

Information Item

Overview of the Delta Protection Commission's Delta Flood Risk Management Assessment District Feasibility Study

Summary: To inform development of the Council's Delta Levees Investment Strategy (DLIS), and provide an update on progress towards implementation of Delta Plan Recommendation Finance Local Flood Management Activities (RR R2), the Delta Protection Commission (DPC) will brief the Council about the status and preliminary recommendations from its Delta Flood Risk Management Assessment District Feasibility Study (Study).

Background

Funding for priority investments in Delta levee improvement and maintenance is an issue that was recognized early in the Delta Plan's development. The Delta Plan reported that an estimated \$700 million had been spent by the Department of Water Resources (DWR) on Delta levee maintenance and improvements since the Delta levee funding programs began in the 1970s, including \$274 million of bond funds that are encumbered for future Delta levee projects. These expenditures, matched by funds from local reclamation districts (RD), have improved maintenance and helped RDs progress toward long held goals of bringing Delta levees to State and federal design objectives. Much work, however, remains. Recent cost estimates for Delta levee improvements range from \$1.3 billion to nearly \$3 billion, adjusted for inflation.¹ These costs are only a fraction of the \$50 billion in flood management infrastructure needed statewide.²

To meet needs for the maintenance and improvement of non-project, rural Delta islands, \$155 million of special projects and subventions funds remain available from Proposition 1E and 84 bond funds.³ If these funds continue to be allocated 60 percent for special projects and 40 percent for subventions—with annual subventions spending for levee maintenance continuing to average \$8 million annually; these existing funds would be sufficient to cover approximately \$93 million of the \$144 to \$343 million (27 percent to 64 percent) cost⁴ to improve to current objectives the levees on rural Delta

¹ Estimate compiled from these sources: Central Valley Flood Protection Plan regional flood management plans; DWR's *North Delta Flood Control and Ecosystem Restoration Project Final Environmental Impact Report* (2010); San Joaquin Area Flood Control Agency and US Army Corps of Engineers' *Draft Integrated Interim Feasibility Report/Environmental Impact Statement/Environmental Impact Report* (2015); Delta Protection Commission's *Economic Sustainability Plan for the Sacramento-San Joaquin River Delta* (2012); and estimates provided by Delta reclamation district engineers

² DWR. 2013. *California's Flood Future*. <http://www.water.ca.gov/sfmp/resources.cfm#highlights>

³ Senate Appropriations Committee analysis (January 19, 2016 hearing) for SB 554

⁴ Estimate compiled from Delta Protection Commission's *Economic Sustainability Plan for the Sacramento-San Joaquin River Delta* (2012) and estimates provided by Delta reclamation district engineers

islands, as well as tracts tentatively identified as very high and high priority in the Sept. 2016 Delta Levees Investment Strategy discussion draft. In addition to the Proposition 1E and Proposition 84 funds that remain available for rural Delta levees, Proposition 1—passed by voters in 2014—includes an additional \$295 million to “reduce the risk of levee failure and flood in the Delta”, which the Legislature may appropriate for multi-benefit projects that achieve public safety and include fish and wildlife habitat enhancement (Water Code section 79780).

The Delta Plan’s Approach to Funding Levee Maintenance and Improvement

The Delta Plan’s funding principles provide guidance regarding how to meet levee funding challenges:

- Implementation of the Delta Plan will undoubtedly require an array of funding sources, including new funding sources and new statutory authority. Broad-based financing and diversity in funding sources will enhance revenue stability. Likewise, State and federal funds for activities that implement the Delta Plan must be reserved for public benefits not otherwise required for project mitigation or required by law for other purposes.
- The Delta Plan recommends many projects that have multiple benefits; this increases opportunities to blend fund sources and builds on the tradition of past investments in multipurpose water projects with diversified fund sources.
- A clear and analytically based methodology for assessing public benefits should be evaluated and implemented.
- Targeted finance plans should be developed for major Delta Plan plans and projects, [including] flood risk reduction. Beneficiaries and stressors should be identified in each of these areas, and user fees should be developed to match these stressors and beneficiaries with planned investments in each of these areas.

Consistent with these principles, the beneficiaries of the levees on each island and tract, including local landowners, other users of Delta water, operators of energy, transportation, and water and wastewater supply infrastructure, waterfowl hunters, and wildlife enthusiasts, are tracked in the DLIS tool. For example, 71 percent of the 146 islands and tracts evaluated hold some type of infrastructure that benefits out-of-Delta stakeholders that do not currently contribute to levee maintenance or improvement.

As part of the DLIS, the Council is considering recommendations about adjusting local landowners’ cost shares of Delta levee improvements, either by revisiting long established deductible and cost sharing formulas of existing State levee funding programs or by clarifying approaches to considering reclamation districts’ ability to pay for levee maintenance. The Delta Plan currently recommends two additional approaches to assessing other beneficiaries in order to provide new fund sources for Delta levee maintenance and improvement:

RR R2. Finance Local Flood Management Activities
The Legislature should create a Delta Flood Risk Management Assessment District with fee assessment authority (including over State infrastructure) to provide

adequate flood control protection and emergency response for the regional benefit of all beneficiaries, including landowners, infrastructure owners, and other entities that benefit from the maintenance and improvement of Delta levees, such as water users who rely on the levees to protect water quality. This district should be authorized to:

- Identify and assess all beneficiaries of Delta flood protection facilities.*
- Develop, fund, and implement a regional plan of flood management for both project and nonproject levees of the Delta, including the maintenance and improvement of levees, in cooperation with the existing reclamation districts, cities, counties, and owners of infrastructure and other interests protected by the levees.*
- Require local levee-maintaining agencies to conduct annual levee inspections per the California Department of Water Resources subventions program guidelines, and update levee improvement plans every 5 years.*
- Participate in the collection of data and information necessary for the prioritization of State investments in Delta levees consistent with RR P1.*
- Notify residents and landowners of flood risk, personal safety information, and available systems for obtaining emergency information before and during a disaster on an annual basis.*
- Potentially implement the recommendations of the Sacramento-San Joaquin Delta Multi-Hazard Coordination Task Force (Water Code section 12994.5) in conjunction with local, State, and federal agencies, and maintain the resulting regional response system and components and procedures on behalf of SEMS jurisdictions (reclamation district, city, county, and State) that would jointly implement the regional system in response to a disaster event.*
- Identify and assess critical water supply corridor levee operations, maintenance, and improvements.*

RR R3. Fund Actions to Protect Infrastructure from Flooding and Other Natural Disasters

- The California Public Utilities Commission should immediately commence formal hearings to impose a reasonable fee for flood and disaster prevention on regulated privately owned utilities with facilities located in the Delta. Publicly owned utilities should also be encouraged to develop similar fees. The California Public Utilities Commission, in consultation with the Delta Stewardship Council, the California Department of Water Resources, and the Delta Protection Commission, should allocate these funds among State and local emergency response and flood protection entities in the Delta. If a new regional flood management agency is established by law, a portion of the local share would be allocated to that agency.*
- The California Public Utilities Commission should direct all regulated public utilities in their jurisdiction to immediately take steps to protect their facilities in the Delta from the consequences of a catastrophic failure of levees in the Delta, to minimize the impact on the State's economy.*
- The Governor, by Executive Order, should direct State agencies with projects or infrastructure in the Delta to set aside a reasonable amount of funding to pay for*

flood protection and disaster prevention. The local share of these funds should be allocated as described above.

The Delta Protection Commission's Delta Flood Risk Management Assessment District Feasibility Study

The DPC's *Economic Sustainability Plan* includes a recommendation that complements the Delta Plan's about creating a regional district to assess levee beneficiaries for levee maintenance and improvement funds:

"Transfer (to a regional agency with fee assessment authority on levee beneficiaries) responsibility for allocating funds for the longer-term improvement of Delta levees and the coordination of Delta preparedness, response and recovery."

In response to this recommendation, the DPC conducted the Study. The work is being completed over a fourteen-month period. There will be a public comment period on the draft *"Findings and Recommendations Report"* (Attachment 1) from Oct. 21 through Nov. 4, with a final draft expected by late Nov. 2016. The draft *"Report of Findings and Recommendations"* identifies the most feasible portfolio of finance mechanisms that could generate revenue to pay for levee maintenance, repair, rehabilitation and improvements (or more generically, levee "work") or other means of reducing flood risk. These mechanisms include the current funding (a mix of public funds and assessments) as well as one or more new fees that would bring in revenue from beneficiaries that do not currently pay for Delta levees in proportion to the benefits received. Altogether, implementation of this proposed portfolio of finance mechanisms would help move toward a levee funding system based on the "beneficiary-pays" principle. The report recommends that the next step should be a collaborative implementation study of the details of the candidate fees to determine how they could be calculated, collected, and distributed.

Discussion

Staff from the DPC will present an overview of the Study, including the key findings and recommendations for next steps. Council staff will also be available to discuss how the findings in the Study will inform the DLIS.

It's also worth noting that studies ordered by the Public Utilities Commission of flood risks to investor owned electric and gas utilities operating in the Delta are also underway. Their completion is expected soon, and should provide a basis for addressing opportunities to evaluate those utilities' potential responsibilities for reducing flood risks to Delta energy facilities protected by levees.

Panel Members

- Jennifer Ruffolo: Program Manager, Delta Protection Commission
- Richard McCann, PhD: Partner, M.Cubed

Fiscal Information

Not applicable.

List of Attachments

Attachment 1: Delta Flood Risk Management Assessment District Feasibility Study:
Findings and Recommendations

Contact

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