SRCSD

Wastewater Management

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Main Office
10060 Goethe Road
Sacramento, CA 95827-3553
Tele: [916] 876-6000
Fax: [916] 876-6160

Sacramento Regional Wastewater Treatment Plant
8521 Laguna Station Road
Elk Grove, CA 95758-9550
Tele: [916] 875-9000
Fax: [916] 875-9068

September 30, 2011

Delta Stewardship Council
980 9th Street, Suite 1500
Sacramento, CA 95814

Sent via e-mail: deltaplancomment@deltacouncil.ca.gov

Subject: **Sacramento Regional County Sanitation Comments Regarding the Fifth Draft Delta Plan Finance Framework and Finance Workshop**

Dear Chairman Isenberg and Council Members:

The Delta is an important environmental and economic resource for the State and we must ensure its sustainability. The Sacramento Regional County Sanitation District (SRCSD) supports the co-equal goals of ecosystem protection and water supply reliability and takes its role as environmental stewards very seriously. We appreciated the Council's efforts in engaging stakeholders at the September 20, 2011, Finance Plan Workshop. This workshop provided a good forum and an opportunity for a robust discussion among various stakeholders to present their perspectives regarding the financing of Delta improvements.

SRCSD understands that meeting the co-equal goals will require vast sums of money, now and into the future. And funding these efforts will require a combination of finance mechanisms that will need to be apportioned differently among federal and state general funds, public goods charges, user fees and stressor fees. However, before the details of a specific Delta Finance Plan can be developed, SRCSD believes it is imperative to first achieve agreement among stakeholders on the overarching key finance principles, which can then guide the development of the Finance Plan. Therefore, at this juncture, we thought it may be more useful to offer the Council several critical principles that should be considered in the development and establishment of plans for financing new Delta related activities. Four overarching principles we believe must be considered include:

- Delta programs and funding sources must be clearly delineated and prioritized;
- Any assignment of costs must be equitable and based on a clear nexus between the paying entity and the program expenditure;
- There should be no double jeopardy – Entities should not pay twice; and
- The financing plan must incentivize useful actions.

We have attached a two-page summary of the key principles we believe are fundamental in the development of any future Delta Finance Framework or Finance Plan and would welcome the opportunity to meet with Council members to more thoroughly discuss these concepts.

During the interim, if the Council or staff has any questions, please contact me at mitchellt@sacsewer.com or 916-876-6092.

Sincerely,

Terrie Mitchell
Manager, Legislative and Regulatory Affairs

Attachment: SRCSD's Key Principles for Financing Delta Improvements

cc: Stan Dean, District Engineer, SRCSD
Prabhakar Somavarapu, Director of Policy & Planning, SRCSD
Linda Dorn, Environmental Program Manager, SRCSD

Sacramento Regional County Sanitation District

SRCSD's Key Principles for Financing Delta Improvements

(September 30, 2011)

SRCSD supports the following key principles in the development and establishment of plans for financing new Delta related activities.

Delta programs and funding sources must be clearly delineated and prioritized.

- The Delta Plan must include clear delineation of major programmatic funding needs, a broad and inclusive analysis of potential funding sources, and consideration of a comprehensive array of financing mechanisms. The four major Delta project areas include:
    - Administration for Delta programs (such as the Delta Stewardship Council, the Delta Science program, and the Delta Conservancy),
    - Water supply reliability and alternative conveyance facilities through or around the Delta and mitigation thereof,
    - Ecosystem restoration projects, and
    - Other Delta infrastructure and Delta as a place related projects.

- Potential financing mechanisms include:
    - Federal and state general funds;
    - State bond funds;
    - Public goods charges;
    - User fees, beneficiary fees, and stressor fees.

- The finance plan should be phased and follow an adaptive management approach. The Plan should focus immediately on meeting short term needs, keep a variety of long term funding options available, and implement long term funding options as the specific projects and costs become clear.

- Selection of actions needed to support Delta goals must be based on sound business perspectives to prioritize where money will be spent. Cost benefit or return on investment type approaches are essential in determining where value is created, thereby enabling priorities to be set.

Any assignment of costs must be equitable and based on a clear nexus between the paying entity and the program expenditure.

- Proponents of alternative Delta conveyance and export projects should pay all costs associated with facility development, construction, and associated ecosystem mitigation.

- In developing any "beneficiary pays" and "stressor pays" financing approaches, a broad view of beneficiaries and stressors must be taken. All significant beneficiaries and stressors must be considered regardless of whether they have a known source of funding behind them, and it is essential to make a rational determination of the relative proportion of benefits and stresses.

- State and Federal governments have a responsibility for financing significant portions of Delta programs, and local government entities should not bear an undue burden when state and Federal dollars become unavailable.

- The state and federal government bear a major responsibility for financing projects that mitigate the Delta's legacy issues.

There should be no double jeopardy – Entities should not have to pay twice.

- Investments towards compliance with regulatory requirements, investments in ecosystem restoration, and investments that otherwise further the co-equal goals should be inventoried and accounted for.

- Any viable long-term financing plan must protect against duplication of effort and duplication of charges. Where appropriate, programs should be streamlined and integrated.

- The Clean Water Act is effectively a stressor pays program. NPDES permittees effectively "pay" by complying with regulatory requirements that require investments in capital and operational enhancements to mitigate their impacts, and as a result, beneficial uses of water are protected

- Any consideration of stressor fees should be based on the degree to which the stressor is affecting beneficial uses. For discharges to the watershed (point and non-point), it would not be rational to base stressor fees on the volume of water quality constituents discharged because volume alone is not an indication of stress; the degree to which pollutant loading affects beneficial uses is a more relevant consideration.

- An entity that is required to mitigate or eliminate a stressor should not also be required to pay a fee associated with the same stressor.

The financing plan must incentivize useful actions.

- Incentives should be provided that encourage organizations to invest in monitoring and research and to enhance projects to provide extra benefit to the Delta.

For more information contact: Stan Dean, SRCSD District Engineer, deans@sacsewer.com
Prabhakar Somavarapu, SRCSD Director of Policy and Planning, somavarapup@sacsewer.com
Terrie Mitchell, SRCSD Legislative & Regulatory Affairs Manager, mitchellt@sacsewer.com