

# BDAC Finance Work Group

## Meeting Summary

August 28, 1997

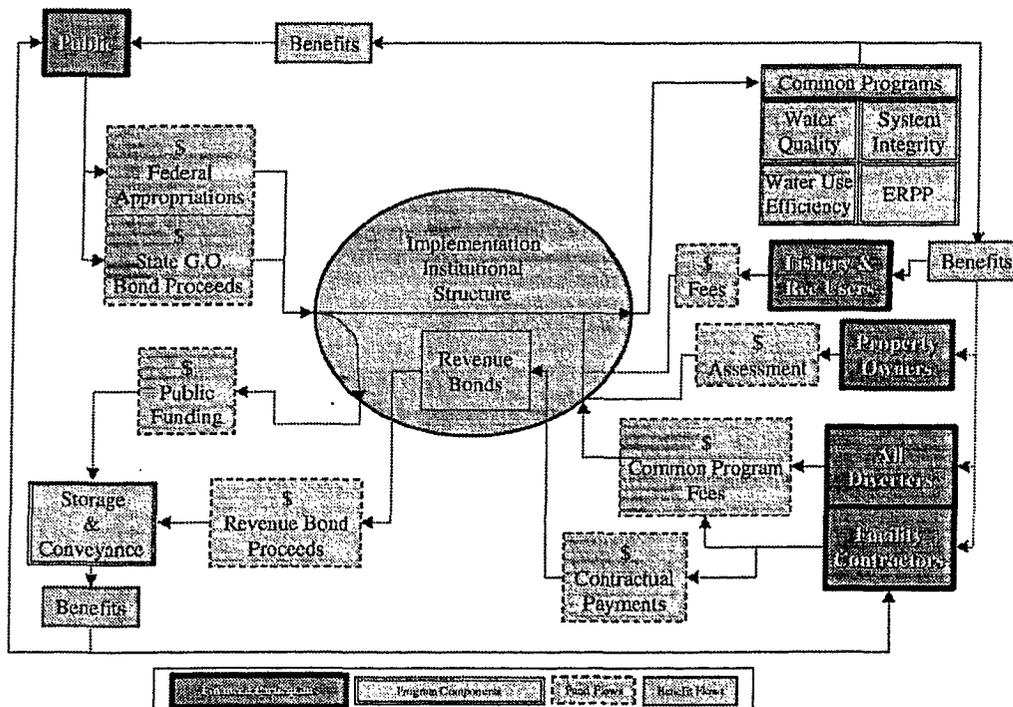
### Status Updates

Information reports were provided on the status of the federal funding effort, the State/Federal Cost Sharing Agreement, and the Ag/Urban group. Rich Atwater reported that a conference committee was expected to be named next week, with a resolution expected in the next 2-3 weeks between the \$50 million Senate version and the \$120 million House version of the appropriation for CALFED. The Cost Sharing Agreement had been revised to reflect a number of comments made by stakeholders in August after public release in mid-July. The Agreement is expected to be finalized in mid-September. Stakeholders were reminded to make any comments they had on the revised document immediately in order to enable timely completion of the document. Randall Neudeck reported that the Ag/Urban group was intending to do background work through the month of September and that as of this time they had no information to report. He handed out draft work plan for their efforts which outlined their approach for the remainder of 1997.

### Discussion of Allocation Approaches

Zach McReynolds handed out graphic materials showing a hypothetical financial structure, some example funding sources and cash flow for the Program components. He explained that these materials were conceptual, and that the numbers, although realistic, were still estimates. Discussion began with the structural diagram as shown below (the diagram has subsequently been revised to include some of the comments made at this meeting):

**Finance Example Schematic Diagram**

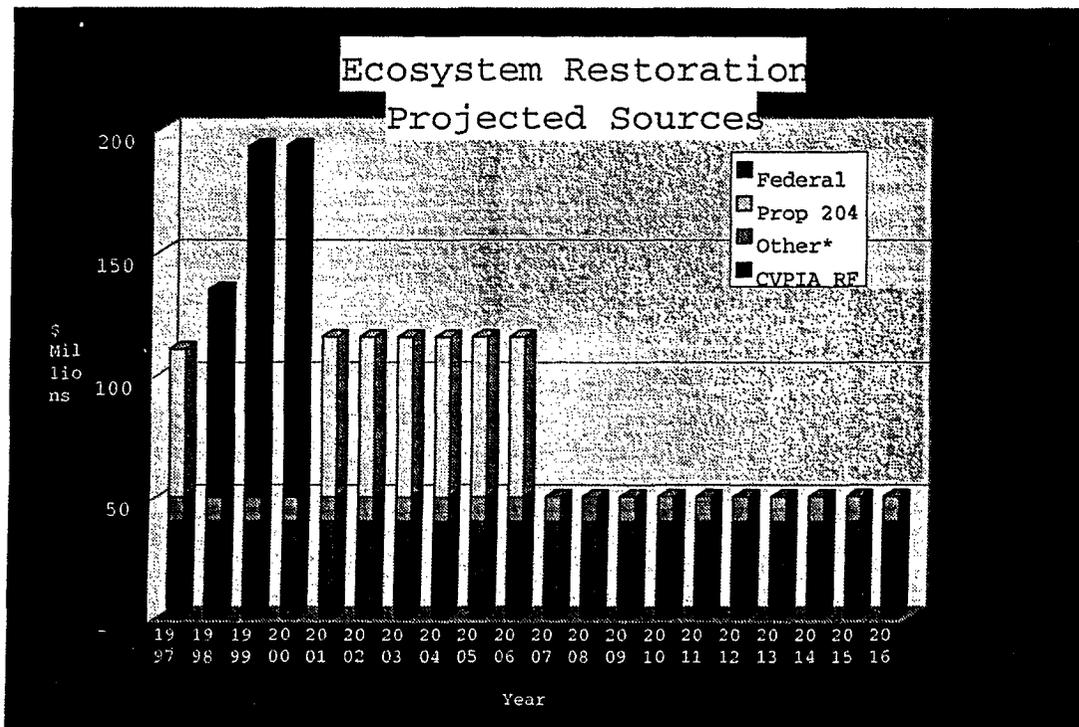


A number of points were made relating to the diagram:

- Fees on diverters should be related to benefits received, and different levels of benefits could imply different levels of fees for different groups of beneficiaries.

- Flood control benefits within the Delta could give rise to increase property values; an alternative to land assessments could be a tax increment structure using an Infrastructure Financing District. The concept here is to assess a tax against increases in property value relative to a starting value.
- Fisheries and recreational users were not included (diagram has been revised to reflect these users).
- Public funding for Storage and Conveyance implies public benefits from these facilities. The issue of what level of benefits accrue to the public for these facilities raises the ecosystem financial baseline issue.
- The diagram highlights the extensive and complex task facing the implementation structure in terms of coordinating many revenue sources for multiple components.

Discussion then turned to the projected funding available for the ERPP. This diagram below was used to facilitate this discussion:



Several points were made regarding this diagram:

- ERPP funding for the first ten years, if all goes as planned, could be over \$100 million per year. Spending this amount effectively will be a challenge. Spending more than this may be difficult on the ERPP.
- ERPP funding after the amounts shown in the diagram are expended has not been provided for.
- Contributions from several user sectors for the ERPP are not identified, while CVPIA Restoration Fund is a major source. Other users may have to contribute as well.
- Although there are some existing sources of funding for other Common Programs, they are not as extensive as ERPP funding. Additional sources for other Common Programs must be identified.

This discussion led to a broader discussion of User fees and how they relate to the Program. Some see user fees as a critical way of creating a more direct price signal to water users reflecting the environmental costs of their water use. Concern was expressed from both sides: concern that the price signal would be too high leading to un-affordable water, and concern that the price signal would be too small to motivate change in behavior.

Collecting user fees and depositing them in some type of trust fund has been discussed in the Assurances work group as a way of providing self-funded insurance for users against future shortfalls. However, it was pointed out that accumulating large amounts of unallocated cash has caused problems in the past.

It was pointed out that the materials being discussed still did not address the question of cost allocation. Eric Hasseltine then passed out a "straw poll" to those present and asked them to indicate what proportion of each Program component, as they understood it, should be funded by the public. The remainder in each case would be user funded. Informal results suggest that there is a wide disparity of opinion on the correct allocation for each and every component.

**Attendance**

Eric Hasseltine  
Roberta Borgonovo  
Rosemary Kamei  
Bob Raab

Dennis O'Connor  
Craig Stroh  
Lora Steere  
Greg Zlotnick

Earl Nelson  
Marni Buchanan  
Rich Atwater  
Randall Neudeck