

# United States Senate

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October 8, 1999

Mr. Lester Snow  
Executive Director  
CALFED  
1416 Ninth Street, #1155  
Sacramento, CA 95814

Dear Mr. Snow:

As a longtime and active supporter of the CALFED process, I remain committed to CALFED's goal of developing and implementing realistic, comprehensive and cost-effective solutions to the issues of water supply reliability, ecosystem health, water quality and system vulnerability. I believe a clear, credible financing strategy is essential for the successful development and implementation of this historic plan.

While CALFED has long embraced the "beneficiary pays" approach as a fundamental principle, after reviewing CALFED documents, there appear to me to be looming questions with respect to the future of the program's financing plan. In an attempt to better understand how CALFED's financing framework would function, I request that you respond in writing to the following questions which I have grouped into four main categories: Funding Sources; "Beneficiary Pays" Issues, Financial Plan and Cost of Water Supplies.

## Funding Sources

1) What are your basic financing needs and projections from state and federal sources, and how would passage of the proposed state water bond affect the CALFED program?

2) In addition to state and federal funding sources, where will the money to pay for CALFED come from and how will it be allocated to the various CALFED programs? As you know, Proposition 204 held that, in exchange for advance funding, CALFED would develop "an equitable allocation of program costs among beneficiary groups" as part of an overall financing strategy.

3) Most stakeholder efforts over the last three years have focused on securing state and federal funding for a host of projects and programs related, directly or not, to CALFED

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activities. And the current CALFED Implementation Plan states: "...after the benefits analysis and cost allocation, CALFED may propose cost shares that differ from existing state and federal cost sharing formulas, or may use the cost sharing formulas in existing programs." Do not such statements, coupled with an overt focus on taxpayer-subsidized funding sources, potentially undermine the entire Finance Plan effort?

#### "Beneficiary Pays" Issues

- 1) The December 1998 and June 1999 Revised Phase II Reports both state: "A fundamental principle of the CALFED Program is that the costs of a program should be borne by those who benefit from the program." However, the June 1999 Implementation plan states: "A fundamental philosophy of the CALFED Program is that costs should, **to the extent possible, be paid by the beneficiaries of Program actions.**" Does this change in language indicate a departure from CALFED's "beneficiary pays" approach?
- 2) What steps has CALFED taken to identify those who would benefit from specific water management tools and to determine their willingness to pay?
- 3) What steps has CALFED taken to establish what the plan refers to as a "Broad Based Bay Delta System Diversion Fee," who will pay it, and how will this fee support CALFED's flow-related ecosystem restoration objectives?
- 4) Consistent with the "beneficiary pays" principle, what has CALFED done to refine and implement a comprehensive set of impact-based mitigation fees?

#### Financial Plan

- 1) As you know, the deadline for the final CALFED Program's Record of Decision (ROD) is just nine months away. I am concerned that, after four years of work, CALFED has thus far produced only an "initial framework" for developing a finance plan and has indicated that such a plan might not be completed until the time of the ROD. When does CALFED intend to bring a Finance Plan to completion?

#### Cost of Water Supplies

- 1) The cost of new water supplies will be a critical factor in determining the ability of stakeholders to make use of newly developed water. According to your analysis, what is the range of estimated costs per acre foot of new water supplies generated under the following categories: conservation; reclamation; reoperation of existing reservoirs;

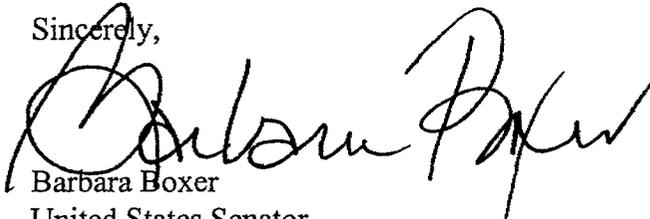
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groundwater storage developed through conjunctive use; off- and on-stream surface storage, including new reservoirs; as well as possible augmentation of existing dams? Clearly these costs vary within categories. Therefore, it would be useful for you to provide specific examples of costs within each category.

2) Finally, the Implementation Plan includes substantial programmatic capital cost estimates for which little, if any, documentation is offered. What were the assumptions upon which these estimates were based, and how will CALFED address the related need for non-capital funds as an essential element of a comprehensive financing strategy?

I would appreciate your careful consideration of these questions, and I look forward to your prompt response.

Sincerely,



Barbara Boxer  
United States Senator

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