



August 13, 2010

Phil Isenberg, Chair  
P. Joseph Grindstaff, Interim Executive Officer  
Delta Stewardship Council  
650 Capitol Mall, 5<sup>th</sup> Floor  
Sacramento, CA 95814



**RE: Financing Principles for Delta Improvements and Participants in a Healthy Delta Ecosystem and Reliable Water Supply**

Dear Msrs. Isenberg and Grindstaff:

Improving the Delta ecosystem and its ability to provide a reliable water supply is a long-term program from which many stand to benefit. In addition to drinking water suppliers, others who will benefit include the general public, wastewater dischargers, the agricultural industry, Delta communities, Delta transportation, Delta infrastructure, the recreation and tourism industry, commercial fishing, and the statewide building industry. All who benefit from Delta improvements should assist in paying for those improvements.

California Urban Water Agencies (CUWA) is comprised of ten public water agencies that provide drinking water to two-thirds of California's population. In 2009, the CUWA Board of Representatives unanimously endorsed the attached Financing Principles for Delta Improvements and Participants in a Healthy Delta Ecosystem and Reliable Water Supply. Since the Delta Stewardship Council has been tasked with developing the Delta Plan for achieving the coequal goals of providing a more reliable water supply for California and protecting, restoring, and enhancing the Sacramento-San Joaquin Delta ecosystem, we are providing these policy principles and assessment of Delta beneficiaries to the Council for consideration in developing a funding program for Delta improvements.

If you have any questions on our Financing Principles, please feel free to contact Ernesto A. Avila, CUWA's Executive Director, at (916) 552-2929.

Sincerely,

Jerry Brown, Interim General Manager  
Contra Costa Water District

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Jill Duerig, General Manager  
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## **CALIFORNIA URBAN WATER AGENCIES FINANCING PRINCIPLES FOR DELTA IMPROVEMENTS**

### **Prioritize Expenditures**

It is prudent and responsible for the entity / entities created to oversee improvements in the Delta to prioritize expenditures of program elements, including identification of a range of funding targets, so that the program implementation will occur in a balanced manner if funding levels are not achieved in the needed timeframe.

### **Finance Packages of Actions that Achieve Balance**

It is essential that financing continue to be linked to a balanced program that advances all key elements of the needed Delta improvements. The overall package must be affordable.

### **Delta Users Pay for Delta Improvements**

There are many Californians who use the Delta for business or recreation, have a stake in a healthy Delta ecosystem, and depend on the Delta as a reliable water supply. The general public and those Delta users with a direct stake in the Delta must assist in financing the billions of dollars of improvements needed in the Delta.

### **Public Funds Pay for Public Benefits**

CUWA agencies oppose a water user fee (tax) on water bills to pay for the state share. Funds for the state share that pay for broad public benefits should come from state sources, not from water users. However, if a water user fee (tax) concept is pursued, it is essential that it be subject to the requirements associated with imposing a new tax and the resulting revenue must be tied directly to funding specific programs.

### **Cost-sharing Agreements Provide Implementation Assurances**

Cost-sharing agreements between all related parties (including the state and federal government) are essential to assure that implementation of the program, including necessary regulatory and other assurances, is paired with available funding.

### **Responsible Parties Pay to Remedy Impacts**

General fees assessed on specific classes of Delta users should not be used to mitigate the impacts of specific projects. Project specific mitigation measures are the responsibility of the project proponents/beneficiaries and are addressed during each project's California Environmental Quality Act (CEQA) process.

## **Establish an Evidentiary Process to Allocate Delta User Financial Obligations**

A task force comprised of experts on the Delta, public finance, and other relevant disciplines should be created to develop an independent process for the purpose of implementing the Delta user pays principle. The process should meet the following criteria:

- Be transparent and open to the public
- Rely solely on evidence on the record
- Identify and include all users of Delta resources
- Clarify the distinction between public and private benefits
- Provide for public input on the proposed process
- The entity in charge of the process shall be independent

## PARTICIPANTS IN A HEALTHY DELTA ECOSYSTEM AND RELIABLE WATER SUPPLY

Every Californian gains from a Delta that has a resilient ecosystem and provides a reliable water supply, as the economic activity and tax revenues generated in those areas of the state that receive export supplies provide significant financial resources, job creation, and revenues critical to the state's economy and provision of governmental services. Moreover, there are many who use the Delta and have a stake in a healthy Delta ecosystem and a reliable water supply for California. All of these participants must assist in financing the billions of dollars of improvements needed in the Delta. Listed below are the major user groups and examples of how they will be impacted by improvements in the Delta. Table 1 provides a summary of Delta users who will benefit from Delta improvement programs. This is provided as a starting point for allocating responsibility for future financing.

### **BROAD PUBLIC**

#### **Impacts on Delta**

As stated previously, every Californian gains from a Delta that has a resilient ecosystem and provides a reliable water supply for the state. Consequently, the impacts on the Delta from multiple users are broadly shared by the public.

#### **Interests**

The following Delta improvement programs provide broad public benefits:

***Emergency Preparedness*** – Provides quick response to natural disasters to minimize disruption of water supplies, transportation, power, and commerce.

***Flood Control and Levee Improvements*** – Prevents flooding of Delta islands which protects water supplies, transportation, power, commerce, and public safety. It is less expensive to provide flood control infrastructure and prevent levee failures than to repair costly damages caused by emergencies.

***Habitat Restoration and Ecosystem/Watershed Protection*** – Provides ecosystem/natural resource improvements, including reduced impacts on native fish and dedicated storage for environmental water, while also contributing to improved water supply reliability, which drives the economic engine of the state. All Californians gain from these improvements.

***Delta Water Quality Improvements*** – Improves water quality for all consumers drinking water taken from the Delta with downstream agencies likely seeing the most improvement. The entire state has a stake in providing improved ecosystem water quality as it will directly improve habitat and aquatic species.

***Conveyance Programs*** – Provides water supply reliability which drives the economic engine of the state. All Californians gain from these improvements.

***Storage Projects*** – Improves water supply reliability and flood control, particularly in light of expected impacts from climate change, reduced snowpack, and highly variable hydrology in the decades to come.

Table 1. Delta Users that Benefit from Delta Improvements

<i>Improvements:</i>	Broad Public	Drinking Water Suppliers	Agricultural Industry	Delta Communities	Transportation	Other Delta Infrastructure	Wastewater Discharges	Recreation and Tourism Industry	Commercial Fishing Industry	Building Industry
<i>Emergency Preparedness</i>	•	•	•	•	•	•	•	•	•	•
<i>Flood Control and Levee Improvements</i>	•	•	•	•	•	•	•	•	•	•
<i>Habitat Restoration &amp; Ecosystem</i>	•	•	•	•	•	•	•	•	•	•
<i>Water Quality Improvements</i>	•	•	•	•	•	•	•	•	•	•
<i>Conveyance Programs</i>	•	•	•	•	•	•	•	•	•	•
<i>Storage Projects</i>	•	•	•	•	•	•	•	•	•	•
<i>Water Conservation Programs</i>	•	•	•	•	•	•	•	•	•	•
<i>Wastewater Recycling Programs</i>	•	•	•	•	•	•	•	•	•	•
<i>Wastewater Treatment Improvements</i>	•	•	•	•	•	•	•	•	•	•

*Water Conservation Programs* – Provides for more water in rivers.

*Wastewater Recycling Programs* – Meets some water demands that would otherwise utilize potable supplies, thus reducing net demands for potable water, and improves water quality for agencies downstream of wastewater discharges. Demand reduction and water quality improvements depend on location of projects.

*Wastewater Treatment Improvements* – Improves Delta water quality due to more advanced treatment which provides benefits to many Delta users.

## DRINKING WATER SUPPLIERS

### Impacts on Delta

Drinking water suppliers divert water from the tributaries to the Delta and in the Delta, and export water conveyed through the Delta to supply drinking water to most of the state. These diversions impact the Delta by reducing the amount of water flowing into the Delta, changing the hydrodynamics of the Delta, and affecting the ecosystem of the Delta. These diversions adversely impact Delta salinity during low flow periods.

### Interests

Drinking water suppliers will benefit from the following Delta improvement programs:

*Emergency Preparedness* – Provides quick response to natural disasters to minimize disruption of water supplies and water quality degradation for drinking water suppliers taking water from the Delta, protects aqueducts crossing the Delta.

*Flood Control and Levee Improvements* – Prevents flooding of Delta islands which protects water supply and water quality for drinking water suppliers taking water from the Delta, protects aqueducts crossing the Delta. It is less expensive to provide flood control infrastructure and prevent levee failures than to repair costly damages caused by emergencies.

*Habitat Restoration and Ecosystem/Watershed Protection* – Provides water supply reliability and water quality improvements for drinking water suppliers taking water from the Delta watershed. Also provides mitigation for upstream diversions.

*Delta (Drinking) Water Quality Improvements* – Improves drinking water quality for all drinking water suppliers taking water from the Delta, with downstream agencies likely seeing the most improvement.

*Conveyance Programs* – Provides water supply reliability and water quality improvements for drinking water suppliers taking water from the Delta. Reliability and water quality improvements depend on location of projects.

*Storage Projects* – Improves water supply reliability, particularly in light of expected impacts from climate change, reduced snowpack, and highly variable hydrology in the decades to come. Improvements depend on location of storage projects.

*Water Conservation Programs* – While not reducing the need for and overall reliance upon exports, urban water conservation programs can and do buffer the impact of drought and, for export agencies, regulatory restrictions on pumping from the Delta when imposed to meet

environmental goals. In addition, they reduce pumping and drinking water treatment costs for all drinking water suppliers.

***Wastewater Recycling Programs*** – Meets some water demands that would otherwise utilize potable supplies, thus reducing net demands for potable water, and improves water quality for drinking water suppliers downstream of wastewater discharges. Demand reduction and water quality improvements depend on location of projects.

***Wastewater Treatment Improvements*** – Improves Delta water quality due to more advanced treatment.

## AGRICULTURAL INDUSTRY

### Impacts on Delta

The agricultural industry diverts water from the tributaries of the Delta and in the Delta and exports water conveyed through the Delta to grow numerous crops and process agricultural products. These diversions impact the Delta by reducing the amount of water flowing into the Delta, changing the hydrodynamics of the Delta, and affecting the ecosystem of the Delta. The agricultural industry discharges agricultural drainage to the tributaries of the Delta and to the Delta, affecting water quality and ecosystem health. In-Delta agricultural practices contribute significantly to the ongoing subsidence of Delta islands.

### Interests

Agricultural interests will benefit from the following Delta improvement programs:

***Emergency Preparedness*** – Provides quick response to natural disasters to minimize disruption of water supplies and water quality degradation for agricultural operations taking water from the Delta, minimizes disruption in agricultural operations in the Delta.

***Flood Control and Levee Improvements*** – Prevents flooding of Delta islands which protects water supply and water quality for agricultural operations taking water from the Delta, protects agricultural operations in the Delta. It is less expensive to provide flood control infrastructure and prevent levee failures than to repair costly damages caused by emergencies.

***Habitat Restoration and Ecosystem/Watershed Protection*** – Provides water supply reliability and water quality improvements for agricultural operations taking water from the Delta watershed.

***Delta Water Quality Improvements*** – To the extent a particular agricultural operation needs improved water quality, improves water quality for all agricultural operations taking water from the Delta watershed with downstream operations likely seeing the most improvement.

***Conveyance Programs*** – Provides water supply reliability and water quality improvements for agricultural operations taking water from the Delta.

***Storage Projects*** – Improves water supply reliability, particularly in light of expected impacts from climate change, reduced snowpack, and highly variable hydrology in the decades to come. Improvements depend on location of storage projects.

***Water Conservation Programs*** – While not reducing the need for and overall reliance upon exports, these programs can and do buffer the impact of drought and, for export agencies,

regulatory restrictions on pumping from the Delta when imposed to meet environmental goals. In addition, they reduce pumping and drinking water treatment costs for all urban agencies.

***Wastewater Recycling Programs*** – Meets some water demands that would otherwise utilize potable supplies, thus reducing net demands for potable water, and improves water quality for agencies downstream of wastewater discharges. Demand reduction and water quality improvements depend on location of projects.

***Wastewater Treatment Improvements*** – Improves water quality due to more advanced treatment.

## DELTA COMMUNITIES

### Impacts on Delta

There are a number of communities in the secondary zone of the Delta, some of which are rapidly growing. These communities impact the Delta through water diversions, discharges of urban runoff and wastewater, and weakened levees due to use of Delta levee roads.

### Interests

Delta communities will benefit from the following Delta improvement programs:

***Emergency Preparedness*** – Provides quick response to natural disasters to minimize damage to Delta communities and economic losses.

***Flood Control and Levee Improvements*** – Prevents flooding of Delta communities and economic losses. It is less expensive to provide flood control infrastructure and prevent levee failures than to repair costly damages caused by emergencies.

***Habitat Restoration and Ecosystem/Watershed Protection*** – Provides water supply reliability and water quality improvements for Delta communities, as well as economic benefits from tourism.

***Delta Water Quality Improvements*** – Improves water quality for Delta communities.

***Storage Projects*** – Improves flood control, particularly in light of expected impacts from climate change, reduced snowpack, and highly variable hydrology in the decades to come.

***Wastewater Treatment Improvements*** – Improves Delta water quality due to more advanced treatment.

## TRANSPORTATION

### Impacts on Delta

There are several highways and rail lines and numerous roads and bridges that cross the Delta. The Ports of Sacramento and Stockton use the Delta to transport goods from the Bay Area to the Central Valley. Transportation impacts the Delta through discharges of contaminants from boats, greenhouse gas emissions from vehicles, and weakened levees due to the use of Delta levee roads.

## **Interests**

The transportation industry will benefit from the following Delta improvement programs:

***Emergency Preparedness*** – Provides quick response to natural disasters to minimize disruption of transportation in and across the Delta, and minimizes the economic loss associated with disruptions.

***Flood Control and Levee Improvements*** – Prevents flooding of Delta islands which protects transportation infrastructure in the Delta. It is less expensive to provide flood control infrastructure and prevent levee failures than to repair costly damages caused by emergencies.

***Habitat Restoration and Ecosystem/Watershed Protection*** – Provides flood control benefits through creation of floodways and corridors.

***Storage Projects*** – Improves flood control, particularly in light of expected impacts from climate change, reduced snowpack, and highly variable hydrology in the decades to come. Improvements depend on location of storage projects.

## **OTHER DELTA INFRASTRUCTURE AND INDUSTRY**

### **Impacts on Delta**

Electric transmission lines and gas and petroleum pipelines cross the Delta. The Delta also contains gas storage fields; gas and oil wells; and television, radio, and cell towers. Power plants divert cooling water from the Delta. These Delta users impact the Delta through using water diversions for turbine cooling, discharges of contaminants to Delta waterways, greenhouse gas emissions from energy production, and weakened levees due to the use of Delta levee roads.

### **Interests**

Other Delta interests and industry will benefit from the following Delta improvement programs:

***Emergency Preparedness*** – Provides quick response to natural disasters to minimize disruption of service in and across the Delta, and minimizes the economic loss associated with disruptions.

***Flood Control and Levee Improvements*** – Prevents flooding of Delta islands which protects infrastructure in the Delta. It is less expensive to provide flood control infrastructure and prevent levee failures than to repair costly damages caused by emergencies.

***Habitat Restoration and Ecosystem/Watershed Protection*** – Allows power plants to continue using Delta water for cooling. Provides flood control benefits through creation of floodways and corridors.

***Storage Projects*** – Improves flood control, particularly in light of expected impacts from climate change, reduced snowpack, and highly variable hydrology in the decades to come. Improvements depend on location of storage projects.

## WASTEWATER DISCHARGERS

### Impacts on Delta

There are a number of small and two large wastewater dischargers in the Delta. Contaminants in wastewater discharges may adversely affect aquatic life and drinking water quality.

### Interests

Wastewater dischargers will benefit from the following Delta improvement programs:

*Emergency Preparedness* – Provides quick response to natural disasters to minimize disruption of wastewater facilities in the Delta, and minimizes fines associated with effluent violations associated with disrupted facilities

*Flood Control and Levee Improvements* – Prevents flooding of Delta islands which protects wastewater infrastructure in the Delta. It is less expensive to provide flood control infrastructure and prevent levee failures than to repair costly damages caused by emergencies.

*Habitat Restoration and Ecosystem/Watershed Protection* – Allows dischargers to continue to discharge to Delta waterways. Provides flood control benefits through creation of floodways and corridors.

*Delta Water Quality Improvements* – Improves influent water quality for all wastewater agencies in areas receiving imported water, which may increase viability of wastewater recycling projects and improve ability to meet effluent limitations.

*Conveyance Programs* – Provides water quality improvements for wastewater agencies in the areas receiving imported water, which may increase viability of wastewater recycling projects and improve ability to meet effluent limitations.

*Storage Projects* – Improves flood control, particularly in light of expected impacts from climate change, reduced snowpack, and highly variable hydrology in the decades to come. Improvements depend on location of storage projects.

*Urban Water Conservation Programs* – Reduces influent flows which reduces treatment costs and may defer costs associated with wastewater treatment plant expansion.

*Wastewater Recycling* – Potential for discharge quality improvements.

*Wastewater Treatment Improvements* – Advanced wastewater treatment may allow dischargers to discharge greater quantities of effluent.

## RECREATION AND TOURISM INDUSTRY

### Impacts on Delta

The Delta is heavily used for boating, fishing, swimming, camping, and hiking. There are numerous marinas, campgrounds and other recreational facilities in the Delta. Recreation and tourism impacts the Delta through water diversions, discharges of contaminants from boats, weakened levees from use of Delta levee roads, and greenhouse gas emissions from vehicles.

## Interests

The recreation and tourism industry will benefit from the following Delta improvements:

*Emergency Preparedness* – Provides quick response to flooding of Delta recreational facilities and minimizes loss of life and injury.

*Flood Control and Levee Improvements* – Prevents flooding of Delta recreational facilities and protect access to facilities. It is less expensive to provide flood control infrastructure and prevent levee failures than to repair costly damages caused by emergencies.

*Habitat Restoration and Ecosystem/Watershed Protection* – Improves fisheries for sport fishing throughout the Delta watershed and near-shore ocean with fewer restrictions on fishing.

*Delta Water Quality Improvements* – Improves water quality for body contact recreation.

*Conveyance Programs* – Provides improved conditions for fish in the Delta, leading to improved recreational fishing.

*Storage Projects* – Provides improved conditions for salmonids in Central Valley Rivers, leading to improved recreational fishing. Provides expanded recreational opportunities at new reservoirs.

*Wastewater Treatment Improvements* – Impacts of discharges to the Delta system.

## COMMERCIAL FISHING INDUSTRY

### Impacts on Delta

A number of commercially important fish reside in the Delta for some portion of their lifecycle. The commercial fishing industry impacts the Delta by reducing fish populations, discharging contaminants from boats, results of greenhouse gas emissions, etc.

### Interests

The commercial fishing industry will benefit from the following Delta improvements:

*Emergency Preparedness* – Provides quick response to flooding of Delta islands, protects water quality, and minimizes impacts on Delta fisheries.

*Flood Control and Levee Improvements* – Prevents flooding of Delta islands, protects water quality, and minimizes impacts on Delta fisheries. It is less expensive to provide flood control infrastructure and prevent levee failures than to repair costly damages caused by emergencies.

*Habitat Restoration and Ecosystem/Watershed Protection* – Improves fisheries for fishing throughout the Delta watershed and near-shore ocean, prevents closure of commercial fishing.

*Delta Water Quality Improvements* – Provides improved water quality for fish, leading to a better commercial fishery.

*Conveyance Programs* – Provides improved conditions for fish in the Delta, leading to a better commercial fishery.

*Storage Projects* – Provides improved conditions for salmonids in Central Valley Rivers, leading to a better commercial fishery.

*Wastewater Treatment Improvements* – Impacts of discharges to the Delta system.

## **BUILDING INDUSTRY**

### **Impacts on Delta**

The secondary zone of the Delta has some of the fastest growing communities in California. The building industry impacts the Delta through discharges of contaminants during construction, weakened levees due to construction equipment using Delta levee roads, increased flooding due to encroachment on flood space and increased impervious area, and increased discharges of contaminants in urban runoff.

### **Interests**

The building industry in areas that rely on Delta water has an interest in the reliability of the water supply because water agencies in the export areas must assure that water is available for development. The building industry will benefit from the following Delta improvements:

*Emergency Preparedness* – Provides quick response to flooding of Delta islands, protects construction projects, and minimizes economic losses.

*Flood Control and Levee Improvements* – Prevents flooding of Delta islands, allows development to occur, protects construction projects, and minimizes economic losses. It is less expensive to provide flood control infrastructure and prevent levee failures than to repair costly damages caused by emergencies.

*Storage Projects* – Improves water supply reliability. Improves flood control, particularly in light of expected impacts from climate change, reduced snowpack, and highly variable hydrology in the decades to come. This allows development to occur.

*Urban Water Conservation Programs* – The building industry benefits from improved water supply reliability that is provided by water conservation programs.

*Wastewater Recycling Programs* – The building industry benefits from improved water supply reliability that is provided by wastewater recycling programs.