



ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: OFFICE OF THE GENERAL MANAGER
CONTACT: VALERIE PRYOR

AGENDA DATE: April 17, 2019

ITEM NO. 8

SUBJECT: Position on a Statewide Tax on Drinking Water

SUMMARY:

A proposed statewide tax on drinking water has been proposed by Governor Gavin Newsom and is being advanced through a budget trailer bill (water tax). This tax would fund drinking water solutions for disadvantaged communities. The State Water Resources Control Board (SWRCB) estimate that nearly 800,000 people in California lack access to safe and reliable drinking water on a daily basis. The SWRCB has identified 329 systems statewide the chronically serve contaminated drinking water or cannot provide reliable water service due to unsound infrastructure or because they lack the local financial, managerial and technical resources to do so. The vast majority of these systems are small, rural systems that typically serve less than 1,000 people.

The Governor Newsom proposal would raise approximately \$140 million in annual revenue. Of this total, approximately \$110 million would be collected through a tax on drinking water provided to residential, business, industrial and institutional customers, ranging from 95 cents to \$10 per month depending on meter size; the remaining \$30 million would be collected through fees charged to dairy producers and feedlot operators.

Zone 7 is committed to delivering high quality and reliable water. Zone 7 and the water community agree with the intent of the proposed water tax, which is intended to fill gaps in funding to assist disadvantaged communities that lack access to safe drinking water. Zone 7 is also committed to working with its retailers to provide affordable water to customers. Adding a tax on drinking water works against the common goals of keeping water bills affordable to customers. The proposed water tax would turn the retailers into tax collectors for the state, requiring additional resources (e.g., changes to billing software, hiring of staff to check income levels and address fraud) and adding further costs to retailer customers.

Alternative funding solutions for safe drinking water have been proposed, including SB 669 – Safe Drinking Water Fund. SB 669 would create a Safe Drinking Water Trust that will help community water systems in disadvantaged communities provide access to safe drinking water. The Association of California Water Agencies (ACWA) and the California Municipal Utilities Association (CMUA) are sponsoring the bill by Senator Anna Caballero (D-Salinas). The Trust would be created in the State Treasury and funded with General Fund dollars during a state budget surplus year. The principal would be invested and the net income from the Trust would be transferred to a Safe Drinking Water Fund, which the State Water Resources Control Board would administer. This proposal would create a durable funding source for costs associated with

operation and maintenance (O&M) and consolidation efforts and would complement existing federal and state funding sources for capital costs.

The Zone 7 Board has not typically adopted positions on proposed legislation. At times, the Zone 7 Board has agendaized and discussed legislative proposals at Board meetings to provide a forum in which to provide information to the public.

RECOMMENDATION:

Staff recommends the Board take one of two actions:

Option 1: Do not take a formal position on the proposed water tax but use this report and discussion as a means to provide information to the public; or

Option 2: Oppose the water tax and potentially support SB 669 by adopting one or both of the two proposed resolutions.

ATTACHMENTS:

1. Proposed Resolution to Oppose the Water Tax
2. Proposed Resolution to Support SB 669

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY DIRECTOR
SECONDED BY DIRECTOR

Statewide Tax on Drinking Water

WHEREAS, a proposed tax on drinking water is being advanced through a budget trailer bill; and

WHEREAS, drinking water is essential to life and the lack of access to safe drinking water in disadvantaged communities is a public health issue that the state should address; and

WHEREAS, the water community agrees with the intent of the proposed legislation which is to fill gaps in funding to assist disadvantaged communities that lack access to safe drinking water; and

WHEREAS, adding a tax on drinking water works against the common goal of keeping water bills affordable; and

WHEREAS, the legislation would turn retail water agencies into tax collectors for the state of California which would require additional resources to administer and would therefore add additional costs to retail water customers; and

WHEREAS, there are more appropriate funding sources that could be used to address this ongoing issue and the Association of California Water Agencies and the California Municipal Utilities Association are sponsoring SB 669 (Caballero) to create the Safe Drinking Water Trust Fund to address this issue;

NOW THEREFORE BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby approve a formal position of oppose on the budget trailer bill proposing a tax on drinking water.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on April 17, 2019.

By: _____
President, Board of Directors

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY DIRECTOR
SECONDED BY DIRECTOR

Resolution Supporting SB 669 (Caballero), the Safe Drinking Water Fund

WHEREAS, the Association of California Water Agencies (ACWA) and the California Municipal Utilities Association (CMUA) are sponsoring SB 669 (Caballero) to create the Safe Drinking Water Trust (the Trust); and

WHEREAS, drinking water is essential to life and the lack of access to safe drinking water in disadvantaged communities is a public health issue that the state should address; and

WHEREAS, a funding solution for operation and maintenance and consolidation costs is needed that can complement existing federal and state funding sources for capital costs; and

WHEREAS, ACWA and CMUA have developed the Trust proposal to provide the needed funding solution;

WHEREAS, SB 669 would create the Trust in the state Treasury; and

WHEREAS, the Trust would be funded with an infusion of General Fund dollars during a state budget surplus year; and

WHEREAS, there is a record General Fund budget surplus for the 2019-'20 fiscal year and a portion could be used to fund the Trust's principal; and

WHEREAS, the net income from the Trust would provide the needed durable source of funding; and

WHEREAS, a statewide water tax on local water bills of approximately 3,000 community water systems would work against the common goal of keeping water affordable;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District formally supports SB 669.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on April 17, 2019.

By: _____
President, Board of Directors