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Agenda Item: 4
Meeting Date: March 15, 2006

CALIFORNIA BAY-DELTA PUBLIC ADVISORY COMMITTEE

10-YEAR ACTION PLAN

Description: The Governor's May Revision of the 2005-2006 State Budget called for the development of a 10-Year Action Plan for the CALFED Program, in coordination with stakeholders and Federal CALFED agencies. A Framework for the Plan was developed. The California Bay-Delta Authority's recommendations were conveyed to the Secretary for Resources, and a Final 10-Year Action Plan was prepared and is currently under final review by the Governor's Office.

Recommended Action: This is an information item only.

Background

The CALFED Bay-Delta Program is currently in its sixth year of a 30-year implementation plan. While the Program to date has achieved many notable successes through the coordinated and collaborative approach envisioned in the Program's 2000 Record of Decision (ROD), progress and desired outcomes have not lived up to the expectations of many constituencies.

Recognizing the challenges facing the CALFED Program, the Governor, as part of his May Revision of the 2005-2006 State Budget, set forth a three-point plan to refocus and revitalize the Program, consisting of the following:

- (1) An independent fiscal and management review;
- (2) A refocusing of the efforts of the California Bay-Delta Authority and other CALFED State agencies to solve conflicts associated with Delta water supply, water quality, levee stability, and the environment; and
- (3) A 10-Year Action Plan that, among other things, focuses on solving the highest priority Delta issues, links future water user payments to specific Program actions, and includes funding from State, Federal and local levels consistent with the beneficiaries-pay principle.

In response to the Governor's directive, the Authority staff, in coordination with State and Federal agencies and stakeholders, prepared a Framework for a 10-Year Action Plan that was considered by the Authority at its December 2005

meetings. The Authority's recommendations were conveyed to the Secretary for Resources and a final 10-Year Action Plan was prepared and is currently under final review by the Governor's Office.

The 10-Year Action Plan incorporates the results and findings from the Department of Finance's fiscal and program reviews and the independent review of CALFED governance conducted by the Little Hoover Commission. The Plan defines specific implementation actions to be taken over the next three years and lays out possible Program directions based on various critical decisions to be made. It resets the schedules and milestones that are identified in the CALFED Record of Decision and identifies near-term priority actions that will balance implementation of the Program's four primary objectives: ecosystem restoration, water supply reliability, water quality, and levee system integrity. In addition, it includes recommendations for improvements to program and fiscal management for the implementing agencies and the California Bay-Delta Authority. The following are the key components included in the 10-Year Action Plan:

Changes in Governance. As a result of the independent review of governance conducted by the Little Hoover Commission, this Plan proposes the following changes:

- Identify the Secretary for Resources as the State lead, and ask the Secretary of the Interior to identify a Federal lead.
- Establish a State Public Advisory Committee. This Plan proposes that the State and Federal partners work to establish a State Public Advisory Committee to advise and make recommendations to both the State and Federal implementing agencies.

At this time, independent oversight and agency integration remain open issues. It is anticipated that the Administration will continue to work with the Federal Government, the Legislature and stakeholders to develop an approach for these areas.

Improvements in Program and Fiscal Management. Based on research and analysis by the State Department of Finance, the Little Hoover Commission and the independent consulting firm KPMG's assessment of CALFED and the California Bay-Delta Authority, the 10-Year Action 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 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 focused on developing or strengthening systems that will improve efficiency, effectiveness and ultimately, outcomes of the CALFED Program. Specific changes include:

- Reorganization of 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.
- Improvement of staff functions in coordination with CALFED implementing agencies, to improve strategic planning and develop a comprehensive communications plan.
- In conjunction with CALFED implementing agencies, performance-based program management will be initiated 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.
- Strengthening of 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.
- CALFED will 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.

Refocused CALFED Program and Program Priorities. The ROD, signed in August 2000, identified nearly 300 separate actions to be completed during a seven-year period called Stage 1. Responding to the Governor's directive to "refocus" the Program, CALFED implementing agencies have identified a subset of ROD actions that will be managed more intensively. These actions generally include those that have a direct link to problems and solutions in the Delta. Actions that have an indirect link, but contribute to successful CALFED outcomes, will be coordinated by CALFED.

The CALFED Action Plan both builds on the Program's successes and charts a course for improvements in the way the 25 State and Federal agencies that comprise CALFED implement the Program. It maintains a strong commitment to public involvement, independent oversight, measurable performance, accountability and leadership.

Major Actions. Key actions to be implemented over the next three to four years include the following:

- Ongoing Issues. Continue to pursue solutions for ongoing issues, such as protection and restoration of pelagic organisms and other Delta dependent at-risk species; installation of operable gates in the Delta; continuation of levee subventions and related levee studies; implementation of major plans including the Delta Improvements Plan and San Joaquin River salinity management; and complete studies underway that will guide future decisions after the conclusion of Stage 1.
- Delta Vision. Create a 100-Year Delta Vision that will build on the many investments and activities that are underway, but in a more strategic manner, taking into account that the Delta has more to offer than just water: It is a major agricultural region; and it is where people work, travel, recreate, and live. A Delta Vision will incorporate not only water planning, but planning for agriculture, transportation, energy and land use into an integrated and sustainable long-term vision for the next century. This collaborative, public process will begin in early 2006, with a framework completed by December 2006 and a full Delta Vision plan by December 2007
- Regulatory Commitments. Develop a Voluntary Planning Agreement and Habitat Conservation Plan(s)/Natural Communities Conservation Plan(s) for Delta and Anadromous Species that will allow several Bay-Delta system water users to work cooperatively to comply with the California Endangered Species Act and the Federal Endangered Species Act regarding on-going operations of their water projects. They are currently working cooperatively to explore preparation of one or more Habitat Conservation Plans under Section 10 of the Federal Endangered Species Act and Natural Communities Conservation Plans under the California Endangered Species Act. The Planning Agreement will identify which water users are interested in securing coverage and which activities they would like to have covered, including species and geographic scope, focusing on the Delta first. The Agreement is targeted for completion in 2007. The development of a plan will take at least an additional three years.

Financing the Plan. To provide funding for California's critical water infrastructure needs, the Governor is proposing 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 plan will include new general obligation bonds and a new revenue source – the Water Resources Investment Fund.

Until the Governor's 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 Governor's 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 now – \$76 million total
 - \$42 million in remaining bond funds for water quality improvements
 - \$34 million in new General Fund requests for Delta levee maintenance, improvements, 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 Fiscal Year 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. The agreement is for \$60 million, which includes \$30 million in existing Ecosystem Restoration Program funding through Central Valley Project Improvement Act and what is known as the Four Pumps Agreement; and \$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. Specific commitments include:
 - 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 capital fund for restoration projects.
 - 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 annual 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.

California's Water Future. The Governor has proposed a bold and comprehensive Strategic Growth Plan to invest in California's transportation, education, water, public safety and public service infrastructure to ensure the State is prepared to meet the needs of its citizens into the 21st Century. One part of that plan addresses California's water resources.

Over the next ten years, the State's population is expected to increase by as much as 30 percent. To adequately address the needs of future generations and to maintain and protect current infrastructure, Californians need to invest \$35 billion statewide over the next ten years in water infrastructure alone. This investment will maintain and improve our levee and flood protection systems and provide for safe, reliable water supplies. Of that amount, \$21 billion is expected from existing Federal, State and local funding sources; a total of \$9 billion from general obligation bonds; and \$5 billion from the Governor's proposed new revenue source, the Water Resources Investment Fund.

The Water Resources Investment Fund is designed to provide a stable source of revenue for integrated regional water management to achieve clean, reliable and sustainable water supplies, in conjunction with local expenditures. It will benefit the CALFED Program, as well as many of its implementing agencies, such as the Departments of Fish and Game, Health Services and Water Resources.

The Flood Protection and Clean, Safe, Reliable Water Supply Bond and Financing Acts of 2006 and 2010 would be the vehicle for establishment of the funding for this initiative through two general obligation bonds: one in 2006 for \$3 billion and one in 2010 that will generate \$6 billion. Future funding for the CALFED Program will vary depending on future decisions, but the Water Resources Investment Fund and the new water bonds are expected to provide significant funding for CALFED programs and priorities.

Attachment 1 is a Summary of the Flood Protection and Clean, Safe, Reliable Water Supply Bond and Financing Acts of 2006 and 2010.

List of Attachments

Attachment 1 - Summary of the Flood Protection and Clean, Safe, Reliable Water Supply Bond and Financing Acts of 2006 and 2010

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**Summary of “Flood Protection and Clean, Safe, Reliable Water Supply
Bond and Financing Acts” of 2006, 2010**
(Dollars in thousands)

Program, Project, or Bond Provision	Total Investment	2006 Bond Amt.	2010 Bond Amt.	Federal Funds	Other State Funds	Local Funds
Levee System and Flood Protection	\$ 6,000,000	\$ 1,000,000	\$ 1,500,000	\$ 3,000,000 ⁽¹⁾	\$ -	\$ 500,000
Project Levee and Facilities Repair		\$ 210,000	\$ 300,000			
Flood Control and Levee System Improvements		\$ 200,000	\$ 200,000			
Delta Levee Subventions and Special Projects		\$ 210,000	\$ 700,000			
Flood Control Subventions		\$ 250,000	\$ 200,000			
Flood Plan Mapping		\$ 90,000	\$ -			
Floodway Corridor Program		\$ 40,000	\$ 100,000			
Integrated Regional Water Management	\$ 29,000,000	\$ 2,000,000	\$ 4,500,000	\$ 2,000,000	\$ 5,000,000 ⁽²⁾	\$ 15,500,000
Regional Water Management Grants (e.g. water conservation, water recycling, desalination, conjunctive management, watershed management, pollution prevention, etc.)		\$ 1,000,000	\$ 2,000,000			
State Water Management						
Water Quality Improvements		\$ 250,000	\$ 500,000			
State Support for Development of New Storage		\$ 250,000	\$ 1,000,000			
Science and Technology (including desalination technology)		\$ 30,000	\$ 500,000			
Resource Stewardship		\$ 200,000	\$ 500,000			
TOTAL	\$ 35,000,000	\$ 3,000,000	\$ 6,000,000	\$ 5,000,000	\$ 5,000,000	\$ 16,000,000

Footnotes:

- (1) The federal share of projects reflects historic cost share arrangements. However, precise cost-shares vary by type of project.
- (2) Establishment of a Water Resources Investment Fund for additional sustained water management efforts. Resources to this fund will include non-General Fund-based revenue sources and will be used for projects of regional and statewide benefit (approximately \$5 billion).