

SB 845 (MONNING)
STATEWIDE “OPT-OUT” WATER MANDATE
New Twist on Statewide Water Tax Proposal
Examples of High Costs

SB 845 would require that over 3,000 local water systems bill and collect voluntary contributions for which the water service customers could pay the suggested amount, pay a different amount, or opt out. In some cases the customers could seek a refund. All contributions would be sent to Sacramento. This proposal would radically change how local water systems manage local water bills. The bill would be counterproductive because the high costs would work against water affordability. Examples for individual systems follow.

- **San Diego Area** – For a small district with 9,000 residential and 1,500 business customers, three finance staff at a total of \$250,000 per year would need to be added to manually manage each bill and process refunds. If all customers paid the suggested amount (i.e., no opt outs – which is a conservative assumption), the amount that would be collected and sent to Sacramento would be \$144,000 per year. Not counting the costs for a billing system change, **the administrative costs would significantly exceed the amount collected.** Under SB 845, in the first year and half, the district could only retain up to 4% of the total amount collected (e.g., \$5,760) to attempt to “cover” administrative costs. After that they could only retain up to 2%. The SB 845 retention provision does not come anywhere close to covering the costs. **SB 845 would render the district’s current automated billing system obsolete.**
- **Los Angeles Area** – For a city with 80,200 residential and 9,000 businesses customers, it would cost **over \$1 million to change the billing system** for SB 845. A Prop. 218 process would likely be triggered given the upward pressure on rates.
- **Inland Empire Area** – A district with over 140,000 residential customers would have to pay **over \$1,000,000 to change its billing system** to implement SB 845. The district would have to hire at least five new employees at a cost of \$750,000 per year.
- **San Francisco-Oakland Bay Area** – A district with 61,000 residential and business customers would have pay over \$250,000 to change its billing system for SB 845. **This district would need to hire three new employees at a cost of \$460,000 per year** to implement water service billing under SB 845.
- **Sacramento Area** – A district with just over 10,000 residential customers and about 500 business customers would need to hire at least one new person to implement a modified billing system. This cost alone (approximately \$100,000 per year) would exceed the amount of possible contributions (\$72,744 per year) the district would collect and send to the state if no customers opted out (a very conservative assumption).

Source: Association of California Water Agencies

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