



## RECOMMENDATIONS FROM THE BUSINESS COMMUNITY ON CALFED

November 20, 1998

The following statement from business and employer organizations in California sets forth recommendations for a balanced CALFED Bay-Delta solution including Ecosystem restoration, water use efficiency, water quality, levee integrity, watershed management, voluntary water transfers, water supply reliability, surface and groundwater storage, conveyance, financing, and assurances and institutional arrangements.

### CALFED OVERALL

- California's economy depends on a reliable, affordable, adequate supply of high-quality water. Adequate supplies are currently maintained only by intensive management of complex, overtaxed, and aging water infrastructure. By 2020, California's population is projected to grow almost 50 percent, to more than 47 million people. Drinking water standards are expected to become more stringent. The cost of drinking water treatment and water recycling continues to increase.
- The CALFED Bay-Delta Program is the single best opportunity to resolve in a timely and equitable manner water issues that threaten California's environmental quality and economic prosperity. The CALFED Bay-Delta Program remains the best means of achieving a Delta "fix" that is a balanced, consensus-based solution that meets the needs of all Californians.
- We urge a decision on the planning, financing, and scheduling of all components of an overall CALFED Bay-Delta solution by the end of 1998--4 years after the signing of the original Bay-Delta Accord.
- A balanced program including each of the following components should be included in the framework of a CALFED Bay-Delta solution.

## **PRINCIPLES**

- Any water solution must consider the broad impacts on California's economy. Water is vital to virtually all parts of our diverse economy.
- When investments in water need to be made, those who benefit should pay--be it an individual or the entire California population.
- Competing interests should seek balanced solutions that benefit California as a whole and are consistent with California water rights.

## **ECOSYSTEM RESTORATION**

- It is imperative that the Bay-Delta Ecosystem habitat and wildlife be restored to sustainable ecological and biological health.
- Explicit outcome performance measures must be established as part of a balanced Bay-Delta Program, including the Ecosystem restoration process.
- Existing Ecosystem programs and efforts must be integrated and coordinated in order to optimize benefits.

## **WATER USE EFFICIENCY**

- All reasonable and economically feasible water-use efficiency measures should be supported and implemented to ensure that the current available supply is being used wisely.
- Conservation and recycling should be supported and encouraged where it makes economic sense and is consistent with existing programs and agreements (such as the Memorandum of Understanding for urban Best Management Practices). Funding should be provided for technical assistance and implementation.
- Steps must be taken to ensure that the development of new water supply does not inadvertently inhibit the implementation of conservation, recycling, and other water-use efficiency measures. The combined economic effect of conservation, recycling, other water efficiency efforts, water transfers, and new water supply development should be considered collectively, not just on individual merit, so that optimum system-wide solutions are achieved.

## **WATER QUALITY**

- The CALFED Bay-Delta solution must improve water quality to acceptable levels for all beneficial uses, including complying with water quality standards. Such an improvement would have the added benefit of reduced treatment costs at the local level.
- Stage One should provide measurable progress towards improved water quality. Stage One investments and other actions must help resolve what needs to be done to meet present and future water quality standards.
- The impact of run-off and drainage that now degrade water quality must be assessed and appropriate action should be taken to protect water quality. The increase in new pollution loading in the watershed must be mitigated.

## **LEVEE INTEGRITY**

- Delta levee integrity must be improved to protect the Ecosystem as well as adjoining properties, meet flood control objectives, improve water quality, efficiently use the existing water supply, protect export water supply, and facilitate adequate flow through the Delta.
- The existing federal-state-local cost-sharing agreement should be fully-funded and expanded to complement the approved Bay-Delta Program.

## **WATERSHED MANAGEMENT**

- Watershed ecology and habitat must be protected and improved.
- Improved watershed management can result in improved Ecosystem performance and water supply yield.
- Area of origin and counties of origin rights must be protected. Existing water rights must be protected or compensated for as provided by law.

## **VOLUNTARY WATER TRANSFERS**

- Voluntary transfers should be facilitated and an expanded water market should be established. An expanded water market is essential to a long-term solution. If needed, State and federal legislation should be expeditiously enacted after careful consideration to determine what is necessary to accomplish this objective. Clear and coherent rules governing short-term transfers will enable water transfers to become a greater part of water resource management for California.

- An expanded water market can introduce economic incentives into water management and will help assure taxpayers and ratepayers that neither water nor money are being wasted. A general statement of the public benefit of a water market and voluntary transfers would serve to encourage the approval of transfers. Criteria must be developed to support the importance of water transfers to state water policy.
- Existing water rights must be affirmed and assured for those parties voluntarily entering into transfers.
- Safeguards and assurances must be enacted to protect areas of origin and to prohibit inappropriate transfers out of over-drafted basins and from over-committed river systems.
- Water transfers should not be viewed as a mechanism to satisfy the long-term needs of urban areas by shifting water out of the agriculture sector that is needed for the efficient cultivation of California's productive farm land. A method to implement exchanges and replacements should be considered.

## **WATER SUPPLY RELIABILITY**

- California's economy and environment require a safe, clean, reliable, and adequate water supply. Reliability includes improving predictability, quality, availability, and flexibility, and reducing drought impacts. Water supply should sustain our State's anticipated future population and economy. CALFED must strengthen and extend the Bay-Delta Accord to ensure urban, agricultural, industrial, and environmental water supply during Stage One.
- Water supply reliability depends on restoring the Bay-Delta Ecosystem, optimizing water-use efficiency, and developing new facilities. Conservation and construction are both needed for future water supply and reliability, and to reduce the conflict between the environment and the economy. A full range of management measures and funding are needed to meet environmental needs and to provide opportunities to export water in excess of what is needed to restore the Ecosystem.

## **STORAGE**

- All reasonable analyses of future water supply (including the increased supplies expected to result from water use efficiency improvements) in comparison to documented growing future demands conclude that additional storage will still be needed to responsibly manage California's water resources for the future, including providing improved environmental flows at critical times and meeting the needs of a healthy environment. A mix of actions including efficient water use, voluntary transfers, and storage must be part of the package to deal with California's water resource future.

- New storage facilities also are needed both for flood control and greater flexibility in managing the state and federal systems to restore and protect the Bay-Delta Ecosystem without significant dislocations in some sectors of the economy. New storage facilities in Stage One, as well as future stages, must be designed to make the Delta system more flexible and reliable for all beneficial uses.
- Use of both surface and groundwater storage--often referred to as "conjunctive use"--should be optimized. Off-stream surface reservoirs can provide the capability of capturing water during periods of heavy precipitation or run-off and storing it until groundwater basins can be recharged.
- Feasibility studies and environmental assessment for prospective off-stream reservoirs and groundwater banks identified in the CALFED Bay-Delta Programmatic Draft EIS/EIR should be undertaken immediately. Analyses of who benefits (and therefore who pays) should be undertaken as the results become available. At the outset of Stage One, a programmatic 404 permit must be granted for surface and groundwater storage.
- The federal government in cooperation with the state should study the feasibility of an environmentally-sensitive increase to the height of Shasta Dam.
- If the studies result in the identification of viable off-stream reservoir and groundwater basin sites and/or the viability of modestly raising Shasta Dam, and analyses identify payers for that portion of storage not dedicated for environmental purposes, then state and federal officials should move expeditiously to construct such facilities.

## CONVEYANCE

- The existing Delta conveyance facility must be improved in order to reduce impacts on the Bay-Delta Ecosystem and to ensure improved water quality and water supply reliability.
- Short and long term conveyance needs must be analyzed and the performance standards defined necessary to achieve needed improvements in the Ecosystem, water quality and water supply.
- In Stage One expeditiously implement optimal through-Delta improvements. Evaluate their effectiveness in meeting a defined set of performance standards, including for the Ecosystem, water quality, and water supply reliability.
- If within a reasonable and agreed upon time, optimal through-Delta improvements alone cannot meet the performance standards for Ecosystem restoration, water quality, and/or water supply reliability, then implement an appropriately-sized isolated conveyance system. In order to minimize risk of delays if isolated conveyance is needed to meet performance standards, requisite feasibility studies of isolated conveyance should be conducted during Stage One.

## FINANCING

- Financing and funding should use benefits-based principles and methods to allocate the costs of the Bay-Delta program equitably.
- New facilities should be developed on the basis that contractors/users pay for that portion of storage not dedicated for the environment and other public benefits. New conveyance facilities should be paid for by who benefits. State and/or federal public financing mechanisms could be deployed for construction of facilities for user benefits if the costs are recovered from the sale price of water to all users equitably. These should be agreed to and set prior to construction. Other funding mechanisms and ownership options should be explored so that the most economical financing is achieved. Users who are public agencies could use public financing and funding methods available to them to pay for storage and other water management measures. Other funding mechanisms and ownership options should be explored so that the most economical financing is achieved.
- Public financing and funding of new programs and facilities are appropriate to the extent that the implementation of efficient water use measures is accelerated and new water supply is developed for environmental or non-consumptive purposes and/or facilities, such as fish screens which improve the Ecosystem. Recognizing the State and federal interests in restoring, preserving, and enhancing the environmental health of the Delta, financing solutions for Ecosystem restoration need to draw upon public funding sources.

## ASSURANCES AND INSTITUTIONAL ARRANGEMENTS

- Assurance agreements are needed for the proper timing, staging, and financing of construction, maintenance and operation of new facilities. It is important that the implementation of the Ecosystem restoration and water efficiency programs be accompanied by the implementation of the facilities components necessary for improved management and reliability of the water supply.
- There is a need for institutional reform as well as integrated and consolidated decision-making. An appropriate institutional structure must be established to ensure timely and balanced implementation and adaptive management for the full CALFED Bay-Delta Program. The institutional structure must encourage continued cooperation of all CALFED agencies and ensure that no single agency can unilaterally block implementation of any component of the Program.
- The CALFED Bay-Delta solution must include assurances that all stakeholders can rely upon in good faith that agreements will be honored and that all segments and regions of California will benefit.