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January 28, 2019

Ms. Jeanine Townsend, Clerk of the Board  
State Water Resources Control Board  
P.O. Box 100  
Sacramento, CA 95812-2000



Sent via e-mail: Ms. Jeanine Townsend, Clerk of the Board at  
commentletters@waterboards.ca.gov

**Subject: Comment Letter - Options for Implementation of a Statewide Low-Income Water Rate Assistance Program**

Dear Ms. Townsend,

Thank you for the opportunity to provide comments on the draft AB401 report concerning a low-income water rate assistance program (W-LIRA). Rincon Water exists to reliably deliver quality water to meet the needs of our residents, businesses, municipalities, and fire response services, while executing this civic responsibility with professionalism, striving always to improve the value our customers experience for the rates they pay.

As a member of the stakeholder work group discussing the issue, attending the workshops, providing information and data, and providing input to a feasible plan, I am pleased to see that the Board staff did listen to and include various inputs and ideas. Overall, the report considers various options and solutions that don't exacerbate the affordability of water for many who fall above the 200% FPL and are struggling, as well as for Community Water Systems (CWS) who may have to implement any type of program and not have the technical, managerial, or financial (TMF) wherewithal.

**Overall Trends/Comments**

Key to resolving the long-term situation is to create sustainable operations, execute consolidation, address the TMF of these systems, and while there is no one hard and fast solution, utilize a variety of tools in the proverbial tool box as needed. This includes conducting a true needs assessment, especially as there are various programs and expenditures (grants, propositions, federal aid), as well as actions (e.g., consolidations) that may be alleviating some of the issues facing low income or disadvantaged and struggling communities. The report seems to cover these potential solutions.

**Affordability.** The reality is THERE IS AN AFFORDABILITY issue in California, not just on water. This is reflected in many of our elected representatives' recent comments (Governor Newsom, Senator Atkins, Assemblymember Gloria to name a few) and focus for the 2019-2020 legislative years. The report recognizes this aspect on page 8 "...coupled with California's high cost of living...". In fact, it is these other affordability pressures, such as significantly rising housing costs (53% over last 10 years and identified in footnote 11 on page 8), rents (20% in

the last 4 years), electric/gas (60%), college/education (218%), food (e.g, milk 28%), vehicle fees (almost double with passage of gas tax), and medical (percent varies), as well as assumed necessary items (television, phone, NetFlix (15% in one year), gasoline, vehicles, etc) that force families to make hard financial decisions. An example is rent – 20% increase over last four years on \$1000/month rent added \$200 dollars to family costs, and in comparison, a 20% increase on water over same period would equate to about \$12 for average monthly bill. Large difference between \$200 and \$12 dollars. The reality is water is one of the most basic human needs to survive, which is why HRTW was put in place in the state but has erroneously been placed in the “discretionary expense” column among various groups addressing this issue. Given that premise, and as the report lays out, it is really a statewide issue the general fund should be addressing, like other general fund expenditures on statewide issues (education, medical, health, welfare, public safety, etc). If there needs to be any outside funding source, it should be on options as recommended in the report – income tax on high earners and bottled water sales tax - NOT on any form of water tax. A water tax only exacerbates the affordability issue across all demographics, is regressive, and contrary to the HRTW concept.

A key concept on all this is stated on page 8: “Low-income households need more support to make ends meet. Providing all low-income households with financial assistance to help pay their water bills is a small, but **important way the state can support** (emphasis added) provision of basic necessities for all Californians.” The state should and can support this effort through use of general funds (estimated \$21 Billion surplus for 2019 per LAO), or **funds collected through the report’s primary recommendation of income tax on high earners and/or bottled beverage tax**. As with food, there should never be a tax on water at the retail/customer level of CWS’, as water is as important or even more important to living than food and other basic necessities (shelter or clothing).

Other alternatives for funding income assistance include options as provided by the Association of California Water Agencies (ACWA) and California Municipal Utilities Association (CMUA). Another aspect overlooked in providing assistance is through religious and non-denominational charities, who are very often already imbedded in the communities, have a healthy donor base, and can provide more than monetary relief, such as assisting in creating budgets and learning to manage money wisely. As mentioned previously, there will be multiple tools required to alleviate the issue, and not all of them have to be direct financial welfare.

**Addition of Alcohol Tax.** Additionally, the state should consider a tax on alcohol, in addition to bottled water, given that all alcohol production requires water (beer is crunchy without water), and you would receive a twofer, since the state spends millions of dollars on anti-drinking/anti-alcohol/drugs advertising and educational programs and would help reduce health impacts and costs due to excessive alcohol consumption and inter-related negative societal issues.

**Technical, Managerial, Financial (TMF).** A general comment or theme of the report looks at the technical, managerial, and financial (TMF) abilities of community water systems (CWSs). Well run and managed water systems charge adequate rates to cover the operations and maintenance, capital improvement and renewals/replacement of system assets, administration, and maintaining a rainy-day fund. Many of the external pressures on CWS’s is the continued expansion of regulations related to water quality, increased sampling, increased state reporting,

focus on improving system performance, such as water loss (AB1668/SB606/SB555 for example affect all these above), ever increasing energy costs, environmental decisions which may increase water sourcing and costs, which then have a direct impact on agencies having to raise rates in alignment with Proposition 218 and best management practices to cover the increased costs. This is reinforced and recognized in the report on bottom of page 11 and top of page 12, specifically, "... , more stringent water quality standards require additional costs for treatment and operator training.....In other words, state agencies and especially local water systems need to finance their own operations to a much greater extent than in the past." The report recognizes the reduced federal support to public utilities infrastructure, BUT, any potential water tax on CWS' would increase and negatively exacerbate rates, making their financial situations worse and impacts to low-income ratepayers more problematic. *In fact, the HRTW bill articulates: "The implementation of this {legislation} shall not infringe on the rights or responsibilities of any public water system."*

**Proposition 218** is discussed on Page 5, and though it may have constraints, it was established by the voters to require public agencies to only charge for actual costs of service and was put in place to protect ratepayers. Though Proposition 218 seems to potentially hinder implementation of W-LIRA programs at the lower level, many agencies have been able to use non-rate revenue (taxes, cell tower leases, etc) to provide assistance and offsets to all ratepayers and in some cases, low-income customers, such as lowering their tier 1 rates, which tier low-income ratepayers traditionally fall into. Though a good majority of CWS' receive wholesale water from outside their distribution areas, it is still a local resource, governed by **local elected representatives**, managed by local water professionals, and has unique aspects related to how systems operate, whether they treat their own water from one or multiple sources or purchase treated water from a wholesaler, and has a unique customer basis and demands (residential, CII, agriculture, etc), that sets the overall rate.

Overall though, tap water is still less than **\$0.02 per gallon on average**, even with all the expanding cost pressures and regulatory/system operational requirements. This seems extremely reasonable when compared to the costs of wine, soda, alcohol, milk, bottled water, and other liquid food products, as well as compared to natural gas, gasoline, electricity costs and other discretionary expenses homeowners face daily.

### **Technical Comments**

**Basis of Assistance.** The use of 12 CCF as the basis of assistance is critically flawed. Based on a four-member household, this would allow 55 gallons per capita per day (GPCD), plus an additional 20 gallons per person per day for outside usage, for total of 75 GPCD. This amount is in direct violation of the HRTW concept established in AB 685: "...state policy that every human being has right to safe, clean, affordable, and accessible water **adequate for human consumption, cooking and sanitary purposes** (emphasis added)" – and does NOT include outdoor irrigation. Current laws such as SBx7-7, AB1668 and SB606, as well as current Water Board resolutions and regulations related to conservation and water use efficiency, mandate and enforce 55 GPCD for indoor use, with the indoor allowable usage being reduced to 50 GPCD over the next 10 years. Further, Pacific Institute studies and reports propose that an appropriate indoor water use should be 43 GPCD, which is significantly lower than the current

55 GPCD, and future 50 GPCD. In majority of cases (72% per SWRCB report), low income residents reside in multi-family units, do not pay a water bill directly, and have no outdoor irrigation requirements. Based on the factor of 55 GPCD, an appropriate amount of water use per month for a family of four would be 8.8 CCF, and if 43 gallons per person was used, the amount for a family of four would be 6.9CCF. Using an amount required by existing law and within the Water Boards own long term water conservation regulations, the amount of funding required for an assistance program would be **significantly reduced**, yet still accomplish the intent of providing low-income assistance/welfare.

**Program Benefit Tiers.** Regarding the three tiers of proposed potential Program benefits, this is arbitrary and capricious and will be extremely difficult to implement, given the extra administrative and tracking requirements, as well as the amounts were not based on any sound criteria, just proposed amounts and percentages. The report further states that those who fall into the upper two tiers are less than **3% of the total low-income numbers**, so the additional management and administrative oversight costs would not be justified and only add more complexity to the management of a W-LIRA program. It is recommended that a specific amount, such as 20% of the monthly bill, be set as the basis. Understanding too that local economic conditions prevail, in that some areas of the state have higher costs of living, may or may not have higher water bills, as well as other affordability issues, further justifies a simpler approach of a set amount, which equates to equity among all recipients. The majority of water agencies do not track the number of residents in a household but have some evidence that several families may share a household, exceeding the four-member number per account, which also reduces the cost burden per person. In some cases, the water bill is higher due to two or three families sharing a household, so a set percentage amount would still provide economic assistance sought with a W-LIRA program.

**Benefit Distribution.** In regards to the Board's proposed approach to benefit distribution, the report reviews several existing options as well as creating new mechanisms for subsidy distribution. While a direct water nexus is optimal related to the subsidy or financial assistance, the real intent is providing monetary assistance to low-income families to be better able to afford to reside in this state. As verified in the report, 72 percent of families do not pay a water bill directly, so the use of an existing assistance program, *such as CalFresh*, makes the most sense, as it can draw on the existing data base of registered low-income families, does not require new administrative staff and offices to manage, reduces overhead costs, and would be a simple implementation mechanism. Reality is families are looking for financial assistance, and additional cash assistance in CalFresh would free up the funds to pay the water bills and offset those costs.

**Appendix L.** One of the most problematic items of the report is Appendix L, "Options for Improving Affordability That Do Not Include Direct Rate Assistance." This appendix discusses three main items, and an example of different rate scenarios is presented, as well as language related to future rate setting. As the HRTW act clearly states "**the implementation of this [legislation] shall not infringe on the rights or responsibilities of any public water system.**" Water suppliers are obligated to ensure that the water they deliver meets all state and federal regulations and water quality standards and in accordance with Proposition 218, provided at a price that does not exceed the cost of producing and delivering that water. We

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recognize the expertise the State Water Board has related to public health, water quality, drought management, environment, and other technical issues, but recommending the State Board or legislature become involved in financial management or rate setting activities of **locally elected governments** is an extremely dangerous proposal that can have dire consequences for local and state leaders alike.

Thank you for the opportunity to provide comments on this very important report and look forward to the final results. I can be reached at [gthomas@rinconwater.org](mailto:gthomas@rinconwater.org) or 760 745-5522.

Respectfully,



Greg Thomas  
General Manager

cc: Rincon Water Board of Directors  
Senator Toni Atkins  
Senator Brian Jones  
Senator Patricia Bates  
Senator Ben Hueso  
Assemblymember Todd Gloria  
Assemblymember Marie Waldron  
Assemblymember Shirley Weber  
Assemblymember Brian Maienschein  
Assemblymember Randy Voepel  
Assemblymember Tasha Boerner Horvath  
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