

Bay Delta Advisory Council
Finance Work Group
Meeting Summary
November 20, 1996

The BDAC Finance Work Group met on November 20, 1996 in Burbank, California. The purpose of the meeting is to provide an update on State/Federal Funding and walk through a case study of cost allocation.

In attendance were:

BDAC Members

Eric Hasseltine, Chair
Rosemary Kamei
Roberta Borgonovo

Other Attendees

Lester Snow, CALFED
Bob Raab, BDAC
Ray Remy, BDAC
Melinda Rho, LADWP
Christine Canfield, Water Replenishment District
Hari Modi, NCPA
Dennis O'Connor, CRB
Amy Fowler, SCVWD
Arnold Rummelsburg, WR-MWSD
Craig Stroh, USBR
Teresa Pacheco, USACOE
Peter von Haam, MWDS
Lora Steere, EBMUD

• **Federal Funding**

Lester Snow gave an overview of the ongoing effort to secure federal funding for the CALFED Bay-Delta program. With \$430 million in federal authorization and Prop 204's \$390 million plus \$60 million Category III funding, a first piece of the financing puzzle, initial public funding, has been put in place. Efforts are now in progress to turn the federal authorization into appropriations. Lester outlined the expected timing of the FY98 federal budgeting process through early 1997, indicating that the President's budget should be available in February 1997. He also explained that the Program needs more than \$130 million per year for the first three years, and might settle for less than \$130 million per year

up front in order to secure additional funding beyond the first three years. The specific amounts that may be appropriated were not known at the time.

- **Prioritization and Cost Effectiveness of Actions**

Lester's comments led to a discussion of how the prioritization process for early spending will be conducted. Lester explained that the Ecosystem Roundtable had been formed, and that they would become involved in setting priorities for early implementation items. He indicated that the process would probably be based on immediacy of need, availability of funding, cost effectiveness, and possibly willingness of beneficiaries to provide matching funding. He also suggested that staging or phasing concepts can be worked on while impact analysis is taking place, given that impact analysis looks at the cumulative impact rather than staging order.

- **Cost Allocation Example - Case Study**

Zach McReynolds presented an example of the Separable Costs/Remaining Benefits (SCRB) cost allocation process. He began with an overall description of the financial process for the CALFED Program, as a way of placing the cost allocation example in context.

The example was based in concept on the Sites Reservoir study which had been indexed recently by DWR to current dollars. The study did not contain estimates of benefit values, so they were derived somewhat arbitrarily for purposes of the example. The purpose of the example was to introduce some of the concepts and terminology which will be repeatedly used in future discussions of cost allocation and cost sharing, as well as to illustrate some of the difficulties with the SCRB method. The group had an extended discussion on the mechanics of the example, in order to ensure that those present were familiar with the cost allocation concepts being used.

Following this presentation of the example, the group discussed briefly how the SCRB method might be used in the Program. The group was not prepared to come to any specific conclusion regarding this method, other than to acknowledge that it presented some difficulties despite the fact that it is one of the most widely used techniques.