

May 3, 2007

Honorable Mayor and Members of
the Hermosa Beach City Council

Regular Meeting of
May 8, 2007

**PROPOSED RESOLUTION OF OPPOSITION TO AB640 WHICH WOULD INCREASE
THE FEES ON LOCAL WATER PROVIDERS**

Recommendation:

That the City Council consider adoption of a resolution opposing AB640 which would increase water replenishment assessment for water providers in the West Basin and lower them in the Central Basin.

Background:

A group of cities located in the Central Basin Groundwater Replenishment District, called the Southeast Water Coalition, is proposed that the assessments for water replenishment be split. The West Basin area, which includes most of the South Bay, would pay a higher assessment than those areas that comprise the Central Basin. The current system, in effect for over 50 years, has an equal assessment. A more detailed fact sheet is attached that was prepared by the City of Torrance that goes into detail on the issue.

A resolution is attached that is ready for adoption opposing AB640.

Respectfully submitted,



Stephen R. Burrell
City Manager

RESOLUTION NO. 07-_____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERMOSA
BEACH, CALIFORNIA, OPPOSING CALIFORNIA ASSEMBLY BILL 640
AUTHORED BY ASSEMBLY MEMBER DE LA TORRE**

WHEREAS, a study was commissioned by the Southeast Water Coalition (SEWC) to assess the direct cost of groundwater replenishment in both the Central and West Coast Basins, which are managed by the Water Replenishment District of Southern California (WRD); and

WHEREAS, this proposed legislation is based solely on the findings in the Southeast Water Coalition study, which is a very simplistic cost allocation study that does not take the inter-connectivity issues between the basins and numerous economic, environmental, institutional and historic factors that must be considered in any such evaluation; and

WHEREAS, AB 640 would mandate a "split-rate" replenishment assessment (RA) be levied in both basins managed by WRD, rather than the current uniform replenishment assessment, which has successfully balanced equity in both basins for nearly 50 years; and

WHEREAS, this proposed legislation would threaten the sustainability of the West Cost Basin and likely increase dependence on limited imported water deliveries from the environmentally sensitive Bay-Delta region;

WHEREAS, AB 640 runs counter to fundamental precepts of an Integrated Regional Water Management Plan for Southern California, that endeavors to enhance, rather than limit, the integration of regional water supply sources and management programs to increase overall water supply reliability; and

WHEREAS, if passed, AB 640 would diminish water supply reliability in the region by discouraging local groundwater conjunctive use programs and water banking opportunities; hamper local water conservation and water recycling programs; and increase the area's vulnerability to water shortages in the future; and

WHEREAS, this legislation fails to take into consideration the legal precedents and essential data related to groundwater "underflow" from Central Basin, that was formerly a major source of groundwater for the West Coast Basin; and passage of this measure could led to protracted litigation; and

WHEREAS, AB 640 would unjustly increase the cost of water to all parties in the West Coast Basin, including the City of Hermosa Beach, and harm many economically disadvantaged communities within the South Bay

NOW, THEREFORE, BE IT RESOLVED that the Hermosa Beach City Council hereby resolves as follows:

- 1). That AB 640 jeopardizes water supply reliability in the City of Hermosa Beach and would impose unjustified higher water rates on residents and businesses in the City.
- 2). That AB 640 is fundamentally flawed and places narrow self-serving economic interests above balanced regional water supply planning and sound decision making.
- 3). That in order to protect the residents and businesses of the City of Hermosa Beach and ensure a safe and reliable water supply for the City and the region, the Hermosa Beach City Council hereby opposes AB 640.
- 4). That the City Manager, or other designated officers or employees of the City, inform Assembly Member De La Torre, the Assembly Committee on Local Government, Assembly Member Ted Lieu, and other state and local officials regarding the City's opposition to AB 640.

PASSED, APPROVED, and ADOPTED this 8th day of May, 2007.

PRESIDENT of the City Council and MAYOR of the City of Hermosa Beach, California

ATTEST:

APPROVED AS TO FORM:

CITY CLERK

CITY ATTORNEY

DRAFT

MAJOR ISSUES AND CONCERNS REGARDING THE SOUTHEAST WATER COALITION REPORT TITLED "REPLENISHMENT ASSESSMENT COAST ALLOCATION STUDY"

As a result of the meeting held on January 26th, a number of issues and concerns were raised regarding the potential impacts regarding implementation of measures recommended in the Southeast Water Coalition (SEWC) Study regarding a reformulation of Replenishment Assessments in the both the Coast and West Coast Basins.

The following information briefly summarizes of some of most salient points raised at last weeks meeting and is intended to serve as "talking points" to further focus our discussions on this matter.

- **Economics-** The SEWC study recommends that the Central and West Basin Groundwater Replenishment Assessments (RA) be split into two separate assessments with Central Basin assessment declining by 41% from current rate of \$138 per acre foot (AF) to \$83/AF and West Basin's RA escalating by 165% to \$366. The impact of this cost shift on West Basin pumpers needs to be ascertained. However, it is likely that there would be a significant decline in groundwater pumping due to cost pressures attributable to \$ 228/AF increase in the RA for West Basin pumpers.

The cost allocation used by SEWC's consultant, HFH, appears to be fairly simplistic and does not adequately explain the rationale for these arbitrary allocation cost splits between the Central and West Basin and these findings are not justified in the report. This drastic increase in the Replenishment Assessment (RA) would likely make it economically unfeasible to increase groundwater production or continue current levels of pumping. In addition, the report does not assess the secondary impacts (externalities) of these cost shifts.

- **Water Resource Reliability-** The recommendations of the SEWCS report are contrary to the overall regional goals of increasing overall water supply reliability by encouraging development of additional local water supplies, including under utilized groundwater in areas such as West Basin. . Due to the unfavorable economics of a \$228/AF increase in the RA, it is likely West Basin groundwater production would continue to decline rather than increase. This situation would place a greater burden on vulnerable imported water supply sources and subject West Basin agencies to possible shortfalls during a drought. In terms of reliability, the SEWCS report is contrary to policies and programs to enhance local water supply development including the Water

Replenishment District's West Coast Optimization Study, MWD's Integrated Water Plan (IRP), the Conjunctive Use Program and the respective Urban Water Management Plans Of the Metropolitan Water District (MWD), the West Basin Municipal District and individual water agencies in the West Basin.

- **Impact on Disadvantaged Communities**-The SECW Study indicates that it benefits poorer disadvantaged communities by decreasing their cost of water. The study implies that the entire West Basin is affluent and this cost shift would benefit less affluent communities in the Central Basin. The study ignores the fact that major areas in the West Basin are economically disadvantaged including the cities of Inglewood, Hawthorne, Compton and various unincorporated areas. The drastic increase in the RA assessment would increase water rates to these poorer communities by a much higher percentage than any rate relief to communities in the Central Basin. The report also fails to point out that the major beneficiaries are not the poorer communities in Central Basin but rather the more affluent ones such as Cerritos, Downey, and Lakewood, which would realize financial benefits from over \$600,000 to nearly \$1 million annually.
- **Impact on Conjunctive Use** – Negotiations on the Conjunctive Use (CU) process to resolve outstanding issues and develop a viable CU program for both the Central and West Basins is scheduled to resume after being in abeyance for over 11/2 years. This program could significantly enhance local water supply reliability and provide access to outside funding to reinvest in groundwater extraction and storage. The recommendations in the SECW may thwart this entire process.
- **Integrated Regional Water Management Plan (IRMWP)** - The greater Los Angeles County region recently completed a milestone event - the development of an integrated regional water management plan. The IRMWP was developed to define a clear vision for the sustainable management of water resources, develop solutions to regional water problems in the most cost effective way and develop outside funding opportunities to implement high priority projects now and in the future. The SECW recommendations would have a negative impact on this process by fragmenting various agencies into competing interests.
- **Potential Environmental Impacts**- The SECW report does not address any of the potential environment impacts on either the local, regional or state wide level. On a state level, the SECW recommendations would increase demands for imported water deliveries to make up for reduced groundwater pumping. This would place additional stress on the ecologically sensitive Bay- Delta region. In addition, it could negatively impact the seawater intrusion barriers and ultimately result in further seawater intrusion throughout the basin and destroy fresh water resources

in the West Basin. This migration would eventually impact agencies in the Central Basin, particularly Long Beach, which is located in close proximity to these protective barriers.

- **Under Flow Issues**– Historically a major portion of the West Basin groundwater supply was replenished by natural under flow from Central Basin into the West Basin along the fault line separating the two basins. The value of this has not been accounted for in the SECW study. The historic under flow derived from the Central Basin prior to over pumping needs to be modeled and calculated.
- **Adjudication and Legal Issues**- The SECW does not address the matter of the current groundwater adjudications in the Central and West Basins, nor the impact that this proposed major shift in costing would have on the respective Central and West Basin adjudication issues. This may open up questions related to safe pumping yields, groundwater pumping rights, restricted zones of pumping, the impacts of overdraft in “pumping holes” and the provision of former levels of replenishment water to West Basin from under flow from the Central Basin. WRD’s statutory requirement to charge a uniform RA rate and the underlying rationale for this requirement needs to be addressed.
- **Historic Combined Management of Basins and Uniform RA Rate Policy**- With the creation of the Water Replenishment District (WRD) in 1959, groundwater replenishment and related groundwater management programs for both basins have been under the jurisdiction of WRD. A common agency was created to oversee management of both basins because of the hydrologic linkage of the Central and West Basins and their respective influence on each other. A uniform RA was established for both basins which have been in existence since the inception of WRD. The so called “postage stamp” rate was adopted to reflect this inter-dependence of the basins. This uniform rate mirrors the policies of adjoining basins including the San Gabriel and Orange County Groundwater Basins and the Metropolitan Water District. The uniform rate policy of the last 50 years recognized the myriad of inter-dependencies and the need to manage both basins conjunctively
- **California Environmental Review Process (CEQA)** - The potential secondary impacts of SECW recommendations may require an environmental review under the California Environmental Quality Act (CEQA) process. Resultant potential impacts such as the increased degradation of the West Basin due to resumption of seawater intrusion, a reduction in groundwater production, increase reliance on fixed supplies of imported water may trigger the need for a full scale Environmental Impact Report.

- **Seawater Barrier Requirements if West Basin Operations Cease-** The SECW report assumes that West Basin pumpers would continue to extract groundwater supplies at their historic rate and pay all cost to operate the West Coast and Dominguez Gap Barriers. However, if groundwater production the West Basin ceased, there would be no West Basin funds to support the operation and maintenance of these barriers. However, even with cessation of pumping the West Basin there still may be a need for the Central Basin to maintain and operate these barriers to prevent seawater migration into the Central Basin. This scenario needs to be modeled and costed.
- **Assets Procured for Benefit of Central Basin with West Basin Funding-** Over the years, there have been a number of major facilities constructed primarily for the benefit of Central Basin that were partially funded by pumping assessment revenue derived from West Basin pumpers. These facilities need to identified, the associated costs for these facilities computed and West Basin contributions identified.
- **Impacts on Water Replenishment District-** The drastic alteration of the RA assessment between Central and West Basin may drastically reduce West Basin pumping or result in ultimate total cessation of pumping. This would have major impacts on WRD and its mission and role in managing these groundwater basins. These potential impacts need to be evaluated in the context.
- **Technical Analysis and Assessment-** A number of these issues require additional information and analysis. As first step, the West Basin Water Association (WBWA) may wish to request that WRD perform a technical assessment on various issues. At some point, it may be necessary for the WBWA to consider retaining a consultant to provide additional technical services to counter the findings of the SECW report.
- **Political Action-** Considering that SECW has apparently recruited a State legislator to sponsor a bill altering the RA rate between Central and West Basin, it may be necessary for the West Basin Water Association to consider retaining the services of lobbyist with an extensive experience in water matters. In addition, agencies with access to other lobbyists may wish to alert them. If actual legislation is forthcoming within the next 1-2 weeks, it may be necessary to mobilize quickly and prepare sound bites that can be used to counter this measure. Briefing sessions with local State Assemblymen, State Senators and County Supervisor representing the South Bay should be arranged.
- **Stranded Cost for Investment in Facilities-** Water agencies in the West Basin have made a considerable investment in groundwater facilities based on a uniform RA assessment. These investment decisions were

based on a time frame of 20-40 years and were predicated on the economics of maintaining a standard uniform RA rate for all parties in the Central and West Basin. The recommendation of split assessment rate as proposed by the SEWC report would increase in the West Basin RA rate by \$228/AF rendering these investments economically unfeasible, resulting in the abandonment of groundwater facilities. The stranded cost of these facilities would be borne by the agency's ratepayers, resulting in higher water rates. A considerable portion of this negative rate impact would be borne by disadvantaged communities in the South Bay.

In addition, the West Basin Municipal Water District (WBMWD) has invested tens of millions of dollars in expansion of facilities at their Water Recycling Plant based on providing recycled water supplies for use at the seawater barrier projects. If groundwater pumping is abandoned in the West Basin and barrier operations ceased, WBMWD would be saddled with enormous stranded costs. In all cases, the consequence of these stranded costs would be higher rates to customers in the West Basin, many of whom reside in disadvantaged communities.

AMENDED IN ASSEMBLY APRIL 30, 2007

AMENDED IN ASSEMBLY MARCH 28, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 640

Introduced by Assembly Member De La Torre

February 21, 2007

An act to amend Sections 60300, 60305, 60306, 60309, 60315, 60316, 60317, 60317.5, and 60325 of the Water Code, relating to water.

LEGISLATIVE COUNSEL'S DIGEST

AB 640, as amended, De La Torre. Water replenishment districts.

(1) The Water Replenishment District Act provides for the formation of water replenishment districts. The act grants authority to a water replenishment district relating to the replenishment, protection, and preservation of groundwater supplies within that district. The act requires the board of directors of a water replenishment district to prepare annually an engineering survey and report that includes information relating to the groundwater supplies within the district. The act requires the board to make certain determinations in connection with a decision to impose a water replenishment assessment to purchase replenishment water or to remove contaminants from the groundwater supplies of the district. The act requires the water replenishment assessment to be fixed at a uniform rate per acre-foot of groundwater produced within the district.

This bill, instead, would require information in that engineering survey and report, and those related determinations, to pertain to the groundwater in each basin within the district. The board of directors of a water replenishment district, upon determining to impose a water

replenishment assessment on the production of groundwater from each groundwater basin, would be required, except as otherwise provided, to impose the assessment in an amount that is calculated to pay for costs that include the actual cost of replenishing the groundwater basin, removing contaminants from the groundwater basin, and the administrative costs of the district. The charge would be required to be fixed at a uniform rate. The bill would make other conforming changes. By establishing these requirements on a water replenishment district, the bill would impose a state-mandated local program.

~~(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.~~

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 60300 of the Water Code is amended to
- 2 read:
- 3 60300. Not later than the second Tuesday in February of each
- 4 year, the board shall order an engineering survey and report to be
- 5 made regarding the groundwater supplies of the district. The
- 6 engineering survey and report shall include, among all other
- 7 information and data that the board may require, the following:
- 8 (a) Records, data, and other information for the consideration
- 9 of the board in its determination of the annual overdraft.
- 10 (b) Records, data, and other information for the consideration
- 11 of the board in its determination of the accumulated overdraft as
- 12 of the last day of the preceding water year.

1 (c) A report, with supporting data, as to the total production of
2 groundwater from the groundwater supplies within the
3 replenishment district during the preceding water year.

4 (d) A report, with supporting data, as to the changes during the
5 preceding water year in the pressure levels or piezometric heights
6 of the groundwater contained within pressure-level areas of the
7 replenishment district, and as to the effects thereof upon each
8 groundwater basin within the replenishment district.

9 (e) An estimate of the annual overdraft for the current water
10 year and for the ensuing water year.

11 (f) An estimate of the accumulated overdraft as of the last day
12 of the current water year.

13 (g) An estimate of the total production of groundwater from
14 each groundwater basin within the replenishment district for the
15 current water year and for the ensuing water year.

16 (h) An estimate of the changes during the current water year in
17 the pressure levels or piezometric heights of the groundwater
18 contained within pressure-level areas of each groundwater basin
19 within the replenishment district, and of the effects thereof upon
20 each groundwater basin within the replenishment district.

21 (i) An estimate of the quantity, source, and cost of water needed
22 to replenish the groundwater in each basin within the replenishment
23 district during the ensuing water year under the provisions of
24 Section 60315.

25 (j) An estimate of the total costs, including program and
26 administrative costs, of the district during the ensuing water year.

27 SEC. 2. Section 60305 of the Water Code is amended to read:

28 60305. (a) On or before the second Tuesday in March of each
29 year, and provided the engineering survey and report required by
30 Section 60300 has been made, the board, by resolution, shall
31 declare whether funds shall be raised to purchase water for the
32 replenishment of any groundwater basin within the district during
33 the next ensuing fiscal year and whether the funds shall be raised
34 by any of the following:

35 (1) A water charge, as provided in Chapter 2 (commencing with
36 Section 60245) of Part 5.

37 (2) A general assessment, as provided in Chapter 3 (commencing
38 with Section 60250) of Part 5.

39 (3) A replenishment assessment as provided in this chapter.

1 (4) A combination of any two or more of the charge or
2 assessments described in this subdivision, and whether the funds
3 to be raised, whether by a water charge, a general assessment, a
4 replenishment assessment or a combination of those means, will
5 benefit, directly or indirectly, all of the persons or real property
6 and improvements overlying the groundwater basin for which
7 replenishment water is proposed to be purchased.

8 (b) The resolution shall also declare whether funds shall be
9 raised to remove contaminants from any groundwater basin within
10 the district during the next ensuing fiscal year or to exercise any
11 other power under Section 60224, and whether funds for that
12 purpose shall be raised by a replenishment assessment as provided
13 in this chapter, with a statement of benefit similar to that set forth
14 in subdivision (a).

15 SEC. 3. Section 60306 of the Water Code is amended to read:

16 60306. (a) If the board, by resolution, determines that all or a
17 portion of the funds needed to purchase replenishment water, for
18 any groundwater basin within the district, to remove contaminants
19 from the groundwater basin within the district, or to exercise any
20 other power under Section 60224 with regard to any groundwater
21 basin within the district, shall be raised by the levy of a
22 replenishment assessment, the board shall immediately publish a
23 notice that a public hearing will be held on the second Tuesday of
24 April for the purpose of determining whether and to what extent
25 the estimated costs thereof for the ensuing year shall be paid for
26 by a replenishment assessment imposed upon the production of
27 water from the affected groundwater basin.

28 (b) The notice shall contain a copy of the resolution, the time
29 and place of the hearing, and an invitation to all interested parties
30 to attend and be heard in support of or opposition to the proposed
31 assessment, the engineering survey and report, and the board's
32 determination, and shall invite inspection of the engineering survey
33 and report upon which the board acted. The notice shall be
34 published in each affected county pursuant to Section 6061 of the
35 Government Code, at least 10 days before the hearing date.

36 SEC. 4. Section 60309 of the Water Code is amended to read:

37 60309. All evidence relevant to the engineering survey and
38 report and the board's determination that a replenishment
39 assessment shall be levied upon the production of water from a
40 groundwater basin within the district may be introduced.

1 SEC. 5. Section 60315 of the Water Code is amended to read:
2 60315. Upon completing the hearing, but no later than the
3 second Tuesday in May, the board shall, by resolution adopted
4 with regard to the replenishment of any groundwater basin within
5 the district, find all of the following:

6 (a) The annual overdraft of the groundwater basin for the
7 preceding water year.

8 (b) The estimated annual overdraft of the groundwater basin
9 for the current water year.

10 (c) The estimated annual overdraft of the groundwater basin for
11 the ensuing water year.

12 (d) The accumulated overdraft of the groundwater basin as of
13 the last day of the preceding water year.

14 (e) The estimated accumulated overdraft of the groundwater
15 basin as of the last day of the current water year.

16 (f) The total production of groundwater from the groundwater
17 basin for the preceding water year.

18 (g) The estimated total production of groundwater from the
19 groundwater basin for the current water year.

20 (h) The estimated total production of groundwater from the
21 groundwater basin for the ensuing water year.

22 (i) The changes during the preceding water year in the pressure
23 levels or piezometric heights of the groundwater contained within
24 pressure-level areas of the groundwater basin, and the effects
25 thereof upon the water supply within the basin.

26 (j) The estimated changes during the current water year in the
27 pressure levels or piezometric heights of the groundwater contained
28 within pressure-level areas of the groundwater basin, and the
29 estimated effects thereof upon the groundwater basin.

30 (k) The quantity of water that should be purchased for the
31 replenishment of the groundwater basin during the ensuing water
32 year.

33 (l) The source and estimated cost of water available for the
34 replenishment of the groundwater basin.

35 (m) The estimated costs of replenishing the groundwater basin
36 with the water purchased.

37 (n) The estimated costs of purchasing, in water years succeeding
38 the ensuing water year, that portion of the quantity of water which
39 should be purchased for the replenishment of the groundwater
40 basin during the ensuing water year, but which is estimated to be

1 unavailable for purchase during the ensuing water year. Estimated
2 costs shall be based on the estimated price of water for
3 replenishment purposes during the ensuing water year.

4 (o) The estimated rate of the replenishment assessment required
5 to be levied upon the production of groundwater from the
6 groundwater basin during the ensuing fiscal year for the purposes
7 of accomplishing the replenishment, including the payment of a
8 reasonable, pro rata allocation of the costs, including program and
9 administrative costs, of the district and providing a reserve fund
10 to purchase in future years, when available, that portion of the
11 quantity of water which should be purchased for the replenishment
12 of the groundwater basin during the ensuing water year, but which
13 is estimated to be unavailable for purchase during that ensuing
14 water year.

15 (p) Whether any contaminants should be removed from any
16 groundwater basin during the ensuing fiscal year, and whether any
17 other actions under Section 60224 should be undertaken with
18 regard to the groundwater basin during the ensuing fiscal year, the
19 estimated costs thereof, and the estimated additional rate of
20 replenishment assessment required to be levied upon the production
21 of groundwater from the groundwater basin during the ensuing
22 fiscal year for those purposes.

23 (q) Whether any program for removal of contaminants from the
24 groundwater basin or other actions taken with regard to the
25 groundwater basin under Section 60224 should be a multiyear
26 program or is a continuation of a previously authorized multiyear
27 program.

28 (r) The amount, if any, by which the estimated reserve funds
29 on hand at the end of the current fiscal year will exceed the annual
30 reserve fund limit determined pursuant to Section 60290.

31 SEC. 6. Section 60316 of the Water Code is amended to read:
32 60316. Based on the findings pursuant to Section 60315, the
33 board shall, by resolution, determine all of the following:

34 (a) What portion, if any, of the estimated cost of purchasing
35 water for replenishment of a groundwater basin within the district
36 for the ensuing fiscal year shall be paid for by a replenishment
37 assessment levied upon the production of groundwater from the
38 basin.

39 (b) What portion, not exceeding 25 percent of the above portion,
40 of the estimated cost of purchasing in the future that quantity of

1 water which should be purchased during the ensuing water year
2 for the replenishment of a groundwater basin within the district,
3 but which is estimated to be unavailable during that year, shall be
4 raised by a replenishment assessment levied upon the production
5 of groundwater from the basin.

6 (c) What portion of the estimated costs of removing
7 contaminants from any groundwater basin within the district and
8 of taking other actions under Section 60224 with regard to the
9 groundwater basin during the ensuing fiscal year shall be paid for
10 by a replenishment assessment levied upon the production of
11 groundwater from the basin.

12 (d) What portion, if any, of the cost of a capital improvement
13 project for replenishment of a groundwater basin within the district
14 shall be paid for by a replenishment assessment levied upon the
15 production of groundwater from the basin.

16 (e) What portion, if any, of the cost of a capital improvement
17 project undertaken pursuant to Section 60224 with regard to a
18 groundwater basin within the district shall be paid for by a
19 replenishment assessment levied upon the production of
20 groundwater from the basin.

21 SEC. 7. Section 60317 of the Water Code is amended to read:

22 60317. (a) If the board determines that a replenishment
23 assessment shall be levied upon the production of groundwater
24 from groundwater supplies within the district during the ensuing
25 fiscal year, immediately following the making of that determination
26 the board shall levy a replenishment assessment on the production
27 of groundwater from each groundwater basin within the district
28 during the fiscal year commencing on July 1st next 1.

29 (b) (1) The amount of the replenishment assessment shall be
30 calculated in an amount to pay for costs that include the actual
31 cost of replenishing the groundwater basin, the actual cost of
32 removing the contaminants from the groundwater basin, including
33 the undertaking of an action under Section 60224 on behalf of the
34 groundwater basin, and the administrative costs of the district. The
35 rate shall be a uniform rate calculated on the basis of the per
36 acre-foot amount of groundwater produced from the basin.

37 (2) Notwithstanding paragraph (1), the amount of the
38 replenishment assessment calculated for each groundwater basin
39 may not exceed the following amounts in the following years:

40 (A) ____ (\$____) for 2008

1 (B) _____ (\$_____) for 2009.

2 (C) _____ (\$_____) for 2010.

3 (c) The producers of that groundwater shall pay the
4 replenishment assessment to the district at the times and in the
5 manner provided in this division. That part of the assessment levied
6 pursuant to the determination provided in subdivision (c) of Section
7 60316, exclusive of any part thereof for district administrative and
8 overhead expenses, shall not exceed 50 percent of the average
9 assessment levied for the current and four preceding fiscal years
10 pursuant to determinations under subdivisions (a) and (b) of Section
11 60316, exclusive of any part thereof for district administrative and
12 overhead expenses.

13 SEC. 8. Section 60317.5 of the Water Code is amended to read:

14 60317.5. (a) Except as set forth in this section, nothing in this
15 division prevents the use of district funds from any source for
16 powers and functions authorized under this division. That part of
17 a replenishment assessment levied pursuant to determinations
18 under subdivisions (a) and (b) of Section 60316 shall not be utilized
19 for the direct costs of prevention and removal of contaminants
20 under subdivisions (a) and (b) of Section 60224.

21 (b) Any part of a replenishment assessment levied pursuant to
22 a determination under subdivision (c) of Section 60316 that is not
23 expended may be obligated and expended for other uses authorized
24 by Section 60224 that benefit the groundwater basin to which the
25 replenishment assessment applies, after a hearing and findings
26 pursuant to Sections 60306 and 60315.

27 (c) Any part of a replenishment assessment levied pursuant to
28 a determination under subdivision (c) of Section 60316 that remains
29 unexpended and unobligated for five fiscal years after the last
30 obligation thereof, or any shorter period which the board may by
31 resolution determine, shall be deemed to have been levied for other
32 costs and expenses for which a replenishment assessment is
33 authorized under this division.

34 (d) Funds from a replenishment assessment, although restricted
35 as to use, may be loaned for any use benefiting the groundwater
36 basin to which the replenishment assessment applies within the
37 monetary limits for which such an assessment has been levied.
38 Any such loan shall be for a period not longer than 18 months and
39 shall bear interest, as nearly as practicable in the discretion of the

1 board, at the rate which those funds might have otherwise been
2 invested at the time of the loan.

3 SEC. 9. Section 60325 of the Water Code is amended to read:

4 60325. (a) The district, after the levying of the replenishment
5 assessment, shall give notice thereof to the operators of all
6 water-producing facilities overlying the groundwater basin to
7 which the replenishment assessment applies as disclosed by the
8 records of the district.

9 (b) The notice shall state the rate of replenishment assessment
10 for each acre-foot of ~~ground-water~~ groundwater to be produced
11 during the ensuing fiscal year. The notice may be sent by postal
12 card or by other first-class mail with postage prepaid by the district.

13 ~~SEC. 10. If the Commission on State Mandates determines~~
14 ~~that this act contains costs mandated by the state, reimbursement~~
15 ~~to local agencies and school districts for those costs shall be made~~
16 ~~pursuant to Part 7 (commencing with Section 17500) of Division~~
17 ~~4 of Title 2 of the Government Code.~~

18 *SEC. 10. No reimbursement is required by this act pursuant*
19 *to Section 6 of Article XIII B of the California Constitution because*
20 *a local agency or school district has the authority to levy service*
21 *charges, fees, or assessments sufficient to pay for the program or*
22 *level of service mandated by this act, within the meaning of Section*
23 *17556 of the Government Code.*