



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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Chief Executive Officer

October 7, 2013

To: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

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## SACRAMENTO UPDATE - ANALYSIS OF THE PROPOSED 2014 WATER BOND LEGISLATION

### Executive Summary

This memorandum provides an update on the latest efforts by the Legislature to develop proposals to place a water bond measure on the November 4, 2014 State General Election ballot.

### Background

In November 2009, the Legislature passed and then-Governor Schwarzenegger signed SBX7 2 (Chapter 3, Statutes of 2009-10) which created the Safe, Clean and Reliable Drinking Water Supply Act of 2010 and approved an \$11.14 billion general obligation bond measure (Water Bond) to be placed on the November 2010 ballot to finance a safe drinking water and water supply reliability program. The Legislature subsequently amended and postponed the Water Bond measure, twice delaying its placement before the voters to November 2012 (AB 1265, Chapter 126, Statutes of 2010) and November 2014 (AB 1422, Chapter 74, Statutes of 2012) due to the State's poor economic conditions, the number of competing ballot measures, and public opinion polls which showed that voter support for the size and scope of the Water Bond measure was lagging.

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As previously reported, the Legislature is currently developing alternative proposals, **SB 42 (Wolk)** and **AB 1331 (Rendon)**, for consideration. Both bills would scale back the size of the Water Bond and would make changes to the resources programs and projects that would be eligible for funding should the voters approve the Water Bond in the November 2014 election. The major provisions of both bills are summarized below, and an overview comparison of the original Water Bond proposal is contained in Attachment I. Both SB 42 and AB 1331 have been referred to the Senate Natural Resources and Water Committee.

On September 23, 2013, the Senate Natural Resources and Water Committee and the Senate Environmental Quality Committee held a joint hearing to discuss the 2014 Water Bond. Specifically the joint hearing was meant to provide an overview of SB 42 and AB 1331 as currently amended, identify key issues that may need additional consideration by the Legislature, and possibly suggest alternative approaches for consideration. The Committee discussed the need to address the State's critical water needs in the next 10 to 15 years, particularly relating to drinking water, both Statewide and in disadvantaged communities. There was also discussion regarding challenges of determining if the bond proposals should designate funding by region or if it should be allocated Statewide. Finally, Senator Wolk and Assemblymember Rendon noted that much work needs to be done as they continue drafting the language for their bond proposals and that they welcome the opportunity to hold more informational hearings in the coming months to gather more input from stakeholders, build consensus for the bond proposals, and to ensure a transparent process. Further hearing dates for these bills have not been set.

### **SB 42 (Wolk) - Safe Drinking Water, Water Quality, & Flood Protection Act of 2014**

**SB 42 (Wolk)**, which as amended on August 15, 2013, would repeal the provisions of the Water Bond measure and would instead: 1) enact the Safe Drinking Water, Water Quality, and Flood Protection Act of 2014, which if adopted by the voters, would authorize the issuance of \$5.6 billion in State general obligation bonds to finance a safe drinking water, water quality, and flood protection program; and 2) provide for the submission of the bond act to the voters at the November 4, 2014 Statewide General Election, was amended on September 11, 2013. SB 42 is an urgency measure and would be effective immediately if signed by the Governor.

As amended, SB 42 would provide a total of \$6.475 billion in funding (reducing the current water bond by \$4.665 billion), changes the amounts of funds that would be allocated for some of the designated funding categories, and adds more detail about the types of projects that will be eligible for funding.

Specifically, the bill would provide funding for:

1) Safe Drinking Water Projects - \$2.0 billion

- \$500.0 million to the State Water Resources Control Board (SWRCB) for projects to address immediate safe drinking water needs, including urgent public health emergency actions to ensure safe drinking water, public water system infrastructure improvements, technical assistance, projects serving severely disadvantaged communities, and development and demonstration of new technologies for water containment removal and treatment appropriate for use by small and State small water systems; and
- \$1.5 billion to the California Department of Water Resources for grants for projects that develop, improve, or implement an adopted integrated regional water management plan and that improve the quality or supply of safe drinking water, reduce the amount of water imported to the region, or address other critical water supply reliability issues. Of these funds, \$267.0 million would be allocated to the Los Angeles hydrologic sub-region for integrated regional water management planning.

2) Water Quality and Watershed Protection Projects - \$2.1 billion

- \$400.0 million to the SWRCB for small community wastewater treatment projects to keep contaminants out of rivers, lakes, streams, groundwater, and coastal waters, and for other projects to protect the public and fish and wildlife from contaminated sources of water;
- \$1.1 billion for water quality and watershed protection projects as follows:
  - \$600.0 million to the Delta Conservancy for Delta ecosystem and community sustainability projects; and
  - \$500.0 million for water quality and watershed protection projects of Statewide significance outside of the Delta region.
- \$600.0 million to State conservancies and the Wildlife Conservation Board for watershed protection and water quality projects outside the Delta.

3) Flood Control and Stormwater Management - \$1.375 billion

- \$500.0 million to the California Department for Water Resources (CADWR) for multi-benefit Central Valley Flood Protection Plan projects with an emphasis on regional advance mitigation investments;
- \$75.0 million to the Natural Resources Agency for flood control projects on public lands that provide critical flood, water quality and wetland ecosystem benefits to the San Francisco Bay region;
- \$375.0 million for competitive grants and loans for stormwater management;
- \$25.0 million to the California Department of Conservation for competitive grants for qualified special districts and nonprofit organizations for projects that reduce or manage runoff from agricultural lands for the benefit of surface and groundwater quality; and
- \$400 million to reduce the risk of levee failure and flood in the Delta.

4) Water System Operation Improvements - \$1.0 billion

- Legislative appropriation to the California Water Commission for a competitive grant process.
- Eligible projects would include:
  - Surface storage projects identified in the CALFED Bay-Delta Programmatic Record of Decision (except projects at Lake Shasta);
  - Groundwater storage and groundwater contamination prevention or remediation projects;
  - Conjunctive use and reoperation projects;
  - Projects that restore the capacity of existing reservoirs;
  - Projects result in a permanent reduction of water exported from the Delta and a transfer of the equivalent water right to instream flow; and
  - Recycled water storage projects.

The Department of Public Works Water Resources Bureau (DPW-WRB) supports the majority of elements in SB 42, including the \$1.5 Billion allocated to CADWR for the Integrated Regional Water Management (IRWM) projects, and establishing the IRWM as the instrument for providing funds for local water supply projects. SB 42 would allocate \$267.0 million to the Los Angeles-Ventura funding region, an increase from the 2010 Water Bond proposed funding level of \$198.0 million. The WRB has been working with various regional IRWM groups to achieve diversifications for water supply and to reduce reliance on imported water. The IRWM grant funding can be used for various water resources projects and can simultaneously address many of the efficient water management practices objectives in improving water quality.

The Department of Public Works notes that the proposed allocation of \$600.0 million for Delta sustainability, as compared to the 2010 Water Bond which proposed \$2.25 billion for Delta sustainability, is inadequate. According to the Bay Delta Conservancy Plan, approximately \$5.0 billion is needed for ecological restoration to improve Southern California's water supply reliability, including the Waterworks Districts' supply which relies heavily on imported water from the State Water Project. DPW notes that Senator Wolk's district covers communities and farms within the Delta and areas immediately upstream of the Delta that are opposed to the Bay Delta Conservancy Plan and the Governor's proposed tunnel conveyance system.

The Department of Public Works indicates that SB 42 significantly reduces proposed funding for Statewide water storage projects. The 2010 Water Bond proposal provided \$3.0 billion for Statewide water storage projects while SB 42 proposes \$1.0 billion for water systems operational improvements, including surface water, groundwater, recycled water, and flood control water storage projects. The impacts of reducing the allocations for these types of projects on the State water supply conveyance systems are not readily apparent at the regional level or a main component of the WRB's operations but are of concern to Southern California water agencies, including the Los Angeles County Waterworks Districts, which rely heavily on imported water.

The Department of Public Works also reports that, in collaboration with other agencies, the DPW-WRB may be able to apply for funding under several of the allocation provisions in SB 42 to fund efficient water management practices projects, could help the region comply with the Municipal Separate Storm Sewer System (MS4) permit and Total Maximum Daily Load (TMDL) implementation requirements, septic to sewer conversion projects, or other water resources projects in the Los Angeles region.

Finally, DPW reports that SB 42 would provide limited funding for stormwater quality and flood management.

**AB 1331 (Rendon) - Climate Change Response for Clean and Safe Drinking Water Act of 2014**

On August 15, 2013, the Assembly Water, Parks and Wildlife Committee held an informational hearing and presented a proposed framework for a revised \$5.0 billion State Water Bond. The framework would provide \$1.0 billion for each of the following categories: 1) clean and safe drinking water; 2) protection for rivers, lakes, streams and watersheds; 3) climate change preparedness and regional self-reliance for water; 4) Sacramento-San Joaquin Delta sustainability; and 5) surface and ground water storage for climate changes. At that time, the Committee indicated that it would come back with more specific provisions and bill language later in the month. Those changes have been amended into AB 1331, as detailed below.

**AB 1331 (Rendon)**, which as amended on September 11, 2013, contains the detailed provisions of the Assembly working group's framework for the Water Bond. Specifically, this bill would repeal the provision to the original Water Bond measure and would instead: 1) enact the Climate Change Response for Clean and Safe Drinking Water Act of 2014, which if adopted by the voters, would authorize the issuance of \$6.5 billion in State general obligation bonds to finance a climate change response for clean and safe drinking water program; and 2) provide for the submission of the bond act to the voters at the November 4, 2014 Statewide General Election. AB 1331 is an urgency measure and would be effective immediately if signed by the Governor.

AB 1331 would provide a total of \$6.5 billion in funding (reducing the current water bond by \$4.64 billion) for projects that respond to climate change, ensure clean and safe drinking water, and prepare for the State's continued growth. Specifically, the bill would provide funding for:

1) Water Quality and Clean and Safe Drinking Water - \$1.0 billion

- For expenditures, grants, and loans for projects that improve water quality or help provide clean and safe drinking water to all Californians; and
- Projects will be selected by a competitive grant or loan process with added consideration for projects that leverage private, Federal, or local funding.
- Projects eligible for funding are as follows:
  - \$250.0 million to support projects that address the management of stormwater quality;

- \$100.0 million to finance public health emergencies and urgent actions to ensure that safe drinking water supplies are available to all Californians;
- \$400.0 million for public water system infrastructure improvements to meet safe drinking water standards, ensure affordable drinking water, or both. Eligible recipients serve disadvantaged communities and are public agencies or incorporated mutual water companies; and
- \$250.0 million for improving groundwater quality.

2) Protecting Rivers, Lakes, Streams, and Watersheds - \$1.5 billion

- For expenditures and grants for ecosystem and watershed protection and restoration projects, including but not limited to the following watersheds: San Joaquin River; Kern River and Tulare Basin; Salton Sea and Colorado River; Los Angeles River; San Gabriel River; Santa Ana River; Klamath River; North Coast; San Francisco Bay; Central Coast; South Coast; Lake Tahoe Basin; Sacramento River; San Diego County coastal; Ventura River; Sierra Nevada Mountain; Mojave River; Owens River; Santa Monica Bay; Marin County; and Orange County; and
- Projects eligible for funding include those that: 1) protect and increase the economic benefits arising from healthy watersheds, fishery resources, and instream flow; 2) help watershed ecosystems adapt to climate change; 3) restore river parkways throughout the State; 4) protect and restore aquatic, wetland, and migratory bird ecosystems, including fish and wildlife corridors; 5) fulfill the obligations of the State of California to comply with the terms of multi-party settlement agreements related to water resources; 6) remove barriers to fish passage; 7) collaborate with Federal agencies in the protection of fish native to California; 8) implement fuel treatment projects to reduce wildfire risks, protect watersheds tributary to water storage facilities, and promote watershed health; 9) protect and restore watershed health to improve watershed storage capacity, forest health, protection of life and property, and greenhouse gas reduction; and 10) promote access and recreational opportunities to watersheds and waterways that are compatible with habitat values and water quality objectives.

3) Climate Change Preparedness for Regional Water Security - \$1.5 billion

- For expenditures and competitive grants and loans to eligible projects that are include in, and implement an adopted integrated regional water management plan;
- A cost share from non-State sources of not less than 50% of the total costs of the project shall be required (but may be waived or reduced for projects that directly benefit a disadvantaged community or an economically distressed area);
- Eligible projects include, but are not limited to, projects that promote: 1) water reuse and recycling; 2) water-use efficiency and water conservation; 3) local and regional surface and underground water storage; 4) regional water conveyance facilities that improve integration of separate water systems; 5) watershed protection, restoration, and management projects; and 6) stormwater resource management; and
- Of the funds authorized for this program, \$1.0 billion shall be allocated to the hydrologic regions identified in the California Water Plan (\$198 million will be allocated to the Los Angeles subregion, which includes the Los Angeles and Ventura County watersheds).

4) Sacramento-San Joaquin Delta Sustainability - \$1.0 billion

- For grants and direct expenditures to improve the sustainability of the Delta;
- Funding may include, but is not limited to: 1) projects to protect and restore native fish and wildlife dependent on the Delta ecosystem; 2) projects to reduce greenhouse gas emissions from exposed Delta soils; and 3) scientific studies and assessments that support these types of projects; and
- Funding shall reduce the risk of levee failure and flood in the Delta.

5) Water Storage for Climate Change - \$1.5 billion

- Projects eligible to be funded are limited to: 1) surface storage projects identified in the CALFED Bay-Delta program; 2) groundwater storage projects and groundwater contamination prevention or remediation

projects that provide water storage benefits; 3) conjunctive use and reservoir reoperation projects; 4) local and regional surface storage projects that improve the operation of water systems in the state and provide public benefits; and 5) projects that remove sediment, improve dam stability in seismic events or otherwise restore water storage capacity in existing water storage reservoirs; and

- Projects shall be selected through a competitive grant process that ranks potential projects based on the expected return for public investment as measured by the magnitude of the public benefits provided.

The Department of Public Works Water Resources Bureau reports that AB 1331, like SB 42, provides some potential funding opportunities for water resources projects in the Los Angeles region; however, it does not provide adequate funding for other water related priorities, such as Delta sustainability.

The Department of Public Works supports provisions of AB 1331 to allocate \$1.5 billion for water storage projects, \$1.5 billion for Integrated Regional Water Management (IRWM) projects, and establish the IRWM as the instrument for providing funds for local water supply projects. AB 1331 would allocate \$198.0 million to the Los Angeles - Ventura funding areas for projects that are included in and implement an adopted IRWM plan (the same amount as in the 2010 Water Bond) and \$500.0 million for water recycling and advanced treatment projects. As previously mentioned, the WRB has been working with various regional IRWM groups to achieve diversifications for water supply and to reduce reliance on imported water. The IRWM grant funding can be used for various water resources projects and can simultaneously address many of the efficient water management practices objectives in improving water quality.

However, the Department of Public Works notes that the proposed allocation of \$1.0 billion for Delta sustainability, as compared to the 2010 Water Bond which proposed \$2.25 billion for Delta sustainability, is inadequate. According to the Bay Delta Conservancy Plan, approximately \$5.0 billion is needed for ecological restoration to improve Southern California's water supply reliability, including the Waterworks Districts' supply which relies heavily on imported water from the State Water Project.

The Department of Public Works reports that the Los Angeles County Waterworks Districts may be able to apply for funding for local ground water cleanup projects and drinking water safety improvements from the \$650 million that is allocated to those two areas. Additionally, in collaboration with other agencies, the DPW-WRB divisions may be able to apply for grants to fund efficient water management practices projects and water resources projects in the Los Angeles region from the allocations made to support

projects that address the management of stormwater quality. The funds may be used to build or manage multi-beneficial use projects that could help the region comply with the Municipal Separate Storm Sewer System (MS4) permit and Total Maximum Daily Load (TMDL) implementation requirements.

AB 1331 also includes \$1.5 billion in competitive grants to expand the State's water storage capacity to address the impact of climate change on the snow pack in the Sierra Nevada Mountains and water storage resources. DPW reports that projects that are eligible for funding could benefit the Water Resources Branches and include: 1) groundwater storage projects and groundwater contamination prevention or remediation projects that provide water storage benefits; 2) conjunctive use and reservoir reoperation projects; 3) local and regional surface storage projects that improve the operation of water systems in the state and provide public benefits; and 4) projects that remove sediment, improve dam stability in seismic events or otherwise restore water storage capacity in existing water storage reservoirs.

Finally, similar to SB 42, AB 1331 only provides limited funding for stormwater quality and flood management, which is needed to comply with various permit requirements and to build new and rehabilitate existing infrastructure in order to decrease pollution and help the WRB comply with water quality requirements.

### **Analysis and Outlook for the Water Bond Proposals**

The Department of Public Works Water Resources Bureau has reviewed both SB 42 and AB 1331 and also compared them to the 2010 bond proposal. The DPW notes that while many individual elements of both proposals are positive, including some funding opportunities for regional water resources and stormwater management projects, the bills miss the opportunity to provide adequate funding for other water resource essentials. Therefore, DPW recommends that the County take no position on the bills as currently amended.

It should be noted that public support for the bond measure appears to remain weak. On September 27, 2013, the results from a recent poll on various Statewide policy issues conducted for the USC Dornsife College of Letters, Arts and Sciences and the Los Angeles Times were released. The poll showed that, while a majority, 63 percent, of Californians believe that the State's water situation is a crisis or a major problem, their support for the proposed water bond is tempered considerably by the cost of the proposed projects. Sixty percent of those polled said they supported a bond to finance water improvements - such as levee repair or groundwater clean-up. However, when informed that the bond to pay for those projects would be in the range of \$5.0 to \$6.0 billion, support fell to 36 percent.

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The poll also showed that people across the State tend to be satisfied with the cleanliness (77 percent) and availability of clean water (86 percent) in their homes, and almost half (45 percent) are satisfied with the cost of their water bill. According to the polling firm, these results indicate that while many people understand that the State's water situation needs attention, they do not see problems on a daily basis and therefore do not see the need to support a multi-billion dollar bond measure.

**This office and the Department of Public Works will continue to monitor future hearings on Water Bond legislation and will report back on any amendments that may impact the County.**

We will continue to keep you advised.

WTF:RA  
MR:AO:ma

#### Attachment

c: All Department Heads  
Legislative Strategist  
Local 721  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants

### Comparison of 2014 Water Bond Proposals

#### **2014 Water Bond - as currently drafted\***

Drought Relief	\$ 455,000,000
Water Supply Reliability	\$ 1,400,000,000
Delta Sustainability	\$ 2,250,000,000
Statewide Water System Operational Improvement	\$ 3,000,000,000
Conservation and Watershed Protection	\$ 1,785,000,000
Groundwater Protection and Water Quality	\$ 1,000,000,000
Water Recycling Program	\$ 1,250,000,000
<b>Total</b>	<b>\$ 11,140,000,000</b>

#### **SB 42 (Wolk) - as amended on September 11, 2013**

Safe Drinking Water and Local Sustainability	\$ 2,000,000,000
Water Quality and Watershed Protection Projects	\$ 2,100,000,000
Flood Control Management and Stormwater Management	\$ 1,375,000,000
Water System Operation Improvements	\$ 1,000,000,000
<b>Total</b>	<b>\$ 6,475,000,000</b>

#### **AB 1331 (Rendon)# - as amended on September 11, 2013**

Water Quality and Clean and Safe Drinking Water	\$ 1,000,000,000
Protecting Rivers, Lakes, Streams and Watersheds	\$ 1,500,000,000
Climate Change Preparedness and Regional Self-Reliance	\$ 1,500,000,000
Sacramento-San Joaquin Delta Sustainability	\$ 1,000,000,000
Surface and Groundwater Storage	\$ 1,500,000,000
<b>Total</b>	<b>\$ 6,500,000,000</b>

\* SB 2 x7 (Chapter 3, Statutes of 2009-10, Seventh Extraordinary Session), as amended by AB 1265 (Chapter 126, Statutes of 2009-10) and AB 1422 (Chapter 44, Statutes of 2011-12)

# Formerly Assembly Working Group Framework