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**CALIFORNIA SAFE DRINKING WATER
BOND LAW OF 1976**

Text of Proposed Law

This law proposed by Assembly Bill No. 121 (Statutes of 1975, Chapter 1006) is submitted to the people in accordance with the provisions of Article XVI of the Constitution. This proposed law does not amend any existing law. Therefore, the provisions thereof are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Chapter 10.5 (commencing with Section 13650) is added to Division 7 of the Water Code, to read:

CHAPTER 10.5. CALIFORNIA SAFE DRINKING WATER BOND LAW OF 1976

13650. This chapter shall be known and may be cited as the California Safe Drinking Water Bond Law of 1976.

13651. The Legislature hereby finds and declares that it is necessary for the preservation of the health, safety, and welfare of the people of California that water supplied for domestic purposes be pure, wholesome, and potable and does not endanger the health or lives of human beings and that water is available in adequate quantity at sufficient pressure for health, cleanliness, and other domestic purposes.

13654. The Legislature further finds and declares that a number of domestic water supply systems are inadequate and do not meet minimum bacteriological, chemical, or other basic health standards for domestic water supplies, and that it is in the interest of the people that the State of California provide technical and financial assistance to the end that the people of California are assured a safe, dependable, and potable supply of water for domestic purposes and that water is available in adequate quantity at sufficient pressure for health, cleanliness, and other domestic purposes.

13653. The Legislature further finds and declares that it is the intent of the Legislature to provide for the upgrading of domestic water supply systems to assure that all domestic water supplies at least meet minimum domestic water supply standards established under Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code.

13656. The State General Obligation Bond Law is adopted for the purpose of the issuance, sale, and repayment of, and otherwise providing with respect to, the bonds authorized to be issued by this chapter, and the provisions of that law are included in this chapter as though set out in full in this chapter, except that notwithstanding anything in the State General Obligation Bond Law, the bonds authorized hereunder shall bear such rates of interest, or maximum rates, as may from time to time be fixed by the State Treasurer, with the approval of the committee, and the maximum maturity of bonds shall not exceed 50 years from the date of the bonds, or from the date of each respective series. The maturity of each respective series shall be calculated from the date of such series.

13657. As used in this chapter, and for purposes of this chapter as used in the State General Obligation Bond Law, the following words shall have the following meanings:

(a) "Committee" means the Safe Drinking Water Finance Committee, created by Section 13658.

(b) "Department" means the Department of Water Resources.

(c) "Domestic water system" means a system for the provision to the public of piped water for human consumption, if such system has at least 15 service connections or regularly supplies water to at least 25 individuals. Such term includes any water supply, treatment, storage, and distribution facilities under the control of the operator of such system.

(d) "Fund" means the California Safe Drinking Water Fund.

(e) "Supplier" or "supplier of water" means any person, partnership, corporation, association or other entity or political subdivision of the state which owns or operates a domestic water system.

(f) "Federal assistance" means funds available or which may become available to a supplier either directly or through allocation by the state, from the federal government as grants or loans for the improvement of domestic water systems.

(g) "Treatment works" means any devices or systems used in the treatment of water supplies, including necessary lands, which render such supplies pure, wholesome, and potable for domestic purpose.

(h) "Project" means proposed facilities for the construction, improvement, or rehabilitation of the domestic water system, and may include water supply, treatment works, and all or part of a water distribution system, if such inclusions are necessary to carry out the purpose of this chapter.

13658. The Safe Drinking Water Finance Committee is hereby created. The committee shall consist of the Governor, the State Treasurer, the Director of Finance, the Director of Water Resources, and the Director of Health or their designated representatives. A majority of the committee may act for the committee.

13659. There is in the State Treasury the California Safe Drinking Water Fund which fund is hereby created.

13660. The committee is hereby empowered to create a debt or debts, liability or liabilities, of the State of California, in an aggregate amount of one hundred seventy-five million dollars (\$175,000,000) in the manner provided in this chapter. Such debt or debts, liability or liabilities, shall be created for the purpose of providing the fund to be used for the objects and works specified in Section 13661.

13661. (a) The moneys in the fund are hereby continuously appropriated and shall be used for the purposes set forth in this section.

(b) The department is authorized to enter into contracts with suppliers having authority to construct, operate, and maintain domestic water systems, for loans to such suppliers to aid in the construction of projects which will enable the supplier to meet, at a minimum, safe drinking water standards established pursuant to Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code.

(c) Any contract pursuant to this section may include such provisions as may be agreed upon by the parties thereto, and any such contract shall include, in substance, the following provisions:

(1) An estimate of the reasonable cost of the project.

(2) An agreement by the department to loan to the supplier, during the progress of construction or following completion of construction as may be agreed upon by the parties, an amount which equals the portion of construction costs found by the department to be eligible for a state loan.

(3) An agreement by the supplier to repay the state, (i) over a period not to exceed 50 years, (ii) the amount of the loan, (iii) the administrative fee as described in Section 13662, and (iv) interest on the principal, which is the amount of the loan plus the administrative fee.

(4) An agreement by the supplier, (i) to proceed expeditiously with, and complete, the project, (ii) to commence operation of the project upon completion thereof, and to properly operate and maintain the project in accordance with the applicable provisions of law, (iii) to apply for and make reasonable efforts to secure federal assistance for the project, (iv) to secure approval of the department and of the State Department of Health before applying for federal assistance in order to maximize and best utilize the amounts of such assistance available, and (v) to provide for payment of the supplier's share of the cost of the project, if any.

(d) By statute, the Legislature may authorize bond proceeds to be used for a grant program, with grants provided to suppliers that are political subdivisions of the state, if it is determined that such suppliers are otherwise unable to meet minimum safe drinking water standards established pursuant to Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code. The total amount of grants shall not exceed fifteen million dollars (\$15,000,000), and no one supplier may receive more than four hundred thousand dollars (\$400,000) in total.

13662. For the purpose of administering the provisions of this chapter, the total expenditures of the department and the State Department of Health may not exceed 3 percent of the bond proceeds deposited in the fund. The department shall establish a reasonable schedule of administrative fees, which fees shall be paid by the supplier pursuant to Section 13661, to reimburse the state for the costs of state administration of this chapter.

13663. As much of the moneys in the fund as may be necessary shall be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16794.5 of the Government Code.

13664. Loans may be made only for projects for domestic water systems. The department may make reasonable allowance for future water supply needs and may provide for additional capacity when excessive costs would be incurred by later enlargement. Such loans may be made for all or any part of the cost of constructing, improving, or rehabilitating any such system when, in the judgment of the State Department of Health, such improvement or rehabilitation is necessary to provide pure, wholesome, and potable water available in adequate quantity at sufficient pressure for health, cleanliness, and other domestic purposes. No loan to an individual supplier shall be more than one million five hundred thousand dollars (\$1,500,000), unless the Legislature by an act raises the limit specified in this section.

13665. First priority for loans shall be given to suppliers with the most critical public health problems. Priority for loans shall also be given to suppliers which have a lesser capability to reasonably finance system improvements.

13666. Repayment of all or part of the principal, which is the loan plus the administrative fee, may be deferred during a development period not exceeding 10 years within the maximum 50-year repayment period, when in the department's judgment such development period is justified under the circumstances. Interest on the principal shall not be deferred. Repayment of principal which is deferred during a development period may, at the option of the supplier, be paid in annual installments during the remainder of the loan repayment period.

13667. The department shall require the payment of interest on each loan that is made pursuant to the provisions of this chapter at a rate equal to the average, as determined by the State Treasurer, of the net interest cost to the state on the sales of general obligation bonds pursuant to the provisions of this chapter. However, when the applicable average of the net interest costs to the state is not a multiple of one-tenth of 1 percent the interest rate shall be at the multiple of one-tenth of 1 percent next above the applicable average of the net interest costs.

13668. The department, after public notice and hearing and with the advice of the State Department of Health, shall adopt rules and regulations necessary to carry out the purposes of this chapter. Such regulations shall include, but not be limited to, criteria and procedures for establishing the eligibility of a supplier and a project for assistance commensurate with the need for the project and the ability of the supplier to reasonably finance the project from other sources. It shall be the duty of the department to adopt such rules and regulations as in its judgment will most effectively carry out the provisions of this chapter in the public interest, to the end that the people of California are most efficiently and most economically provided supplies of pure, wholesome, and potable domestic water. Such rules and regula-

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tions may provide for the denial of funds when the purposes of this chapter may most economically and efficiently be attained by means other than the construction of the proposed project.

13868.1. The State Department of Health shall notify suppliers that may be eligible for loans pursuant to this chapter of (a) the purposes of this chapter, and (b) the rules and regulations adopted by the department.

13868.3. The State Department of Health, after public notice and hearing and with the advice of the department, shall from time to time establish a priority list of suppliers to be considered for financing.

13868.5. Upon approval by the State Department of Health of project plans submitted by a supplier on the priority list and upon issuance to the supplier of a permit or amended permit as specified in Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code, the department may enter into a contract with the supplier.

13868.7. No more than twenty million dollars (\$20,000,000) of state loans for projects shall be authorized by the department in a single calendar quarter. No contract shall be approved by the department unless the department finds that the supplier has the capacity to repay the loan amounts specified in the contract.

The Public Utilities Commission shall furnish comments at the request of the department concerning the ability of suppliers subject to their jurisdiction to finance the project from other sources and the ability to repay the loan.

13869. All bonds herein authorized, which shall have been duly sold and delivered as herein provided, shall constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal and interest thereon.

There shall be collected annually in the same manner and at the same time as other state revenue is collected such a sum, in addition to the ordinary revenues of the state, as shall be required to pay the principal and interest on such bonds as herein provided, and it is hereby made the duty of all officers charged by law with any duty in regard to the collection of such revenue, to do and perform each and every act which shall be necessary to collect such additional sum.

All money deposited in the fund which has been derived from premium on bonds sold shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

13870. All money repaid to the state pursuant to any contract executed under the provisions of Section 13861 shall be deposited in the General Fund and when so deposited shall be applied as a reimbursement to the General Fund on account of principal and interest on bonds issued pursuant to this chapter which has been paid from the General Fund.

13871. There is hereby appropriated from the General Fund in the State Treasury for the purpose of this chapter such an amount as will equal the following:

(a) Such sum annually as will be necessary to pay the principal of and the interest on the bonds issued and sold pursuant to the provisions of this chapter, as such principal and interest become due and payable.

(b) Such sum as is necessary to carry out the provisions of Section 13872, which sum is appropriated without regard to fiscal years.

13872. For the purpose of carrying out the provisions of this chapter, the Director of Finance may by executive order authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which the committee has by resolution authorized to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund and shall be disbursed by the department in accordance with this chapter. Any moneys made available under this section to the department shall be returned by the department to the General Fund from moneys received from the first sale of bonds sold for the purpose of carrying out this chapter subsequent to such withdrawal.

13873. Upon request of the department, supported by a statement of the proposed arrangements to be made pursuant to Section 13861 for the purposes therein stated, the committee shall determine whether or not it is necessary or desirable to issue any bonds authorized under this chapter in order to make such arrangements, and, if so, the amount of bonds then to be issued and sold. Successive issues of bonds may be authorized and sold to make such arrangements progressively, and it shall not be necessary that all of the bonds herein authorized to be issued shall be sold at any one time.

13874. The committee may authorize the State Treasurer to sell all or any part of the bonds herein authorized at such time or times as may be fixed by the State Treasurer.

13875. All proceeds from the sale of bonds, except those derived from premiums and accrued interest, shall be available for the purpose provided in Section 13861, but shall not be available for transfer to the General Fund to pay principal and interest on bonds. The money in the fund may be expended only as herein provided.