



## California Water Plan: Update 2013 Plenary

### MEETING SUMMARY

## **CALIFORNIA WATER PLAN: UPDATE 2013 PLENARY**

**FINANCE PLANNING:  
FUTURE STATE GOVERNMENT ROLE IN IWM AND CATEGORIES FOR CRAFTING  
RECOMMENDATIONS  
SEPTEMBER 13, 2012 2:45 PM – 4:45 PM  
DOUBLETREE HOTEL  
2001 POINT WEST WAY, SAC., CA, 95815**

### **Meeting Purpose:**

Begin scoping the State Government's future role in IWM and develop categories for crafting Update 2013 finance recommendations. Meeting materials can be found here:

<http://www.waterplan.water.ca.gov/materials/index.cfm>

### **Panel Participants:**

Grace Chan, Manager, Resource Planning & Development, Metropolitan Water District  
Grant Davis, General Manager, Sonoma County Water Agency  
John Kingsbury, Executive Director, Mountain Counties Water Resources Association  
Liz Haven, Deputy Director, State Water Resources Control Board  
John Lowrie, Assistant Director, CA Department of Conservation

### **Welcome and Introductions**

Lisa Beutler led the welcome and introductions.

### **Overview and Framing of Topics**

Eric Tsai provided a recap of the previous four California Water Plan Update 2013 Plenary Finance Planning sessions.

Paul Massera provided an overview and framing of topics.

### **Future State Government Role in IWM Panel Discussion**

#### **Criteria for State Government Involvement**

Paul Massera introduced Discussion Question 1.



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*Update 2009 recommended the State government be involved in supporting integrated water 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 create more actionable decision-support and to help identify investment priorities. Looking ahead to Update 2013, what should we add, subtract, or change to clarify and develop the recommendations so they are more implementable and provide better decision support?*

### **Achieving What Regions Cannot Accomplish On Their Own**

Grant Davis: What the State can help achieve through IRWM planning and CWP is to help implement projects that address critical needs but wouldn't be done otherwise by local agencies. For example, friendly eminent domain is often needed to implement projects, but many local agencies can't achieve this on their own because they are limited by their own jurisdictions. This is one area where the State can have a role.

John Kingsbury: When evaluating what regions cannot accomplish on their own, the Sierra Nevada watershed is an excellent example. Every agency is only looking at their own region and their own projects. The Sierra Nevada watershed provides 60% of the water supply in California. Now is the time to increase investment in that region. However, many don't recognize the opportunities there and are only focused on water supply "from" the Delta (but not above the Delta where most of the water actually comes from). The California Water Plan 2009 lacks a regional strategy in this region.

### **Alignment**

Grace Chan: For infrastructure, the State has responsibilities for operating the State Water project and is the primary coordinator with the federal government on the Central Valley Project. California is also a basin state for Colorado River basin supplies. When we look at previous California Water Plans, we wonder if the State has created strategic plans for how to improve statewide water supply systems including source water quality? This would establish the roles for local, State, federal government and facilitate alignment. It would also help clarify the State's regulatory role in water resources. The model for this sort of effort is the Strategic Growth Council.

Grant Davis: The State has a role to incentivize behavior and help coordination. Proper alignment is the message that should be coming from the State now.

Grace Chan: DWR can be more proactive in creating stakeholder task forces instead of addressing issues reactively.

### **Public Messaging**

Grace Chan: State has opportunities to provide leadership in public outreach and messaging. For example, in sediment control, the State's role should be messaging. There is a huge value in messaging to the public what everyone is doing. One question I like to ask our constituents is "How much do you think you pay for a gallon of water? Most people say 10 to 30 cents. Even in southern California, it's one half of one cent per gallon. That changes people's perspectives in how willing they are to pay for something. Nobody wants to get their rates increased, but how it is messaged can change perspectives.

Grant Davis: The State has a role in messaging with the Legislature. So much of what the Legislature does can help or hurt us. When creating this next California Water Plan, put yourselves in the Legislature's viewpoint. Think about how this document will be perceived. We need to craft a message, need everyone to consistently get on the same message, and hammer that message home.



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John Kingsbury: There are a lot of ratepayers who all think they have an inherent right to clean water. We need to deliver a new message, whether it's through a new water bond or something else.

### Innovation

Liz Haven: With State revolving funds from the State Water Resources Control Board, we can help drive innovation in IWM. We are rewarding funding for stormwater projects from Prop 84 funds. The State Water Resources Control Board has also been able to drive innovation in recycled water.

John Lowrie: The State should focus on structures or frameworks that help stimulate innovation. If the State instead takes a highly prescriptive regulatory approach which specifies what you should be doing, it doesn't stimulate innovation.

### Land Use Planning

John Lowrie: There is a huge disconnect both statutorily and financially between water supply planning and land use planning. Sonoma County is a good example of this. If we are moving towards an integrated approach to resource management, we need to make water planning and land use planning more in line with each other and work towards a more comprehensive statute.

### Legacy Impacts

Liz Haven: Nitrates are a key legacy impact challenge. Nitrates have been accumulating in the Central Valley and have impacted drinking water for many communities (many of which are small communities). UC Davis has identified irrigated agriculture as a primary nitrate contributor. Past agricultural practices used pesticides and fertilizers which caused a large nitrate loading. But current practices are now applying fewer nitrates than they did in the past. Do we as a State all pay to clean this up? Or should only the farmer who lives there now pay?

John Lowrie: While it is easy to say we have legacy nitrate problems in our groundwater, it's probably more accurate to say that we have unexpected nitrate in what's left of our groundwater. In other words, most of our groundwater is gone or lost. So what really is the problem here? Sometimes we don't know what the fundamental causes of the resource issues that are facing us. Some of this is because of how complex these issues are. But some issues are beyond our ability to deal with so we externalize them instead of dealing with them. The State's role is to dive a little deeper into these issues and understand the complexity of isolated issues that we generate. We need the State to seek the truth instead of just throwing money at the problem.

## State Government's Role in Technical, Managerial and Finance Capacity-Building

Paul Massera introduced Discussion Question 2.

*Discussion Question 2: Many local and regional entities may have the capacity to apply for and receive grants but do not have the capacity to follow through to implementation, operation and maintenance. This circumstance is an impediment to effective State incentives and to leveraging of State and local funding. What should the State government's role be with respect to the local and regional technical, managerial and finance (TMF) capacity-building required to implement, operate and maintain an activity through its functional life?*

Liz Haven: If a small, rural community is trying to upgrade an existing facility, the State Water Resources Control Board promotes a regional approach because it is more efficient to link water systems together. We



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are trying to team smaller communities with larger communities by partnering with the California Association Sanitation Agencies. The State Water Resources Control Board is also trying to simplify and streamline our application process for technical assistance contracts to make it more accessible for small communities.

Grant Davis. When we do work in the North coast, we spend a lot of time working with agencies getting the governance structure right. When defining the role of the State, keep in mind that a little bit of money goes a very long way for small communities. When communities lack the money to even write a grant, which is especially true for small communities and tribal lands, the State can play a big role in providing a small amount of funding and help align local dollars with state and federal funding.

John Kingsbury: Many local agencies don't even have enough funds to replace their own facilities. Proposition 218 makes things even harder. It's difficult to generate enough funding to even organize a ballot initiative.

Liz Haven: It is very difficult to identify funding sources for operations and maintenance. The State will generally pay for planning and capital outlay, but not for annual operations and maintenance. The State could have a role in researching new or alternative technologies, such as reverse osmosis and ionization and educating local agencies on these technologies.

John Kingsbury: DWR could have a role in facilitating collaboration in small communities. One area that is always overlooked is forest management.

John Lowrie: State of California needs to rethink how revenues should be distributed and how they can be used more effectively. Revenues generated in a community should stay within a community.



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### Criteria for Crafting Finance Recommendations

Paul Massera provided instructions for plenary participants to provide finance findings and recommendations to be considered for the CWP Update 2013. Plenary participants broke into groups and reported on their findings.

#	Plan Topic	Findings	Recommendations
1.	Scope of Integrated Water Management	<p>The State has a role in providing funding for smaller, rural communities who often lack funding, but live near natural resources that need to be protected.</p> <p>Current State agency funding is often duplicative and “siloeed”.</p>	<p>Seek to align funding where resources are to be protected instead of where the population is. Educate the population why this is important.</p> <p>Coordinate state funding and budgets in pursuit of a common goal. Move funding between agencies to solve a problem.</p> <p><u>IWM Definition</u></p> <ul style="list-style-type: none"> <li>- Define IWM further up towards the beginning of the California Water Plan. Is there a difference between IWM and IRWM? Since the definitions are very broad, one way to better understand IWM is to identify what it is not (i.e., single-purpose, local, structural flood projects).</li> <li>- Provide examples of innovation</li> <li>- Promote public/private partnerships.</li> <li>- Clarify definition of natural and human infrastructure</li> </ul> <p>Environmental</p> <ul style="list-style-type: none"> <li>- Recreation</li> <li>- Biodiversity and ecological functioning</li> <li>- Ecosystem services</li> </ul> <p>Public Safety</p> <p>Economic</p>



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2.	Estimated future IWM costs	There are limitations on the State's role in providing O&M. However, the State can and should have a role for systemwide features.	<p>Track historical benefits achieved over time (report on benefits and values of past projects)</p> <p>Recognize system vs. regional benefits (i.e., scale of benefits)</p> <p>Introduce public vs. private or user-based benefits</p> <p>Conservation of resources and opportunities (avoid burning benefits)</p> <p>Estimate future benefits that will be achieved of future projects (use an IRWM example or a list of proposed projects) so that readers will know what they'll be getting out of IWM investment.</p> <p>Provide guidance on defining uncertainties of the future costs and benefits (e.g., climate change uncertainties)</p> <p>Focus less on implementation costs, more on what you get</p> <p>Focus on avoided costs as part of future benefits</p> <p>Include time and phasing tied to public benefits</p> <p>Create a transparent process by using case studies and simple approaches and tools.</p> <p>It is difficult to draw a dividing line between innovation and infrastructure. This may need more clarification.</p>



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			<p>Need to define public benefits</p> <p>Delineate the cost of maintenance versus the cost of enhancements to add integration.</p> <p>Integration level (high, medium, low)</p>
3.	Future role of State government	There are some projects/investments which greatly benefit the State's public goods, but which financially do not make sense at a local/regional level	<p>Identify opportunities for systemwide benefits to facilitate such projects. Guide local and regional work with consistent messaging that matches systemwide goals.</p> <p>Who is responsible for system and larger public benefit projects?</p> <p>State should take a bigger role in funding innovation</p> <p>O&amp;M could be a public good, meaning State should pay</p> <p>State's O&amp;M role → analogy about handing car to a new driver → what they can handle</p> <p>Regional standards</p> <p>Expertise on specialty areas (e.g., assessing uncertainties of climate change)</p> <p>Infrastructure, decision support, O&amp;M, facilitation, guidance and training, education</p>
4.	Investment prioritization	Future funding is going to be very limited	<p>Incentivize IWM at the regional level</p> <p>Promote more interconnection in existing water supply networks.</p>



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			<p>Greater watershed stewardship will help achieve more interconnection.</p> <p>Get back to the basics of meeting drinking water quality requirements and public safety. We can't compromise on public health and safety. Provide the above in the most integrated manner as possible</p> <p>When efficient infrastructure is working as intended, it produces no leaks and less down time</p> <p>Need to promote innovation</p> <ul style="list-style-type: none"> <li>- new technologies</li> <li>- new ways to meet basic public health requirements/regulations</li> <li>- New ways to package or link benefits with funding</li> </ul> <p>Integration of benefits and funding streams. Rather than cherry-picking from federal, state and local funding sources, match pool money to the integrated water management activity</p> <p><u>Potential Funding Principles</u></p> <p>Account for disadvantaged communities that don't have access to funding sources and don't even have the funding to compete for grants.</p> <p>Leverage multiple funding sources</p> <p>Least cost for the most benefits</p> <p>Equity</p>



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5.	Apportioning costs	<p>If following a beneficiary pays principle, then locals should be paying for their own local projects. However, there are disadvantaged communities who can't fund their own infrastructure.</p> <p>Proposition 218 issues may limit a beneficiary-pays principle because agencies can only incorporate taxes/fees where benefits are accrued.</p> <p>Legislative changes to Prop 218 would help local funding situation.</p> <p>However, some agencies have had success getting past Proposition 218 challenges and have shown that getting additional funding is achievable.</p>	
6.	Oversight and administration of State IWM finance		<p>CWP should develop recommendations that would not create a new state agency</p> <p>Any work done on infrastructure should have a “per-project” focus on it</p> <p>Creating a Quasi-JPA could help oversee and administer IWM finance. However, would need to clean-up JPA language to make that work.</p> <p>A formal liaison role with the Legislature would be helpful because everything needs to be tied back to the Legislature.</p> <p>Need more systematic knowledge of water and how system operates. State Agency Steering committee should be included and expanded upon.</p>



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			Get legislature to provide some directed, noncompetitive funding. If IRWM plan meets standards, projects should be eligible for directed funding. Also, allow directed funding for capacity-building.
7.	Financing Strategies	<p>There is limited ability for some small agencies to apply for grants. These limitations need to be acknowledged.</p> <p>Larger agencies are predominantly focused on their regions and are not looking at broader integration</p>	<p>Creating a financial toolkit would be helpful for local agencies</p> <p>For underfunded water agencies, some kind of funding portal to identify what funding is available would be useful</p> <p>Focus on the ability to leverage dollars. For example, develop a pool of funding and develop a loan guarantee program. Interest costs can really impact water agencies and can factor into project development. Loan guarantee program can help mitigate these costs.</p> <p>Consider a loan guarantee program as alternative to bonds.</p> <p>Additional funding for O&amp;M could be funded through public-private partnerships.</p> <p>Messaging the value of water and its costs</p> <p>Capital to work available pooling capital (resources for innovation competitions → the venture capital model)</p> <p>For IRWM regions, have single grant application for multiple sources of funding. At least, DWR should have consistent application across divisions.</p> <p>Combine state funding, after messaging to legislature, for</p>



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			IWM
8.	<b>Tribal</b>		
9.	<b>Regulatory Alignment</b>	There are so many regulatory agencies and many of these agencies don't work together because of culture, fiefdoms, limited funding, or lack of coordination.	<p>State could create mechanisms to coordinate interagency efforts. Instead of just inviting regulatory agencies to the table, could help fund them. But be mindful of constraints. Build better mechanisms for accountability and transparency, but keep it flexible.</p> <p>Local land use decisions impact systemwide water use</p> <p>Showcase success stories</p> <p>Promoting sharing of data with other agencies</p> <p>More awareness of aligning funding sources</p> <p>More awareness of capacity-building opportunities</p> <p>In helping to deal with unfunded mandates, provide data or funding</p>