

MEMO

To: Zach McReynolds, CALFED

From: Robin Reynolds, CDFA

Date: June 19, 1997

Subject: Follow-up to BDAC Finance Work Group Meeting of June 18, 1997

The purpose of this memo is to respond to, and develop for discussion, several of the issues raised at the workgroup meeting.

1. Regarding the issue of what baseline time and conditions to use for the financial analysis and cost allocations for the CALFED program:

CALFED is in the process of preparing a Programmatic EIR for the over-all program. California environmental law provides what I consider the appropriate answer to the baseline question. The baseline for assessing impacts of the program is "...the environment as it exists before the commencement of the project..." (CEQA Guidelines Section 15125) Logical baseline dates then would most logically be the date of Certification of the Final EIR, since large elements of the program are tied to this.

To use another baseline would be inappropriate as it would make the financial planning aspects of the program fundamentally incompatible with the other aspects of program planning. CALFED is considering other time periods for design of certain aspects of the program, but this does not alter the clear requirement for impacts to be assessed against the existing conditions.

2. Regarding the single page document entitled "COST ALLOCATION METHODOLOGY" dated June 15, 1997.

Add an additional criteria, "Equitable"

One of the solution principals incorporated into the CALFED mission statement is that improvements for some problems will not be made without corresponding improvements for other problems. It is appropriate to apply the principal of equity to cost allocation. Costs should be allocated among user categories on the basis of net benefits received from the overall program.

Costs allocated to agricultural beneficiaries of the program need to reflect the impacts of the overall program on agricultural resources, both negative and positive. Specifically this must include consideration of the fact that the CALFED program is considering converting large areas of farmland and redirecting significant quantities of water from agricultural to other uses, for the benefit of all other beneficiaries of the program.

3. In general there has been a great deal of detail on CALFED staff visions of ecosystem restoration goals for the program. In contrast, there has been virtually no information on either the costs of the program, or the benefits of the program to water users, and especially agricultural water users. Until program costs and benefits are known it is difficult to have meaningful discussion of cost allocations, beyond the most basic principals, such as in the one page document entitled "COST ALLOCATION METHODOLOGY" dated June 15, 1997.

4. One of the fundamental principals of cost allocation is contained in a legislative declaration: "The CALFED Bay-Delta Program, to the extent that it relates to restoration of the bay-delta ecosystem, is of statewide and national importance. The state should participate in the funding of eligible projects as a part of its ongoing program to improve environmental conditions of the bay-delta ecosystem." (Section 78684.2) To the extent that CALFED proposes ecosystem restoration works with costs beyond the resources made available for that purpose, CALFED should look to the legislature and voters to augment the funding. The undated chart distributed at the June 18, 1997 meeting, entitled "CALFED Long Term Solution Example Funding Mix" should be revised to reflect this.

5. Among the proposed sources of revenue for program financing were increases in Delta Water Charges, and fees on diversions of water upstream of the Delta. These and other proposals would require legislation. Discussions of these items thus should be in terms of legislative proposals, with frank discussions of major issues which conflict with California law, such as the "area of origin" protections. Unless the legislature determines otherwise, fees and taxes on agricultural water users should be limited to debt repayment, and operations, and maintenance costs of facilities which benefit agricultural water users. Both water supply and ecosystem restoration projects should include provisions to mitigate the impacts of those respective programs.