

November 7, 2019

Submitted via email: HR2W@OEHHA.CA.GOV

Attn: Dr. Carolina Balazs
Office of Environmental Health Hazard Assessment
1515 Clay Street, 16th Floor
Oakland, CA 94612

Subject: Comments on the Public Review Draft Mapping Tool and Draft Report,
*Achieving the Human Right to Water in California:
An Assessment of the State's Community Water Systems*

Dear Dr. Balazs:

Thank you for this opportunity to comment on the Office of Environmental Health Hazard Assessment (OEHHA) Public Review Draft Mapping Tool (Draft Tool) and Draft Report (Report) entitled, *Achieving the Human Right to Water in California: An Assessment of the State's Community Water Systems*.

We recognize the importance of achieving the Human Right to Water in California, and we appreciate OEHHA staff's efforts over the past several months to develop the Draft Tool and Report to attempt to measure the state's progress. Nonetheless, we see important opportunities for improving both the Draft Tool and the process for its further development.

The undersigned community water systems and associations share the concerns and comments expressed in the joint letter from the Association of California Water Agencies (ACWA) and the California Municipal Utilities Association (CMUA), as well as the letter from the Regional Water Authority (RSA) letter, submitted to OEHAA regarding the Draft Tool and Report.

Furthermore, we have additional policy, technical, and process concerns, as outlined below, specific to "Component 3: Water Affordability":

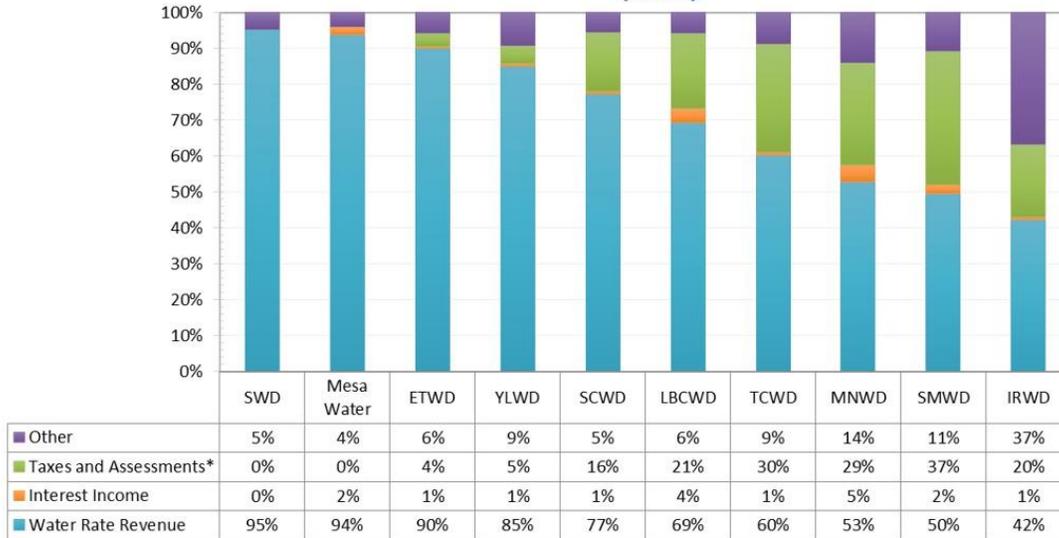
- **Rates Do Not Accurately Reflect the Full, True Cost of Water.**

Many community water systems receive considerable amounts of non-water-sales revenues -- such as assessments and property taxes, interest and investment income, rental income from cellular antennas, etc. -- which are added costs paid by customers to the water system...these are hidden costs of water service because they are not included in the water rates, yet these costs are real and they can be substantial.

The graphic at the top of Page 2 provides an example of differing income sources for 10 water districts located in Orange County, CA. Significantly, the ad valorem portion of property taxes, paid by customers and received by many special district water agencies, can be a sizeable added, hidden cost of water service to the customer that is not included in the water rates.

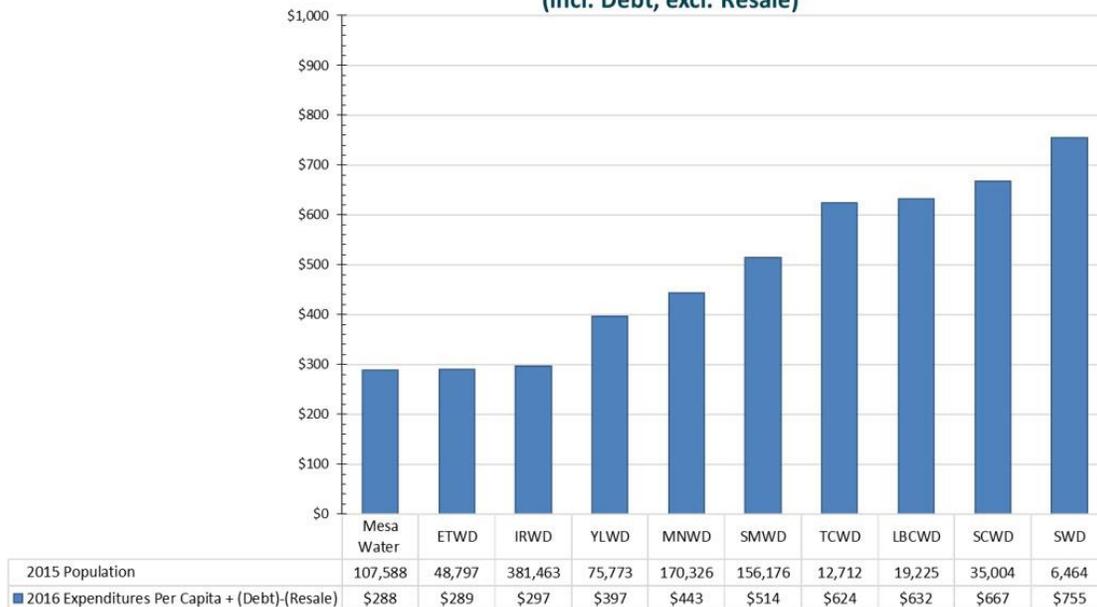
Thus, water rates are an inferior affordability indicator and do not provide an accurate representation of the full, true cost of water service to customers served by a community water system.

OC Water Districts' Sources of Income Comparison (2016)



- Rates Data Verification is Time-Consuming and Challenging.** As recognized in OEHHA's Report, serious data gaps exist for the "Affordability" component¹. Per the Report, the rates data source is the electronic annual report, whereby a limited number (53%) of the state's community water systems provided water rates information. However, to ensure completeness and accuracy, it would take substantial effort and time to achieve third-party verification of water rates data, with varying degrees of complexity, for community water systems statewide.
- A Better Affordability Metric: Total Expenditures Per Capita.** A more accurate, accessible, and equitable way to compare the full, true cost of a system's water service to its community is Total Expenditures Per Capita (see below graphic as an example):

FY 2016 Comparisons for Total Expenditures Per Capita (incl. Debt, excl. Resale)



Total Expenditures Per Capita is a better affordability metric because:

1. **It more accurately reflects the full, true cost of water service.** As mentioned earlier, due to substantial revenue source disparities, water rates alone do not provide an accurate “apples to apples” comparison of a community water system’s real cost of water service to its customers.
2. **The source data is easy to access, recent, and third-party verified.** Total Annual Expenditures for community water systems is publicly available on the State Controller’s website -- ByTheNumbers.SCO.CA.gov -- with the data source being each agency’s Certified Annual Financial Reports (third-party verified). The data is also relatively recent as it is just 2 years in arrears (the currently posted data is for Fiscal Year 2017-18). The source for Per Capita data is the most recent U.S. Census or American Community Survey, which is also easily accessible and third-party verified. This data represents all permanent full-time residents in the community, including renters.
3. **It is more equitable than looking at water rates only.** Per Article XIII D of the California Constitution, water service must be cost-based and set at a level such that total revenues meet the water system’s total expenditures. However, some water systems’ revenues from water sales are a percentage of total income, and water rates vary depending on a water system’s other income sources. Looking at Total Expenditures Per Capita better reflects the full, true cost of the system’s water service to its community members.

4. **It is simple to calculate:**

$$\text{Total Expenditures} \div \text{Total Population} = \text{Expenditures Per Capita}$$

- **“Affordability” Comparisons, Relativity, and Relevance...Context is Key!** We suggest including a contextual explanation with each water system’s “Affordability” score. Cost differences between community water systems can be influenced by many factors including, but not limited to, the system’s location and water supply sources. Taken out of context, a community water system’s water may seem to be less affordable -- in comparison to another system -- simply because, due to its location, the system has no local water and thus must purchase (higher cost) imported water to serve its customers. **That said, the same water system’s water is relatively very affordable when compared to the cost of bottled water or vending machine water in the area.**

In considering the “Affordability” and “Quality” components, an unintended consequence of OEHHA’s Draft Tool and Report is the potential of increasing the public’s distrust of tap water, particularly among individuals who may be least able to afford the added cost of purchasing bottled water or vending machine water, despite the fact that their tap water is clean and safe.

Also with respect to “Affordability” and “Quality”, some community water systems may need to use costlier treatment technologies to ensure compliance with stringent state and federal drinking water standards.

Regarding “Affordability” and “Accessibility”, some systems may have higher infrastructure maintenance costs to ensure water reliability and/or water loss prevention in compliance with the new water conservation laws. Again, water from these systems may appear to be relatively less affordable, but these costs are necessary for the provision of safe, reliable, and efficient tap water service. Another possible unintended consequence of the “Affordability” component is that it could dis-incentivize “Accessibility” investments in water system infrastructure and/or treatment technologies.

Other considerations relevant to the “Affordability” component are population density, as well as the service area’s geography and employment levels, three factors that are not within a water system’s control which can impact the cost of water service provision.

Additionally, while providing accessible, high-quality tap water service is a top priority for community water systems, these are not the only priorities. Another high priority is providing fire protection.

Furthermore, operating an effective water system includes compliance with other legislative and regulatory mandates, such as encouraging water use efficiency, and ensuring environmental health and safety and financial responsibility, as well as possibly implementing best management practices with respect to: community outreach; customer service; staffing; transparency; and more. Each water system determines the most appropriate level of investment needed to perform these other operational functions as appropriate for serving the unique needs of customers and community members. A community water system that performs these functions may appear less affordable in comparison to a system that considers one or more of these functions to be a lower priority for its service area.

Thank you for contemplating our concerns regarding OEHHA’s Draft Tool and Report, specifically related to “Component 3: Water Affordability”. Being that there is no mandated deadline for finalization, we suggest that additional time is essential for further analysis and development of this consequential component.

To that end, prior to finalization of the Draft Tool and Report, we would welcome working with OEHHA staff on this effort via:

- A conference call with OEHHA to review the comments in this letter; and,
- The formation of a collaborative advisory group comprised of diverse water utilities, academia, community advocates, and other interested stakeholders to meet with OEHHA and discuss this component with the goal of developing an accurate and appropriate “Affordability” metric that is both effective and meaningful.

In the interim, if you have any questions or feedback regarding this letter, please contact Mesa Water District’s External Affairs Manager, Stacy Taylor, at StacyT@MesaWater.org or 714.791.0848. Again, we are grateful for your time and consideration.

Sincerely,

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General Manager
Mesa Water District

Marc Marcantonio
General Manager
Yorba Linda Water District

Jerry Vilander
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Serrano Water District

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Three Valleys Municipal Water District

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Erik Hitchman
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Walnut Valley Water District

- c: The Honorable Lauren Zeise, Ph.D., Director, OEHHA
The Honorable Jared Blumenfeld, Secretary, CalEPA
The Honorable Joaquin Esquivel, Chair, State Water Resources Control Board
Mr. Allan Hirsch, Chief Deputy Director, OEHHA
Dr. John Faust, Ph.D., Branch Chief of Community & Environmental Epidemiology
Research, OEHHA
Christine Hironaka, Deputy Cabinet Secretary, Office of the Governor
The Association of California Water Agencies
California Municipal Utilities Association
CalMutuals
The Community Water Systems Alliance
Regional Water Authority

ⁱ Appendix B of the Report (page B-1) states that "To date, no comprehensive database on water rates, water usage, average water costs, or average water bills exists in the state of California."