



# Update 2013

# Integrated Water Management Finance Plan

*Prepared for:*  
*California Water Plan Flood Caucus*



*February 2, 2012*

# Purpose of Today's Presentation

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- **Provide brief overview**
- **Describe where we are**
- **Highlight Flood Caucus links**

# Update 2013 Finance Plan

## *Implementing Update 2009*

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*“California needs a water finance plan with stable, continuous funding from an array of revenue sources... The finance plan should recognize the critical role of public-private partnerships and the principle of beneficiary pays; include alternative revenue sources; and guide investment decisions based on sustainability indicators”.*

California Water Plan Update 2009

# What to Expect from Update 2013 Finance Plan

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## ***OBJECTIVE:***

Identify and prioritize critical State and local water supply, water quality, flood management and environmental stewardship actions; estimate their cost, and recommend innovative, stable, equitable and fiscally-responsible financial strategies and revenue sources

# What to Expect from Update 2013 Finance Plan

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## ***PLANNED APPROACH:***

***Recommend State investment in, and finance strategies/methods for, IWM activities as deemed appropriate by Water Plan advisory groups***

# What to Expect from Update 2013 Finance Plan

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## ***PRACTICAL DECISION-SUPPORT:***

- **Proper context (statewide integrated water management) required for effective State executive and legislative decision-support**
- **Increased implementability of actions and policies through improved governance and accountability**
- **Partial to substantial consensus on certain State investment recommendations (*planning horizon is roughly 2015 – 2050*)**
- **A well-vetted menu of potential revenue sources**

# What to Expect from Update 2013 Finance Plan

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## *PRACTICAL DECISION-SUPPORT:*

- Identification of areas of uncertainty or conflict that need more work
- Contingency plan for a “funding-constrained” future
- Coordinated planning of various State funding needs and sources

# Update 2013 Finance Plan

## Where we are now

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### Challenges/Lessons Learned:

- **First attempt to build IWM finance plan (generally at tactical level) from a strategic plan (Water Plan)**
- **Lack of clear scope of IWM**
- **Different planning horizons**
- **Lack of common regional and State finance dialect**  
*(beyond existing bond programs)*
- **Varying assumptions about future conditions**

# Update 2013 Finance Plan

## Where we are now

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### Challenges/Lessons Learned:

- Lack of common baseline (*from which to begin talking about future funding*)
- **Need to build trust in process, and among stakeholders**
- Existing /emerging State policy that affects water stakeholders
- **Desire that the State not invest in certain IWM activities**
- Conflicting beliefs and values

## ☐ Scope and Outcomes

Fundamental finance question:

How much are you willing and able to pay and how should it be paid for?

## ☐ Activities

Common responses:

## ☐ Existing Funding

What do you mean by “it”?

What benefits would I receive?

## ☐ Funding Sustainability

Who else is benefitting and how much are *they* paying?

Why should I believe you?

## ☐ State Role (including governance and accountability)

How much will it cost?

Will I get a good bargain?

## ☐ Future Costs

What if I don't pay anything for a very long time?

Who is currently paying for this?

## ☐ Funding Who's and Hows

What would I be paying for?

What is wrong with the way things are right now?

## ☐ Trade-offs

Who will be accountable?

# Update 2013 Finance Plan Storyboard

## COMPONENT 1 — SCOPE AND OUTCOMES

**What is the scope of the finance plan in terms of targeted resource management objectives and outcomes?** This is the first component in defining the scope of the State's future involvement in IWM activities and finance. This first component includes targeted benefits expressed at the federal, tribal, State, regional and local levels. Activities, policies and processes will be identified in Component 2 below.

The scope of the finance plan has been proposed and includes the following benefits:

- Drought preparedness.
- Energy benefits.
- Water quality.
- Water supply and supply reliability.
- Flood damage reduction.
- Recreation.
- Environmental.
- Fuel load reduction.
- Climate change risk reduction.
- Affordability.
- Groundwater overdraft reduction.
- Food security.
- Operational flexibility.

## COMPONENT 2 — IWM ACTIVITIES

**What IWM activities must occur to generate targeted benefits?** In order to create actionable finance recommendations, the activities required to create the benefits identified in Component 1 must be identified. This component will be applied at both the regional and State levels. Information on activities, and their costs and expected benefits (including supporting information regarding any accompanying estimates, methods or assumptions), will be compiled from the 48 IRWM planning efforts. The State Agency Steering Committee will perform a similar task for State-administered IWM activities.

The framework will include categories for the activities for organization purposes but, more importantly, to apply an optimum scale for guiding State IWM investment (i.e., generally roll-ups of various types of regional projects or programs) in a way that is relevant to regional activities (i.e., generally project-level).

The following categories were developed by the Finance Caucus:

- **Innovation and administrative activities** (governance, planning and public process improvements, information technology/data and tools, and water technology research and development).
- **Infrastructure (natural and human)** (implemented at various geographical and jurisdictional scales such as local, groundwater basin, watershed, regional, interregional, State, interstate, international and tribal).

## COMPONENT 3 — EXISTING FUNDING

**What is the level and source of funding for the activities identified in Component 2?** This component helps further focus the finance plan on critical resource management activities/services that are likely to require an expanded or new approach to funding. Historical funding will be quantified to the extent possible for contextual purposes.

## COMPONENT 4 — FUNDING SUSTAINABILITY

**What activities identified in Component 2 are currently unfunded, have no foreseeable funding alternatives or are currently funded in an unsustainable manner?** Recognizing that many funding alternatives, sources, methods and constraints exist, a necessary component in State finance planning is to identify the most financially unsustainable or vulnerable funding sources, assumptions and/or expectations.

## COMPONENT 5 — STATE ROLE AND PARTNERSHIPS

**Which activities is State government best able to implement?** This includes State-administered activities as well as the State's role in partnerships with federal, Tribal, regional or local entities. Update 2009 of the water plan recommends the State effectively lead, assist and oversee California's water resources and flood planning and management activities that: (1) regions cannot accomplish on their own, (2) the State can do more efficiently, (3) involve interregional or interstate issues, or (4) have broad public benefits. More specific criteria must be developed in order to define the State's role in funding IWM activities. This section will include findings and recommendations regarding the State's future role in creating the benefits identified in Component 1. Multiple packages of recommended activities will be developed for the different planning horizons and sets of assumptions about the future.

## COMPONENT 6 — FUTURE COSTS

**How much will the State government's future role cost?** The cost of State-administered activities/programs and any State local assistance roles (identified in Component 5) will be estimated and presented in this component. This component will evaluate opportunities to increase State government efficiencies.

## COMPONENT 7 — FUNDING, WHO AND HOW

**How will costs be distributed (and through what mechanisms) for the activities identified in Component 5?** This component will describe alternatives and recommendations regarding governance, revenue sources, accountability, State government efficiencies and other mechanisms associated with funding and implementing the critical activities/services best administered by the State.

## COMPONENT 8 — TRADE-OFFS

**What are the trade-offs between the IWM activities identified under the various assumption sets? What are the implications of little to no State IWM investment for the foreseeable future?** The trade-offs and implications can be expressed in terms of deferred implementation, forgone opportunities or benefits, investment savings and other favorable or unfavorable consequences of the two sets of IWM recommendations.

# Update 2013 Finance Plan - Flood Caucus Coordination

## DRAFT Workplan for Update 2013 Finance Plan January 24, 2012

Task	Task	Storyboard Component Directly Affects/ (Indirectly Affects)	Deliverable	Schedule: Deadline/ Event for coordinating or vetting work	Partners
1	Draft IWM Benefit Definitions	1	IWM Benefit definitions that are adequate for determining the scope of the Finance Plan	<ul style="list-style-type: none"> <li>February 2012</li> </ul>	<ul style="list-style-type: none"> <li>Finance Caucus</li> <li>Definitions Subcommittee</li> </ul>
2	Form IWM Activity Investment Packages (AIP)	2 (4, 5, 6)	Prepare a Template that uses scenarios to form multiple Activity Investment Packages (AIP)	<ul style="list-style-type: none"> <li>February 2012 Beta testing of template</li> <li>March 2012 - Finalize Template</li> </ul>	<ul style="list-style-type: none"> <li>Finance and other caucuses</li> </ul>
			Develop Activity Investment Package Database and Graphics Generator	<ul style="list-style-type: none"> <li>March 2012</li> </ul>	<ul style="list-style-type: none"> <li>Finance Caucus</li> </ul>
2	Form IWM Activity Investment Packages (AIP)	2 (4, 5, 6)	Form multiple regional and State government activity Investment Packages	<ul style="list-style-type: none"> <li>March 2012 – Tribal AC Meeting</li> <li>April 2012 – Begin forming AIPs</li> <li>April 2012 - Public AC Meeting</li> <li>June 2012 - Completion of all AIPs</li> <li>June 2012 - Public AC Meeting</li> </ul>	<ul style="list-style-type: none"> <li>Public AC</li> <li>Tribal AC</li> <li>State Agency Steering Committee</li> <li>All Caucuses</li> <li>Federal Agency Network</li> </ul>
			<p><i>Note: This involves updating and incorporating the Water Plan Strategic Vision/Objectives which will be used as a basis for forming AIPs. It also involves development of a standardized method for estimating all costs. Prioritization occurs in this task when developing objectives and actions in AIPs.</i></p>		
3	Develop menu of available Finance/Funding Alternatives	(7)	Inventory of existing and potential new funding and finance mechanisms (local, regional, State, federal other)	<ul style="list-style-type: none"> <li>June 2012 – Complete task</li> <li>June 2012 - Public AC Meeting</li> </ul>	<ul style="list-style-type: none"> <li>Finance Caucus</li> <li>Finance Caucus Subcommittee?</li> </ul>
			<p><i>Note: This menu of options will be used to inform recommendations regarding funding sources/distribution of costs (e.g. beneficiaries, governmental scales, etc) and what methods (e.g. legal and financial opportunities and constructs)</i></p> <p><i>Partial Value Judgment – Appropriate applications for each finance alternative (e.g. bonds for capital investment)</i></p>		

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4	Identify IWM activities that are common to many AIPs as well as the regionality of common activities	(5, 6)	<p>(1) List of IWM activities that appear in # or more AIPs – including the types of expected benefits and how they relate to Update 2013 Objectives</p> <p>(2) Depiction of IRWM AIPs by region</p> <p>(3) List of State government AIPs by region</p> <p><i>Note: This information will be used to help form funding recommendations (magnitude and distribution of funding) using activity categories that were developed under Task 2.</i></p>	<ul style="list-style-type: none"> <li>• <b>August 2012 – Complete task</b></li> <li>• August 2012 – Finance Caucus; Tribal Advisory Committee</li> <li>• September 2012 – Water Plan Plenary</li> </ul>	<ul style="list-style-type: none"> <li>• Joint Finance Caucus/State Agency Steering Committee</li> </ul>
5	Determine trade-offs and implications of AIPs	8	<ul style="list-style-type: none"> <li>- Qualitative review and narrative for common AIP's identified under Task 4</li> <li>- Quantitative analysis of some aspects (i.e. WEAP model) in Sacramento, Tulare and SJ Regions</li> <li>- Cost of doing nothing</li> <li>- Methods/tools for optimization and comparative analysis for future Updates</li> </ul>	<ul style="list-style-type: none"> <li>• <b>August 2012 – January 2013</b></li> </ul>	<ul style="list-style-type: none"> <li>• Finance Caucus</li> <li>• State Agency Steering Committee</li> <li>• SWAN</li> <li>• All Caucuses</li> <li>• Public AC</li> </ul>
6	Formulate tentative recommendations for State investment in common activity categories/regions	5	<p>Value Judgment - Drawing from the lists of common IWM activities; develop recommendations for State investments by the categories identified in Component 2</p> <p><i>This includes prioritization of investment in IWM activities that are administered by State government and potential local assistance provided by the State. It will also include assumptions and/or recommendations for federal government activities and investment. This is iterative in that estimated costs, distribution of costs, and funding methods (components 6 and 7) will warrant reevaluation of these activity recommendations.</i></p>	<ul style="list-style-type: none"> <li>• <b>August 2012 – First Draft</b></li> <li>• August 2012 – Tribal Advisory Committee meeting</li> <li>• August 2012 – Caucus meetings</li> <li>• August 2012 – Finance Recommendations Workshop?</li> <li>• September 2012 Water Plan Plenary</li> <li>• <b>November 2012 – 2nd Draft</b></li> </ul>	<ul style="list-style-type: none"> <li>• Public AC</li> <li>• Tribal AC</li> <li>• State Agency Steering Committee</li> <li>• All Caucuses</li> <li>• FAN</li> </ul>

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Task	Activity/Task	Storyboard Component Directly Affects/ (Indirectly Affects)	Deliverable	Schedule: Deadline/ Event for coordinating or vetting work	Partners
7	Estimate costs associated with recommended State IWM activities	6	Estimated costs for implementing, operating and adaptive management of all recommended State government IWM activities (including any local assistance identified under Component 5)	• November 2012 – April 2013	<ul style="list-style-type: none"> <li>• Public AC</li> <li>• Tribal AC</li> <li>• State Agency Steering Committee</li> <li>• FAN</li> </ul>
8	Estimate existing funding associated with recommended State IWM activities	3, 4	<ul style="list-style-type: none"> <li>- Characterization of the sustainability (or lack thereof) of existing funding</li> <li>- Brief history of past IWM-related funding and finance; provides context for future recommendations</li> </ul>	• November 2012 – April 2013	<ul style="list-style-type: none"> <li>• Finance Caucus</li> <li>• Public AC</li> <li>• Tribal AC</li> <li>• State Agency Steering Committee</li> <li>• FAN</li> </ul>
9	Formulate finance recommendations for existing and potentially new funding sources	7	<ul style="list-style-type: none"> <li>- Recommendations for distribution of costs and benefits associated with recommendations under Task 6.</li> <li>- Assumptions and/or recommendations for local, regional or federal government activities and investment.</li> <li>- Governance, assurances, project-level evaluative criteria and/or other administrative related recommendations</li> </ul> <p><i>Note: This is iterative in that estimated costs, distribution of costs, and funding methods (components 6 and 7 will warrant reevaluation of IWM activity recommendations.</i></p>	• November 2012 – April 2013	<ul style="list-style-type: none"> <li>• All Caucuses</li> <li>• Public AC</li> <li>• Tribal AC</li> <li>• State Agency Steering Committee</li> <li>• FAN</li> </ul>
10	Prepare Report	N/A	Minimum of two drafts with extensive review within all Water Plan coordination and advisory groups	<ul style="list-style-type: none"> <li>• November 2012 - 1<sup>st</sup> draft</li> <li>• February 2013 - PRD</li> </ul>	• All

# **Update 2013 Finance Plan Flood Caucus Coordination**

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## **Questions**