

FINANCING THE DELTA PLAN

Statement of the Association of California Water Agencies To the Delta Stewardship Council on July 29, 2011

The Association of California Water Agencies (ACWA) strongly supports development and implementation of a Delta Plan that provides a comprehensive approach to achieving the co-equal goals in a manner that is consistent with the Alternate Plan recently submitted by the Ag-Urban Coalition. Such an approach meets the legislative intent of the 2009 Comprehensive Water Package, which reflected many of the key components of the Delta Vision Blue Ribbon Task Force's Strategic Plan - while ensuring water rights are fully protected. We believe a comprehensive approach is the only avenue that will lead to improvements in water supply reliability for all areas of the state, improved ecosystem health for the Delta, and protection of the Delta's unique values. This is in stark contrast to the Fourth Draft staff Delta Plan, which appears aimed at reducing water supplies and augmenting flows for fish through an approach that relies on regulations to force reductions in demand, with dire consequences for the state's economy. This approach is contrary to the co-equal goals and would eliminate the economic justification for local water agencies to pay for key elements of a comprehensive solution.

Given this context, we believe it's premature for a focused discussion of the finance section of the Fourth Draft Delta Plan. Instead, ACWA offers several finance principles that we believe need to be effectively addressed by the DSC.

Principle 1: Create Value

The fundamental principle of the financing strategy must be to create value for those who are expected to provide the funds. This depends on completing a Delta Plan that clearly describes the projects and management practices to be financed, and that creates value *from the perspective of those providing the funds*. Value cannot be dictated by the state or other governmental entity. Funding of a build-up of the DSC as a new regulatory bureaucracy that projects its authority into every aspect of water resources management statewide is neither necessary nor desirable. Instead the Delta Plan must clearly identify

the essential ecosystem and conveyance investments that are required to satisfy the co-equal goals, in order to justify the billions of dollars of expenditures by all levels of government.

Principle 2: Develop Partnerships and Broaden Support

The goal of the Delta Plan should be to recommend a financing approach that has the broadest support possible. A successful Delta Plan will provide a strategy for the DSC to lead in the coordination, collaboration and integration of state, federal, local government, non-governmental organizations (NGO), and private-sector efforts to accomplish the co-equal goals in the Delta. Such a Delta Plan could then be used to develop the broad-based support necessary for local governments to, in-turn, make the case to their rate-payers that funding associated with the Delta Plan is a good investment. As long as the DSC appears to be exceeding its authority and undermining the interests of those that are expected to contribute to its implementation, those interests cannot be expected to support the plan or voluntarily contribute to its implementation.

Principle 3: Broaden the Financial Base

The Delta Plan addresses issues far more extensive than water supply, water quality and the aquatic environment. So, rather than placing much of the burden for financing the plan on water users, the Delta Plan should show how a sustainable Delta benefits users of highways, railways, energy transmission facilities, agriculture and other economic sectors, and how these value centers should play an appropriate part in the overall finance plan. Again, instead of groping for regulatory threats, the approach must be collaborative and focused on creating value for these additional participants.

Principle 4: Implement “Beneficiary Pays” Appropriately

ACWA is opposed to any efforts to create a fee on water users to pay for infrastructure, ecosystem, or administrative costs where the concept of beneficiary pays has not been clearly defined and appropriately implemented. We do not need another academic debate on the “beneficiary pays” principle. Instead the finance plan needs to be based on a very specific Delta Plan that identifies what actions and assets are required, their cost and

timing, and exactly which entities will share in the benefits of these plan elements. We believe that this plan should rely on the results of collaborative, transparent processes that includes all the stakeholders and is based on the widest range of possible funding mechanisms. Fundamental to the definition of “beneficiaries” is the concept that the *public as a whole* is a beneficiary of many values that will be provided by the Delta Plan. It is clear that substantial state general funds and program funds, as well as a variety of federal funding sources must be brought to the table to finance these public benefits.

Principle 5: Support the 2012 Water Bond

Although development of a financing plan is premature until the Delta Plan is successfully completed and shown to be broadly supported, the DSC should clearly take a stand in support of the 2012 Water Bond. The Legislature passed the Water Bond in 2009 by a 2/3 vote. It goes to the voters in fifteen months. The DSC should not preemptively reject the potential for its approval. Instead, the Delta Plan should identify the specified programs and substantial funding levels that the Water Bond could contribute to implementing its significant public benefits.