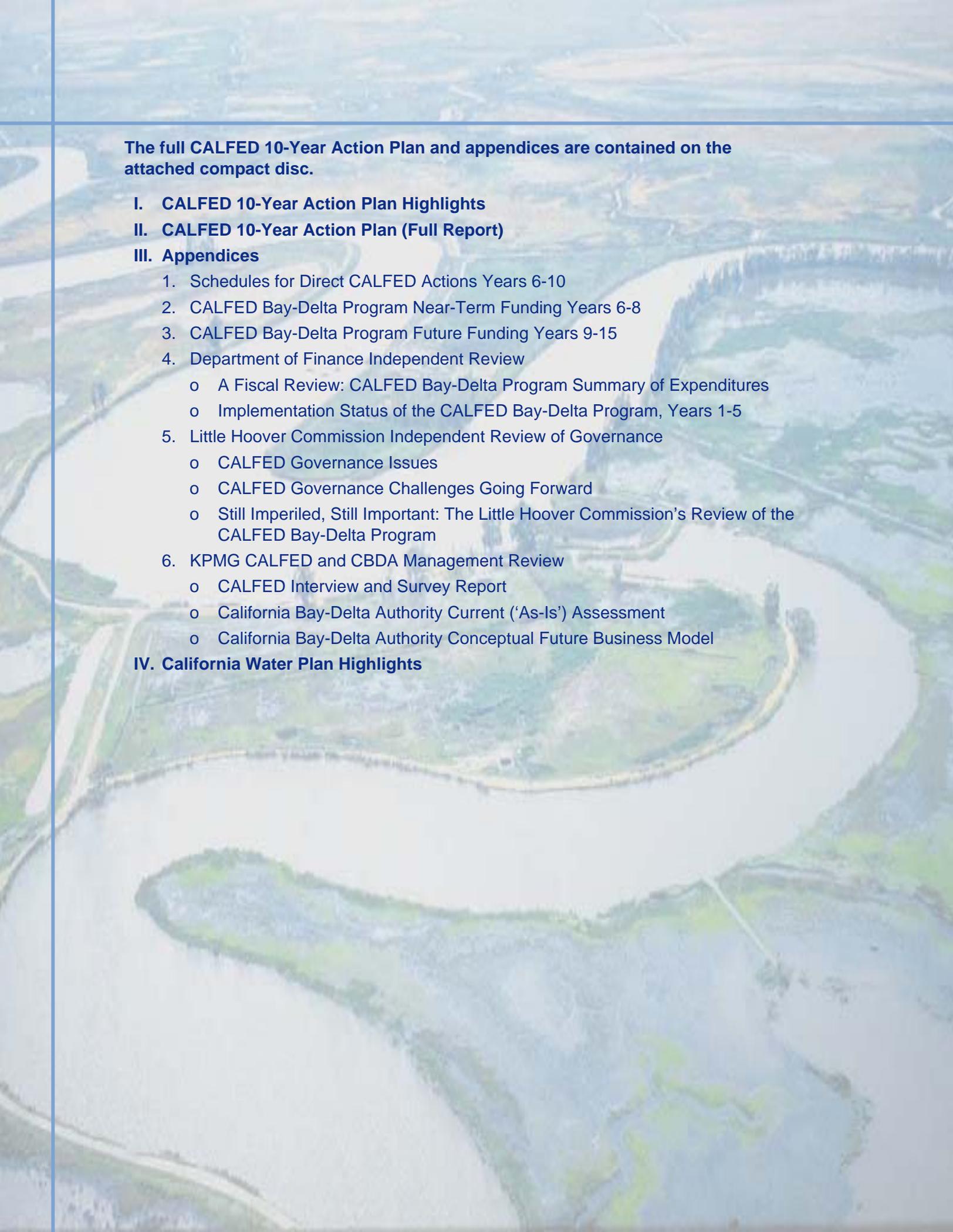


# CALFED Bay-Delta Program



## 10-Year Action Plan Highlights

*Transparency. Accountability. Performance.*



The full CALFED 10-Year Action Plan and appendices are contained on the attached compact disc.

**I. CALFED 10-Year Action Plan Highlights**

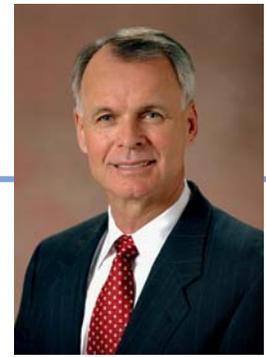
**II. CALFED 10-Year Action Plan (Full Report)**

**III. Appendices**

1. Schedules for Direct CALFED Actions Years 6-10
2. CALFED Bay-Delta Program Near-Term Funding Years 6-8
3. CALFED Bay-Delta Program Future Funding Years 9-15
4. Department of Finance Independent Review
  - o A Fiscal Review: CALFED Bay-Delta Program Summary of Expenditures
  - o Implementation Status of the CALFED Bay-Delta Program, Years 1-5
5. Little Hoover Commission Independent Review of Governance
  - o CALFED Governance Issues
  - o CALFED Governance Challenges Going Forward
  - o Still Imperiled, Still Important: The Little Hoover Commission's Review of the CALFED Bay-Delta Program
6. KPMG CALFED and CBDA Management Review
  - o CALFED Interview and Survey Report
  - o California Bay-Delta Authority Current ('As-Is') Assessment
  - o California Bay-Delta Authority Conceptual Future Business Model

**IV. California Water Plan Highlights**

# Secretary's Message



When the CALFED Bay-Delta Program was formed a decade ago, its creation was based on the belief that sound science would guide us to new insights about old problems in the Delta, and that by working together we could solve problems that had resulted in longstanding legal, political and cultural disputes. Although there have been accomplishments under the CALFED umbrella, growing criticism has pointed to an inability to move beyond process and show progress toward the program's goals and promise.

Old uncertainties have begun to re-emerge and historic adversarial positions are re-forming. Legal disputes are taking aim at the tension between the need for Delta water to sustain industry and populations, and the need to sustain the Delta's ecosystem. Although science needs more time to guide a solution on the decline of the delta smelt and other pelagic organisms, it has brought into clear focus other natural forces such as land subsidence, earthquakes and climate change.

The convergence of these factors leads to one conclusion: CALFED must change to fulfill its mission.

Last May, in his budget revise message, Governor Schwarzenegger called for an independent review to help CALFED refocus and revitalize to deal

with these and other emerging crises in the Delta. An independent review by the Little Hoover Commission, Department of Finance and management consultant KPMG followed. This briefing book provides highlights of the CALFED Program's new 10-Year Action Plan, based on recommendations from the independent review.

This Plan outlines the new way CALFED will work – as an integral part of the overall California Water Plan – to bypass old stumbling blocks and forge ahead to solve Delta problems.

The CALFED Bay-Delta Program has always embodied the most important ideals of government: interagency coordination, collaborative problem-solving and public involvement leading to open and transparent decision-making and accountability. We can't shy away from dealing with problems just because it makes people uncomfortable or because it raises difficult issues. And we won't.

Together with Governor Schwarzenegger's Strategic Growth Plan, these actions are designed to deliver on the promise of CALFED to balance the needs of the environment and the economy for the benefit of future generations.

**Mike Chrisman**  
**Secretary for Resources**

# Introduction

The Delta plays a major role in the state's prosperity by providing at least a portion of the drinking water for 23 million Californians, fueling a \$31 billion agricultural industry and serving as an important habitat to 750 animal and plant species. Although the Delta's resources are vast, at times the demands placed on it conflict.

This was no more apparent than a decade ago, when a persistent drought and collapsing fisheries escalated into a full scale water war. State and federal leaders called a truce that marked a pivotal turning point and the impetus for the creation of the CALFED Bay-Delta Program in 1995.

CALFED was created to stop the water wars and to establish a forum where parties with interests in the Delta could come together. The idea was to stop litigation that had become the way of instituting change and create common ground to move forward in a collaborative manner. This common ground took the form of the CALFED Record of Decision, that details hundreds of actions to improve the quantity and quality of the Delta's water, maintain the integrity of

its levee system and the health of its ecosystem.

Much has been accomplished by CALFED in the last five years. And yes, there is more to be done. The Delta has been in decline for decades. Some of the effects of that decline are seen in the diminishing numbers of pelagic organisms, most notable of which is the delta smelt. At the same time, growth and development are placing increased demands on the Delta. These factors combine to create the urgency that is felt today and the need to focus on solving these and other priority issues.

Without CALFED, the Bay and Delta would not have the protections and management they have today, nor the promise they hold for tomorrow as both the major source of the state's water supply and an ecological treasure. The promise of CALFED is realized by the collaboration of state, federal and local agencies working together with stakeholders in an open and accountable way to resolve longstanding differences in the Delta.

- ❑ Supplies at least a portion of the state's drinking water for about 23 million Californians
- ❑ Supports California's \$31 billion agricultural economy that has strategic value for the U.S. as it supplies half the nation's fruits and vegetables and one-fourth of its dairy products.
- ❑ Forms the state's most important fishery habitat, supporting four runs of salmon annually
- ❑ Largest estuary on the West Coast, supporting more than 750 animal and plant species
- ❑ Supports California's place as the 6th largest economy in the world
- ❑ Lies at the confluence of the state's two largest rivers – the Sacramento and the San Joaquin
- ❑ Contains 550 square-miles of sloughs and waterways surrounding more than 1,000 miles of levees creating 60 tracts and islands

**Why now?** The CALFED Program is structured to be implemented in stages to allow for assessment and revision of the Program as it moves forward. Now in its sixth year of implementation, agencies responsible for the CALFED Program are preparing for the end of Stage 1 (December 2007) and the important decisions that are called for in the Record of Decision.

At the same time that policy makers are considering the end-of-Stage 1 decisions, new information is becoming available and other significant changes are occurring or proposed for the Delta, including:

- ❑ Scientific information and research that is under way indicates that the current physical configuration of the Delta is not sustainable. The increasing risk of a significant seismic event in the Delta coupled with sea level rise associated with global warming puts Delta levees at high risk.
- ❑ Population levels for pelagic organisms in the Delta, including important food web species and the listed delta smelt are at record low levels, and declining.



- ❑ The water quality objectives set out in the Record of Decision have not been met, and implementation of significant portions of the CALFED water quality program are delayed.
- ❑ The California Court of Appeals has ruled against the State Water Resources Control Board (SWRCB) on its D-1641 water rights decision. The judgment indicates that the SWRCB did not have the authority to implement the Vernalis Adaptive Management Plan because it was not included in its basin plan for the Delta. In addition, the SWRCB has issued a cease-and-desist order to the Department of Water Resources and the U.S. Bureau of Reclamation for failing to meet Delta salinity standards.
- ❑ Improved modeling has provided new information about the environmental water account that indicates more fish actions are needed to achieve the level of protection anticipated. This will likely result in significant cost increases, with the annual cost of EWA at between \$40 million and \$50 million.

# Stabilize the Delta and Prepare

Although the CALFED Program is intended to develop long-term solutions for long-standing problems, we can't let the Delta disappear in the next storm or be overwhelmed by crisis. Two issues demand immediate action, as well as long-term deliberation: an aging levee system at risk of erosion or collapse, and the decline of pelagic organisms.

**Delta Levees.** The Delta's aging levees are at the mercy of natural and man-made perils. The levees are man-made and are influenced by changes in the Delta's industries, communities and infrastructure. Delta levees are also at the risk of nature: wave action can lead to erosion and levee collapse; storms and winds cause overtopping; and a significant earthquake could lead to massive levee failure, flooding and damage to the state's water supply and ecosystem.

The Delta's levees have become so fragile and the situation so dire that Governor Schwarzenegger declared a state of emergency for the levee system on February 24, 2006. He directed the California Department of Water Resources to repair 29 sites (several of them in the Delta), and he made approximately \$100 million in state reserves available to fund this emergency work.

Governor Schwarzenegger also proposed \$1.5 billion through his Strategic Growth Plan to protect the Delta's infrastructure, respond to emergencies, and implement long-term improvement plans that will be developed.

**Pelagic Organism Decline.** In the last three years, the abundance of several pelagic (open-water) fish species has declined dramatically in the upper portions of the Delta. Although several species have shown evidence of long-term declines, the recent low levels were unexpected given the relatively moderate winter-spring flows of the past several years.

In response, a team of scientists from some of the agencies that comprise the state Interagency Ecological Program (IEP) and university researchers are working in an intense cooperative effort to identify the factors causing these declines in fish and the pelagic organisms they feed on. Among the species are the delta smelt, longfin smelt, threadfin shad and striped bass.

At this juncture in the CALFED Bay-Delta Program, these fish species should have increased in abundance. Understanding the cause or causes of this decline and identifying methods to address it are vital to the success of CALFED's environmental improvements.

IEP agencies are spending almost \$4 million over the next year to fund new monitoring, as well as new and ongoing studies, to better understand changes in the Delta, their impacts on pelagic organisms, and ways to address the decline. In addition, the CALFED Science Program will invest more than \$2 million in longer-term studies.

# for Future Decisions

**End of Stage 1.** The CALFED ROD lays out the following questions to be answered after the first seven years of the Program, near the end of Stage 1:

- ❑ What additional actions are needed to achieve the drinking water quality goals?
- ❑ What is an appropriate scope for the ERP and related actions so that regulatory commitments can be extended beyond December 2007?
- ❑ Should the screened Sacramento River diversion be built or should alternatives for conveying water through the Delta be reconsidered?
- ❑ Should surface storage facilities be constructed?
- ❑ Is a new approach needed to reduce Delta levee risks?

Of the many studies that are under way, the following five efforts are particularly important to defining future CALFED Program activities:

**Delta Regional Ecosystem Restoration Implementation Plan** – This Plan will refine the existing ecosystem restoration approach and guide long-term implementation in the Delta. It will produce not only a refined list of Delta-specific restoration actions, but also the ecosystem and species-specific conceptual models. This information will be vital to defining the habitat, water flow and water quality needs for Delta-related species.

**Completion date:** May 2007.

**Synthesis of Drinking Water Quality Information** – The CALFED ROD establishes a drinking water quality target of either 50 ug/L bromide and 3 mg/L total organic carbon at Delta drinking water intakes, or an “equivalent level of public

health protection.” CALFED agencies will collect and synthesize available drinking water quality information to determine if a Through-Delta Facility is a cost-effective way to achieve water quality improvements.

**Completion date:** December 2007.

**Water Quality Modeling** – The purpose of this effort is to determine the expected water quality benefits from the Franks Tract, Delta Cross Channel and Through Delta Facility projects. This modeling effort is key to the Stage 1 decision related to Through-Delta conveyance. The decision to rely on Through-Delta will depend partly on the ability of Franks Tract, Delta Cross Channel modifications and/or a Through-Delta Facility to help meet water quality needs while maintaining fisheries protection.

**Completion date:** December 2007.

**Delta Risk Management Study** – The purpose of this study is to characterize the risks and consequences of Delta levee failures and to develop a strategy to minimize those risks. Any discussion of a long-term, sustainable Delta must take into account the probability that Delta levees might fail and include strategies for reducing those risks.

**Completion date:** December 2007.

**Surface Storage Investigations** – Potential storage projects are being evaluated and ranked by CALFED as a way to provide more reliable water supplies for urban, agricultural and environmental uses. The projects being evaluated include: expanding Los Vaqueros Reservoir, expanding Shasta Lake, building new off-stream storage north of the Delta, and building new storage capacity in the upper San Joaquin River basin.

**Prioritization date:** December 2007.

# Implement Interdisciplinary

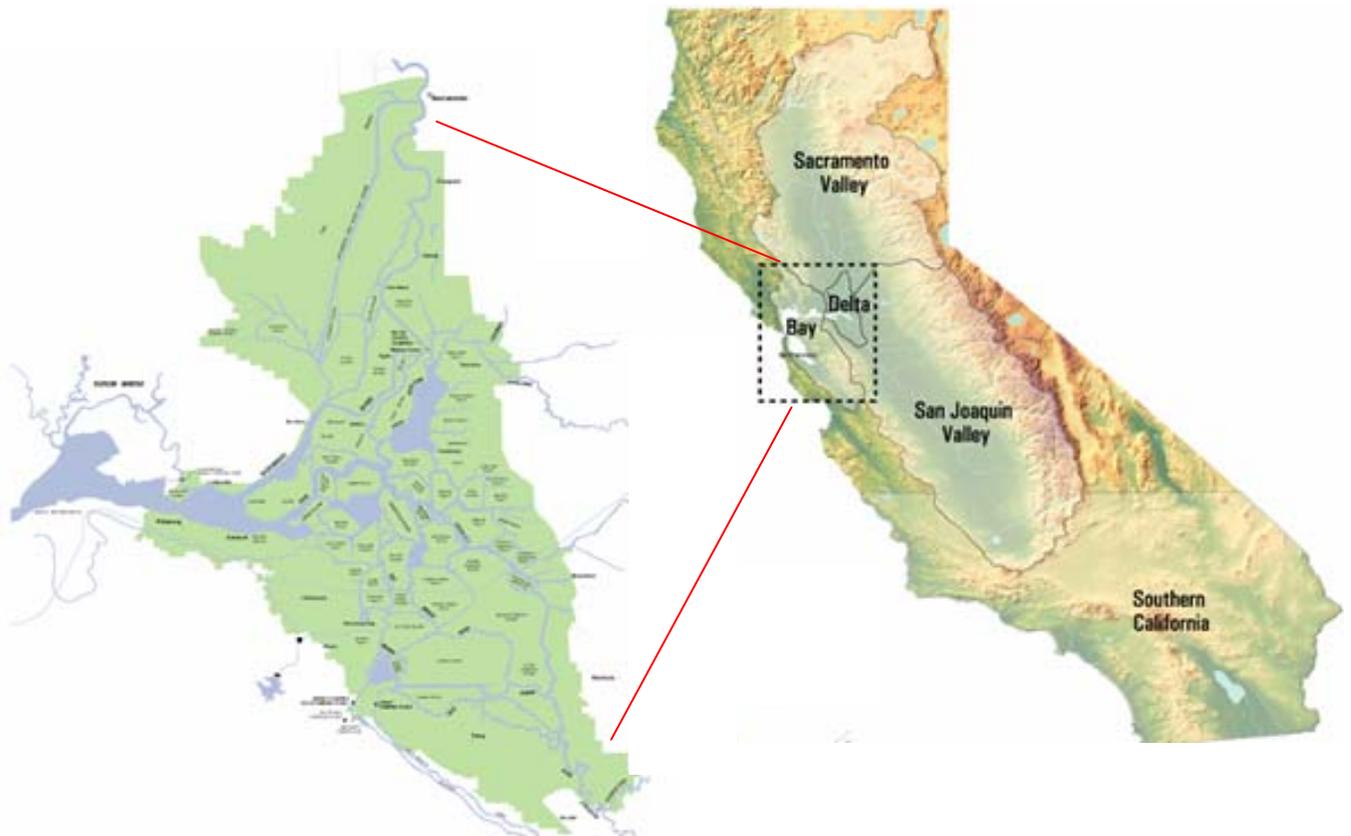
Numerous activities and investments are under way now to protect and restore the Sacramento-San Joaquin Delta, including protection of Delta levees, restoration of the Delta ecosystem and scientific research to better understand how the Delta works.

As we move forward, investments in the Delta must be more strategic. Water planning must be integrated with that of agriculture, transportation, energy and land use. Currently, many state, federal and local agencies have strategic planning efforts under way that would directly or indirectly affect the future of the Delta as we know it. In order for the future of the Delta to be sustainable, ongoing and future Delta planning efforts must be coordinated.

To do this, we must create an integrated and sustainable long-term vision for the Delta that will address the next 100 years.

**Delta Vision Public Process.** The Administration will develop an open collaborative public process involving local government agencies and stakeholders to create a 100-year vision for the Delta, including land use and transportation. Work on the Delta Vision process began in January 2006, with a framework to be completed by December 2006 and a completed Delta vision by December 2007.

**Delta Science Panel.** The Science Program will convene a small panel of science experts to review and synthesize the latest relevant scientific information on the Delta. The science panel will review, summarize and synthesize research and scientific work performed to date, along with other pertinent literature, enlisting input from other Delta science experts as needed. Information from the science panel will be used to inform the development of scenarios or options for a new Delta vision.



# Strategic Planning

**New Regulatory Framework.** Changes in available CALFED funding and the need to enable water supply, water quality, ecosystem, and levee projects to progress within a stable regulatory framework have led to an agreement to pursue a new regulatory structure.

Several Bay-Delta system water users who must comply with state and federal endangered species acts regarding on-going operations of their water projects are working cooperatively to explore preparation of one or more Habitat Conservation Plans under Section 10 of the federal Endangered Species Act (ESA) and Natural Communities Conservation Plans under the California Endangered Species Act (CESA) (HCP/NCCP).

This process will be voluntary; no one will be forced to join. Individual agencies will be able to assess the potential costs and benefits of participating and make their own business decision on whether it is in their interest to

participate or comply with mandates on their own.

The first step in this process is the negotiation of a Planning Agreement to identify which water users are interested in securing coverage and which activities they would like to have covered. The Agreement will also describe covered species and the geographic scope needed to encompass the range of the covered species. This would address the water management activities related to the storage and diversion of water by water users who voluntarily participate. Coverage would likely be sought for fish and wildlife species found directly in the water and adjacent riparian areas that are directly impacted by the covered activities.

The Agreement is not intended to cover every type of activity that could impact the species being considered but will strike a balance between the need to be inclusive, the need to be decisive, and the need to complete the HCP/NCCP(s) on schedule.

## Advantages

- ❑ Increases the understanding and support for conservation measures
- ❑ Allows more efficient implementation of state and federal Endangered Species Acts
- ❑ Creates potential regulatory benefits for a wider pool of water users
- ❑ Provides for greater contributions to environmental restoration and species recovery

## Challenges

- ❑ Scope and breadth will be broad and the issues complex
- ❑ Inherent tension between the flexibility required for adaptive management and the interest of water users for regulatory certainty

# Leadership and Governance

**Changes in Governance.** As a result of the independent review, this Plan proposes that the CALFED Bay-Delta Program be led and governed by:

- ❑ A CALFED Leadership Council
- ❑ A Public Advisory Committee
- ❑ Agency Operating Council

It also proposes that independent Program review and oversight be provided through:

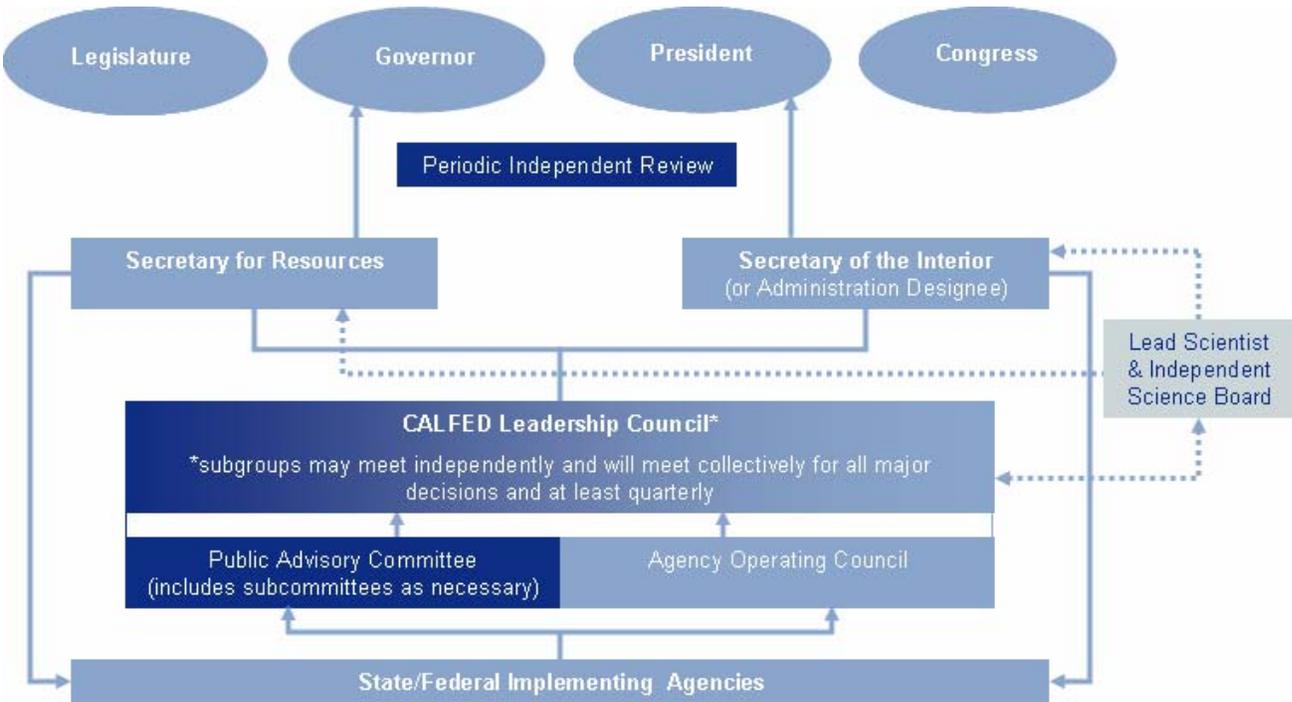
- ❑ Periodic independent review and oversight at the direction of the Governor or Legislature on behalf of state implementing agencies, and the President or Congress on behalf of federal implementing agencies.

Together, these four components provide the governance structure recommended by the Little Hoover Commission to ensure accountability in governance of the CALFED Bay-Delta Program. With the proposed new program structure in place, there would no longer be a need for the CBDA board, which would be repealed by statute.

**The CALFED Leadership Council**

This new state/federal group is modeled after the former CALFED Policy Group. It will be established through a state/federal Memorandum of Understanding and comprised of the directors of seven state and seven federal implementing and regulatory agencies. Unlike the former Policy Group, this version will include stakeholder representatives as decision-makers. The Council will be co-chaired by

## New Program Structure





the Secretary for Resources for California and by a designee of the Secretary of the Interior for the federal government.

The Leadership Council will be responsible for making major decisions affecting the timing and sequencing of projects and programs within the CALFED Bay-Delta Program. The Council will meet in public on a quarterly basis, and prior to making all major decisions.

### **Public Advisory Committee**

The Public Advisory Committee is designed to provide the broadest possible opportunity for stakeholder recommendations to the CALFED Leadership Council and be the conduit through which the public interest and input is channeled to Program decision makers.

This advisory committee will operate under state law and is intended to replace the current federally-chartered Bay-Delta Public Advisory Committee. It will meet in public on a regular basis. Membership of this body will consist of up to 30 members who will be appointed by the Governor in consultation with the Secretary of the

Interior. This committee may include subcommittees, as necessary, to accomplish its duties in order to achieve the widest possible representation.

### **Agency Operating Council**

The Agency Operating Council will be comprised of the directors of the state and federal agencies and is intended to ensure inter-agency coordination and to provide the channel through which state and federal implementing agencies coordinate input to the CALFED Leadership Council. It will be created through a state/federal Memorandum of Understanding.

### **Independent Review & Oversight**

A hallmark of the CALFED Program has been an open and transparent decision-making process, and both the executive and legislative branches of the state and federal governments exercise oversight over CALFED. In addition, this Action Plan recommends an independent fiscal, management, and governance review similar to the review conducted in 2005 be conducted at least every seven years.

### **Independent Science**

Another hallmark of the CALFED Bay-Delta Program has been the importance placed on integrating world-class science and peer review into every aspect of the Program. This commitment remains strong, and the Science Program and Independent Science Board will continue to develop the best scientific information possible to guide decisions and evaluate actions that are critical to its success.

# Program and Fiscal Management

**Improvements in Program and Fiscal Management.** Based on research and analysis by the state Department of Finance, the Little Hoover Commission and KPMG's assessment of CALFED and the California Bay-Delta Authority, this Plan proposes emphasizing adaptive management and strengthening and improving the functions of strategic planning, fiscal management and reporting, program management performance and tracking, interagency coordination and science.

The specific recommendations flowed from overall findings by the three organizations that were brought into the independent review for their areas of expertise. The Little Hoover Commission focused on governance and accountability, the state Department of Finance on program performance and fiscal management, and KPMG on identifying areas of improvement

for program implementation based on input from stakeholders.

Taken as a whole, their recommendations focus on developing or strengthening systems that will improve efficiency, effectiveness and ultimately, outcomes of the CALFED Program. Specific changes include:

- ❑ Reorganize California Bay-Delta Authority staff within the Resources Agency and transition of implementation responsibility for the Ecosystem Restoration Program to the Department of Fish and Game.
- ❑ Improve staff functions in coordination with CALFED implementing agencies, to improve strategic planning and develop a comprehensive communications plan.





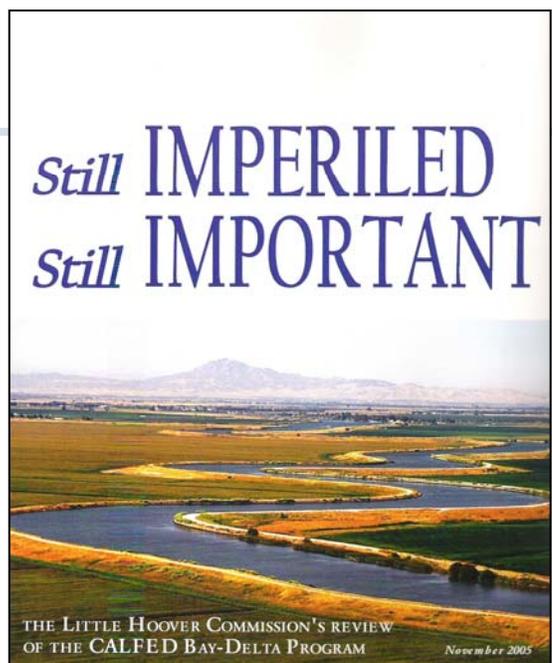
- ❑ Initiate performance-based program management in conjunction with CALFED implementing agencies to establish standard performance-based methods, including results-oriented performance measures, performance-based management tools, standardized data management, annual reporting and continuous business process review.
- ❑ Strengthen fiscal management and tracking across the participating CALFED agencies to develop common systems to allow for consistent and reliable tracking of program funds at a detailed level.

- ❑ Further integrate science and adaptive management into all Program activities and use adaptive management as a tool to establish a means of evaluating performance by project and program activity through ongoing data analysis.

Specific activities designed to develop or improve these systems, will in effect, strengthen the foundation of the program and allow these processes to function in a coordinated, transparent and accountable fashion.

‘At the core, CALFED was envisioned as an inter-governmental effort that would resolve conflicts and allow state and federal agencies to accomplish together what they could not accomplish separately. That purpose, and hope, survives. Creating a performance-based management system, however, will require rethinking how the shared effort is organized and managed.’

**Little Hoover Commission**



# Investing in the Program

**Financing the Plan.** To provide funding for California's critical water infrastructure needs, the Governor has proposed a 10-year water financing plan that will significantly benefit the CALFED Program and many other water and ecosystem programs in the state. The Governor's Strategic Growth Plan includes new general obligation bonds and a new revenue source – the Water Resources Investment Fund.

Until the new funding sources become available, this CALFED Action Plan identifies existing funding for CALFED in the near-term (Years 6-8) to support implementation of its highest priorities. For the remaining seven years, the CALFED Action Plan lays out possible future directions and funding ranges based on various critical decisions to be made during this time period.

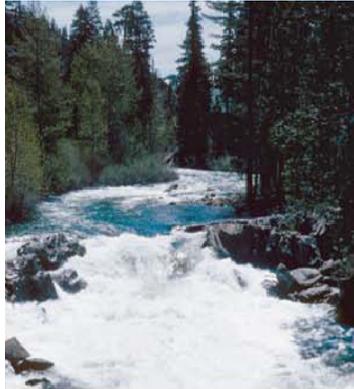
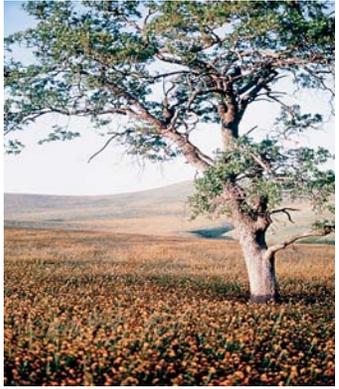
**Years 6-8 Near-Term Funding Plan.** In this interim funding plan, additional funds (general fund, or new water user contributions) are proposed only for the most critical actions that are needed to either clarify future decisions or maintain Program balance. Of the approximately \$1 billion needed for this minimum level of

investment, roughly 75 percent is already in place. Until the new funding sources become available, actions need to be taken to obtain the remaining 25 percent of the minimum necessary funding.

Budget proposals included in the Governor's Fiscal Year 2006-07 Budget and proposed for future federal budgets and water user contributions include the following:

- **Additional state funding – \$76 million total**
  - \$42 million in remaining bond funds for water quality improvements
  - \$34 million in new general fund requests for Delta levee maintenance and improvements, the Delta Risk Management Study and strategic planning, including the 100-Year Delta Vision in Year 7, and possible new environmental documentation in Year 8.
- **Additional federal funding – \$99 million total**
  - Includes reasonable estimates of federal appropriations in Years 7 and 8, including the full federal share of surface storage planning, and other estimates based on FY 2006 budget amounts.
- **Local match – \$18 million total**
  - Includes local matching funds for San Joaquin River Salinity Management under the Water Quality Program and funding from local reclamation districts for levee maintenance.





- ❑ Additional user contributions from Delta exporters – \$30 million in new funding to total \$60 million
  - Existing \$30 million in Ecosystem Restoration Program funding through Central Valley Project Improvement Act and what is known as the Four Pumps Agreement, and
  - Additional \$30 million in new water user contributions for the preparation of Habitat Conservation Plan(s)/Natural Communities Conservation Plan(s), Species Recovery Capital Fund, Delta Vision and Pelagic Organism Decline studies. This does not include the value of the commitments for the Environmental Water Account.
- Delta Vision - \$2 million/year for 2 years.
- Habitat Conservation Plan(s)/Natural Communities Conservation Plan(s) - \$3 million/year for 2 years to cover agency staff costs during preparation of the plans.

- Species Recovery Fund - \$6 million/year for the next 2 years for restoration projects capital funding.
- Pelagic Organism Decline Studies - \$4 million/year for 2 years.
- Environmental Water Account – State Water Project and Central Valley Project would ensure that the Account has adequate resources this year. Agencies agree to seek full public funding in Year 7.

Additionally, the proposed bond and fee revenue have the potential to allow additional important Program priorities to be addressed in the near-term, including an expanded science program, water quality and additional Delta levee protection.



