





## Memorandum

Date: April 7, 1999

To: CALFED Policy Group

From: *Eugene Reynolds*  
Lester A. Snow

Subject: Status on Financing Strategy for CALFED

### Summary

CALFED staff is proceeding with development of a CALFED Finance Strategy to be included in the June Phase II Report released with the Draft EIS/R. Described below are the scope and level of detail expected to be in the June draft in each of nine categories. The categories listed basically correspond to Section 5.4 of the December Phase II Report which identified priority work activities for 1999. The December Phase II Financing Plan is included as *Attachment 1* for reference.

### Action: Concurrence Item

Policy Group will be asked for concurrence on the proposed scope and level of detail for the Finance Plan in the June draft

### Detailed Discussion

#### Scope and Level of Detail for June Draft

1. Refine Cost Estimates. For the June draft, Stage I cost estimates will be refined, focusing primarily on Years 2000 and 2001 (Pre-ROD and early Stage I). Costs have been developed for each of the actions listed in *Table 1--Draft Early Implementation Bundles and Cost Estimates (Attachment 2)*. Year 2000 and 2001 costs are summarized by CALFED program in *Attachment 3*. The Year 2000 and 2001 actions, bundles, and costs will be revised based on comments received, before the June draft.
2. Coordination Plan/Crosscut budget Using the Year 2000 and 2001 actions, staff will include in the June draft an initial review of existing programs and funding sources that relate to CALFED proposed actions.

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#### CALFED Agencies

##### California

The Resources Agency  
Department of Fish and Game  
Department of Water Resources  
California Environmental Protection Agency  
State Water Resources Control Board

##### Federal

Environmental Protection Agency  
Department of the Interior  
Fish and Wildlife Service  
Bureau of Reclamation  
U.S. Army Corps of Engineers

Department of Agriculture  
Natural Resources Conservation Service  
Department of Commerce  
National Marine Fisheries Service

3. Beneficiary Pays. A key element of the finance strategy is the assessment of program benefits and beneficiaries in order to develop finance and cost share principles. Staff is beginning the process by reviewing and evaluating each CALFED program and its proposed actions (*See Attachment 4*). By June, general finance and cost share principles will be proposed and in a few cases specific cost share requirements may be proposed. The June draft should clarify when a more traditional and detailed approach to cost allocation is necessary and when general financial principles are sufficient.
4. Crediting. Using the 1994 Accord as the date after which credits may be given, CALFED will develop a list of accounts that might be credited toward a CALFED program. Additional information will be provided on how a crediting policy would operate.
5. User Fees. The June draft will describe why a Delta water diversion fee/assessment is desirable and describe various scenarios for structuring such a fee/assessment. The users that could be assessed, the size of the fee and the range of revenue that could be generated will be described.
6. Western Water Financing. Background information will be incorporated in the June draft that provides a broader context to CALFED's approach to financing. Information will be incorporated into the beneficiary pays and user fee sections.
7. Seek Federal and State Authorization/Appropriation. An ongoing effort involves coordination with the FY 2000 and FY 2001 federal and state budgets. CALFED agencies and the CALFED program have been asked to identify funding needs in FY 2001 that correspond with the FY 2001 actions proposed by CALFED.
8. Private Investment. Assessing the potential for private capital as a funding source will be included in the final EIS/R and not the June draft. This is because the U.C. Davis study *Quantitative Analysis of Finance Options for California's Future Water Supply* is expected to be completed in late June.
9. Finalize Cost Share Agreements. Cost sharing agreements between the state government, the federal government, and beneficiaries will be completed before the ROD. The assessment of program benefits and identification of beneficiaries and appropriate funding sources needs to be done prior to cost share agreements.

Attachments