.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Woodling', is written over a light blue horizontal line.

John Woodling
Executive Director

Associates

County of Placer
El Dorado County Water
Agency
Sacramento Area Flood
Control Agency
Sacramento Municipal Utility
District
Sacramento Regional County
Sanitation District

ATTACHMENT 4

Proposed Letter of Support for SB 669



**CITRUS
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Services Manager/
Treasurer*
Susan K. Sohal

*Senior Accountant/
Assessor/Collector*
Alberto Preciado

SENT VIA FACSIMILE

March 6, 2019

The Honorable Anna Caballero
State Capitol
Sacramento, CA 95814

RE: SB 669 (Caballero): Safe Drinking Water Trust - SUPPORT

Dear Senator Caballero,

The Citrus Heights Water District supports SB 669 (Caballero), which would create the Safe Drinking Water Trust (Trust) at the state Treasury. The purpose of the Trust would be to provide a durable funding source to help community water systems in disadvantaged communities provide their customers with access to safe drinking water. The trust is a better approach than a statewide water tax.

There currently exists a funding gap for operation and maintenance (O&M) costs for the treatment of drinking water by community water systems in disadvantaged communities. O&M costs generally cannot be financed with existing federal and state safe drinking water funding sources that are available for capital costs. In some situations, the consolidation of a failing community water system with one or more systems may be the most effective solution. The Safe Drinking Water Trust proposed in SB 669 would provide a durable funding source to provide financial assistance for replacement water as a short-term solution, consolidation and ongoing O&M costs.

The Trust would be funded with an infusion of General Fund dollars during a budget surplus year. With the record budget surplus for the 2019-20 Fiscal Year, this is the perfect year to create and fund the Trust. The state would invest the Trust's principal, and the net income from the Trust would be transferred on an ongoing basis to a Safe Drinking Water Fund that would be administered by the State Water Resources Control Board.

The Trust is a better approach than a statewide water tax for multiple reasons. First, it is not sound policy to tax a resource that is essential to life. A water tax is regressive, and State Water Resources Control Board itself recommended against a regressive tax such as this because it makes water less affordable to vulnerable communities. Further, unlike the associated implementation costs at about 3,000 local water systems, the Trust would not drive up water costs and work against the state's Human Right to Water policy of affordable water.

For the above reasons, the Citrus Heights Water District respectfully asks you to vote "Aye" for SB 669.

Sincerely,

Hilary Straus
General Manager

CITRUS HEIGHTS WATER DISTRICT

DISTRICT STAFF REPORT TO BOARD OF DIRECTORS MARCH 20, 2019 MEETING

SUBJECT : DISCUSSION AND POSSIBLE ACTION TO APPROVE A LETTER OF SUPPORT FOR STATE OF CALIFORNIA ASSEMBLY BILL 533

STATUS : Action Item

REPORT DATE : March 19, 2019

PREPARED BY : Christopher Castruita, Management Services Supervisor/Chief Board Clerk
Rex Meurer, Water Efficiency Supervisor

OBJECTIVE:

Consider approving a letter of support for Water Conservation Tax Relief Legislation (Holden).

BACKGROUND AND ANALYSIS:

State of California (State) Assembly Bill (SB) 533, authored by State Assembly Member Chris Holden of Pasadena, proposes to exclude any amount received as a rebate, voucher, or other financial incentive from local water agencies for expenses to participate in a water efficiency program from gross income for individuals or corporations (see Attachment 1). The goal of the exemption is to expand water-saving programs and reduce the administrative burden that agencies such as Citrus Heights Water District (CHWD) face in providing these programs.

Both the Regional Water Authority (RWA) and the California Water Efficiency Partnership (CalWEP) support the legislation, as outlined in a letter of support dated March 1, 2019 to Assembly Member Holden (see Attachment 2). Both RWA and CalWEP encourage member agencies to adopt similar positions of support.

Should the Board approve the letter of support, staff will distribute it to local State representatives and appropriate State Senate and Assembly committee members.

RECOMMENDATION:

Approve a letter of support for Water Conservation Tax Relief Legislation (Holden)

ATTACHMENTS:

1. AB 533 Bill Language
2. RWA Letter of Support for AB 533 to Assembly Member Holden dated March 1, 2019
3. Proposed Letter of Support for AB 533

ACTION:

Moved by Director _____, Seconded by Director _____, Carried _____

ATTACHMENT 1

Assembly Bill 533 Bill Language

ASSEMBLY BILL

No. 533

Introduced by Assembly Member Holden
(Principal coauthor: Senator Wiener)
(Coauthor: Assembly Member Friedman)

February 13, 2019

An act to add Sections 17139.9 and 24308.9 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 533, as introduced, Holden. Income taxes: exclusion: water conservation or efficiency programs: water runoff management improvement program.

The Personal Income Tax Law and the Corporation Tax Law, in conformity with federal income tax law, generally defines “gross income” as income from whatever source derived, except as specifically excluded, and provides various exclusions from gross income.

This bill would provide an exclusion from gross income for any amount received as a rebate, voucher, or other financial incentive issued by a local water agency or supplier for any water conservation or efficiency program or water runoff management improvement program, as provided.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 17139.9 is added to the Revenue and
2 Taxation Code, to read:

3 17139.9. (a) Gross income does not include any amount
4 received as a rebate, voucher, or other financial incentive issued
5 by a local water agency or supplier for any water conservation or
6 efficiency program the primary purpose of which is to reduce
7 consumption of water or to improve the management of water
8 demand.

9 (b) Gross income does not include any amount received as a
10 rebate, voucher, or other financial incentive issued by a local water
11 agency or supplier for any water runoff management improvement
12 program the primary purpose of which is to reduce the amount or
13 manage the quality of storm water runoff.

14 SEC. 2. Section 24308.9 is added to the Revenue and Taxation
15 Code, to read:

16 24308.9. (a) Gross income does not include any amount
17 received as a rebate, voucher, or other financial incentive issued
18 by a local water agency or supplier for any water conservation or
19 efficiency program the primary purpose of which is to reduce
20 consumption of water or to improve the management of water
21 demand.

22 (b) Gross income does not include any amount received as a
23 rebate, voucher, or other financial incentive issued by a local water
24 agency or supplier for any water runoff management improvement
25 program the primary purpose of which is to reduce the amount or
26 manage the quality of storm water runoff.

27 SEC. 3. This act provides for a tax levy within the meaning of
28 Article IV of the California Constitution and shall go into
29 immediate effect.

O

ATTACHMENT 2

Regional Water Authority Letter of Support for AB 533
to Assembly Member Holden dated March 1, 2019



March 1, 2019

The Honorable Chris Holden
State Capitol, Room 5132
Sacramento, CA 95814

Paul Schubert, Chair
Kerry Schmitz, Vice
Chair

*Re: AB 533 (Holden): Income taxes: exclusion: water conservation or efficiency programs:
water runoff management improvement program.*

Members

California American Water
Carmichael Water District
Citrus Heights Water District
Del Paso Manor Water
District
El Dorado Irrigation District
Elk Grove Water District
Fair Oaks Water District
Folsom, City of
Golden State Water
Company
Lincoln, City of
Orange Vale Water Company
Placer County Water Agency
Rancho Murieta Community
Services District
Roseville, City of
Rio Linda / Elverta
Community Water District
Sacramento, City of
Sacramento County Water
Agency
Sacramento Suburban Water
District
San Juan Water District
West Sacramento, City of
Yuba City, City of

Position: Support

Dear Assemblymember Holden:

On behalf of the Regional Water Authority (“RWA”), I am writing to express RWA’s support for AB 533, your measure related to income tax exclusions for water conservation, efficiency, or runoff programs.

As introduced on February 13, 2019, AB 533 would exclude any financial benefit issued by a local water agency for the purpose of improving water use and runoff management from gross income.

RWA and Sacramento region water suppliers have demonstrated a long-term commitment to achieving lasting improvements in water use efficiency. These efforts include the administration of a wide variety of incentive and rebate programs for water efficient plumbing fixtures and appliances, outdoor irrigation and landscaping changes, as well as substantial investments in public outreach and informational campaigns during all water year types.

Achieving lasting water efficiency and storm runoff improvements is a challenge. Locally managed water efficiency and storm runoff programs are proven to be effective in addressing that challenge. Consumer rebates and subsidies increase participation in these programs and are among the most cost-effective tools at doing so. Ensuring that rebates and subsidies are not assessed state income tax will prevent mixed messages, and will have governmental policies working together. This will support the state’s effort to make water conservation a California way of life by encouraging water customers to take water saving actions.

For these reasons, RWA supports AB 533. If you or your staff have any questions, please contact Ryan Ojakian of RWA’s staff at (916) 967-7692 or rojakian@rwah2o.org.

Associates

County of Placer
El Dorado County Water
Agency
Sacramento Area Flood
Control Agency
Sacramento Municipal Utility
District
Sacramento Regional County
Sanitation District

Sincerely,

John Woodling
Executive Director

ATTACHMENT 3

Proposed Letter of Support for AB 533



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Services Manager/
Treasurer*
Susan K. Sohal

*Senior Accountant/
Assessor/Collector*
Alberto Preciado

SENT VIA FACSIMILE

March 21, 2019

The Honorable Chris Holden
State Capitol, Room 5132
Sacramento, CA 95814

RE: AB 533 (Holden): Income Tax Exemption for Water Rebates - SUPPORT

Dear Assembly Member Holden,

The Citrus Heights Water District (CHWD) supports your bill, AB 533, to exclude from gross income, under personal income and corporation tax laws, amounts received as a rebate, voucher, or other financial incentive issued by a local water agency for participation in water efficiency or storm water runoff improvement programs.

In May 2018, SB 606 (Hertzberg) and AB 1668 (Friedman) were signed into law as part of then-Governor Brown's initiative to make "Water Conservation a California Way of Life" in response to California's longest drought in history. Utility-sponsored financial incentives, including consumer rebates, are among the most important and cost-effective tools available to local water providers to achieve water use efficiency objectives, particularly for turf replacement, irrigation controllers, leak detection devices, and other high cost water-saving options. However, over a certain amount, the rebate funds that individuals and businesses receive in connection with these programs may be deemed to be taxable under state law.

The consistent experience of California's water utilities shows that fewer individuals and corporations will avail themselves of financial incentives if they are deemed to be taxable income. If rebates from water efficiency and storm water improvement programs are considered taxable income in California, cities and water agencies are required to send tax documents, i.e. 1099s, to each program participant. This creates an unnecessary administrative burden on water agencies.

It is well documented that consumer rebates and subsidies substantially increase adoption of water use efficiency and storm water management strategies. Rebates provide a much-needed financial incentive to implement these measures year-round. We applaud your leadership in introducing this vitally important legislation ensuring that rebates, vouchers, and other incentives for turf replacement and storm water programs exempt from state income and corporate tax. This is a necessary step to incentivize homeowners and businesses to make important investments in water conservation and storm water capture projects to protect our critical water resources.

Thank you for your consideration of our views on this issue.

Sincerely,

Hilary Straus
General Manager

cc: Members of the Assembly Revenue and Taxation Committee
M. David Ruff, Consultant, Assembly Revenue and Taxation Committee
Julia King, Policy Consultant, Assembly Republican Caucus