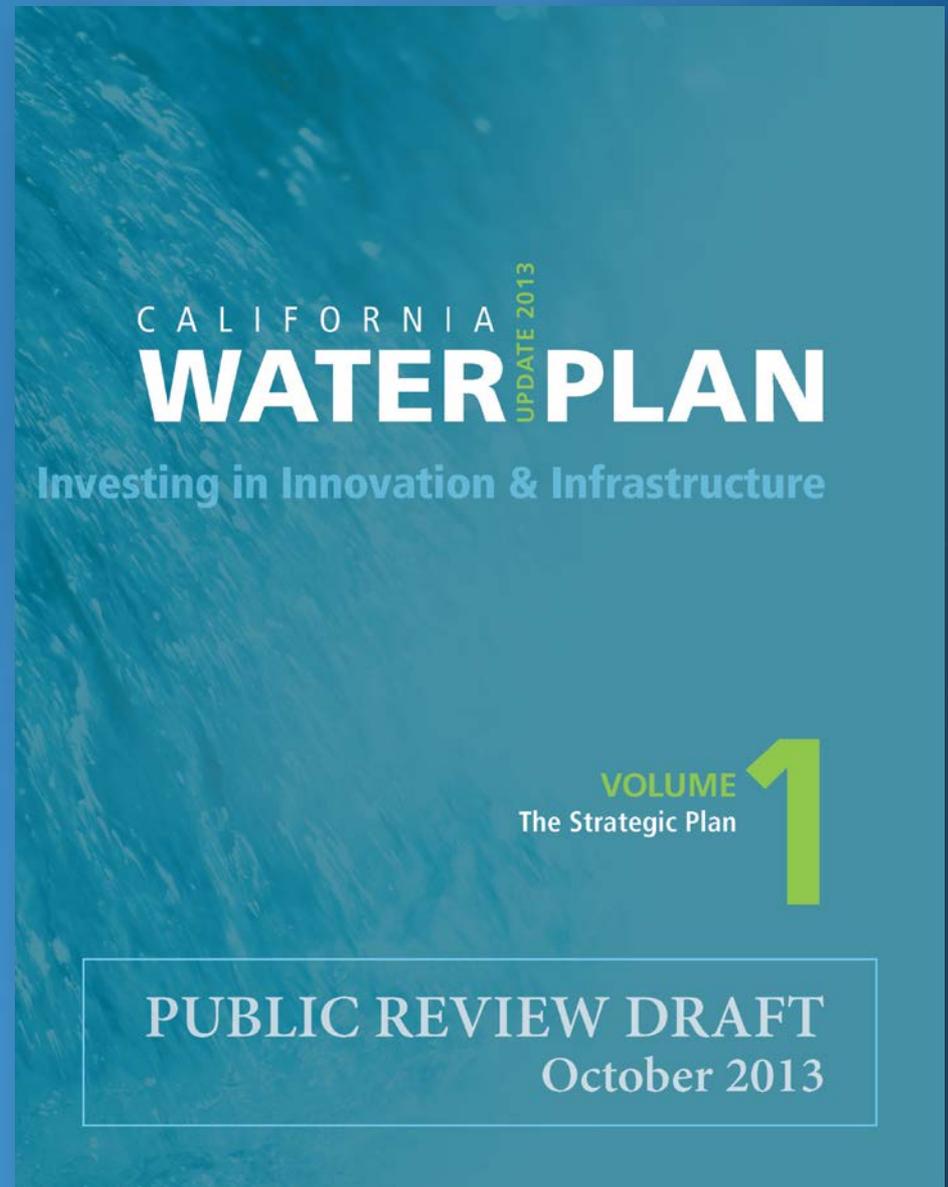


Public Review Draft Overview

Finance Planning Framework

California Water Plan Plenary

October 29, 2013



Plenary PRD Review Sessions

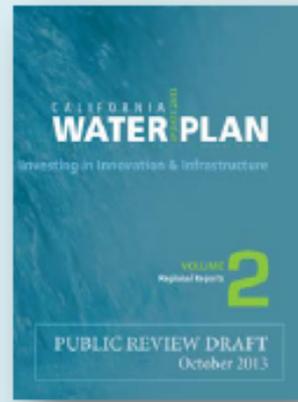
Plenary Sessions by Water Plan Volume

The Strategic Plan



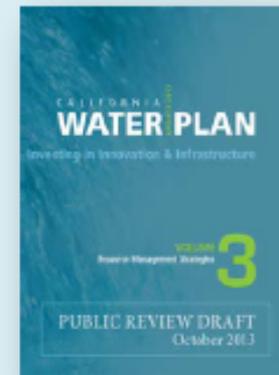
Day	Chapter	Time
1	1 – 4:	10:15 a.m.
2	5 & 6	9:50 a.m.
1	7	4:00 p.m.
2	8	1:30 p.m.

Regional Reports



Topic	Day	Time
Content	1	10:15 a.m.
Specific Regions	2	9:50 a.m.
Outreach	2	11:15 a.m.

Resource Management Strategies



Topic	Day	Time
General	1	1:50 p.m.
Outreach	2	7:30 a.m.
Ag Land	2	9:50 a.m.
Culture	2	9:50 a.m.
DeSal	2	11:15 a.m.



Volume 1 Chapters

- **Chapter 1 - *Planning for Environmental, Economic, and Social Prosperity***
- **Chapter 2 – *Imperative to Invest in Innovation and Infrastructure***
- **Chapter 3 - *California Water Today***
- **Chapter 4 – *Strengthening Government Alignment***

Volume 1 Chapters (Continued)

- Chapter 5 - *Managing an Uncertain Future*
- Chapter 6 – *Integrated Data and Analysis: Informed and Transparent Decision-Making*
- Chapter 7 – *Finance Planning Framework*
- Chapter 8 – *Roadmap For Action*

Finance Planning Framework

Chapter Purpose

- **Begin developing a common understanding of comprehensive State integrated water management (IWM) finance planning**
- **Identify and provide solutions for finance-related issues that are impeding effective State IWM solutions**
- **Guide State government funded investments in IWM**

Finance Planning Framework

Chapter Structure

- Finance Planning Framework Scope and Process
- Limitations of the Update 2013 Framework
- Key Facts and Findings
 - Demand for Funding
 - Expenditures and Fund Sources
 - Funding and Institutional Organization
- Framework Components
- Next Steps

Update 2013 Public Review Draft Finance Framework Components

- 1. IWM Scope and Outcomes**
- 2. IWM Activities**
- 3. Existing Funding/Expenditures**
- 4. Funding Reliability**
- 5. State Government Role and Partnerships**
- 6. Future Costs**
- 7. Funding, Who and How**
- 8. Trade-Offs**

Finance Planning Framework

Key Messages

- **Logical structure and sequence for financial plan development to help overcome challenges:**
 - **Stakeholders operating from completely different sets of information prepared for disparate purposes**
 - **Incomplete information, drawn out of context, and grounded in different assumptions**
 - **Reliance on information prepared for specific uses to make broader assumptions**

Finance Planning Framework

Key Messages

- California water managers are being asked to do more with less
- Provide more public safety, environmental stewardship and economic growth despite:
 - Economic downturn
 - Rising public sector debt
 - Weakening public support for additional investments

Finance Planning Framework

Key Messages

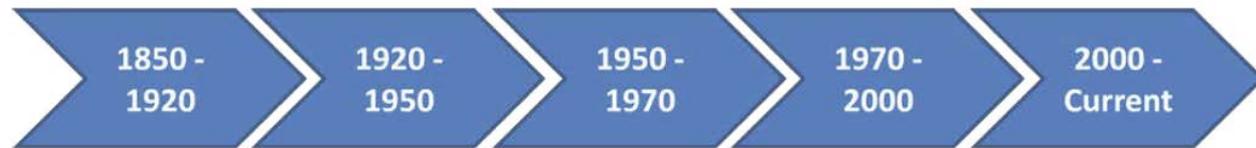
- **\$200 billion needed over next 10 years**
- **State government GO bond debt:**
 - **\$1,130 per Californian in 1999**
 - **\$3,400 per Californian in 2010**

Finance Planning Framework

Key Messages

- **Debt is not the only metric for measuring economic prosperity**
- **Borrowing remains a necessary and cost-effective method of financing capital-intensive projects**
- **Bottom line on debt - There are risks and costs associated with borrowing that should be fully considered in future financing strategies**

Figure 7-1 History of Funding for Water Management in California



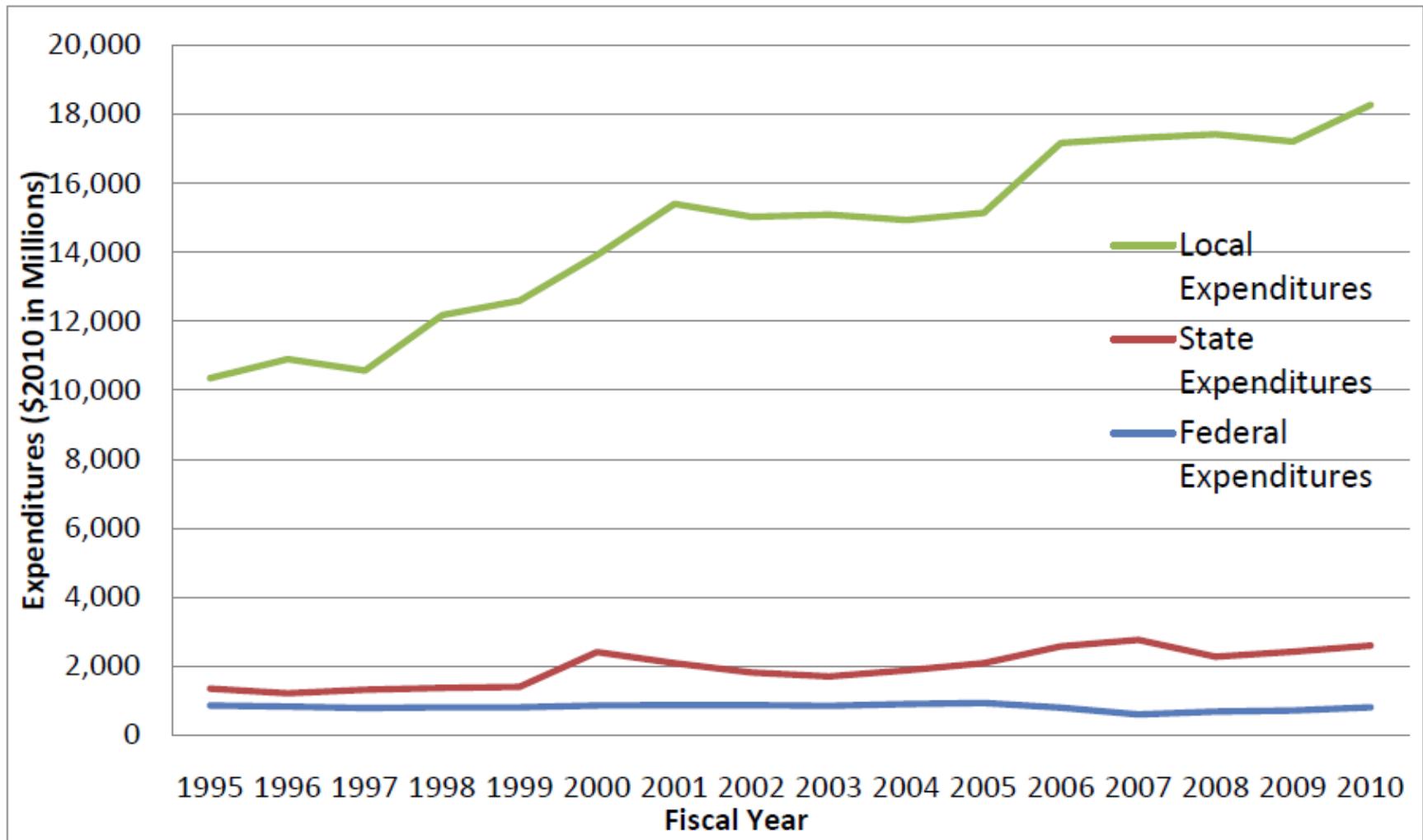
Finance Planning Framework Key Information

Theme of Era				
Development and Growth	Federal Investment	Infrastructure Expansion	Water Resources Development / Protection	Current State Bond Funding
Significant Actions				
<ul style="list-style-type: none"> Construction of dams, canals and levees for transportation, agriculture and water supply occurred throughout this period in the Central Valley, Bay Area and, most notably, in the Sac/S.J. Delta 	<ul style="list-style-type: none"> Central Valley Project USACE and Bureau of Reclamation involvement in water conservation, water supply, flood management, and wildlife protection projects 	<ul style="list-style-type: none"> State water project constructed National Flood Insurance Act of 1968 Continued flood infrastructure development 	<ul style="list-style-type: none"> Water Resources Development Act passed (1974, 1976, 1986, 1988, 1990, 1992, 1996, 1999, 2000, 2007) State and Federal environmental laws enacted (Clean Water Act, Endangered Species Act, California Endangered Species Act, California Environmental Quality Act) 	<ul style="list-style-type: none"> State bond funded infrastructure improvements, planning and emergency management preparedness projects
Financing Mechanisms				
<ul style="list-style-type: none"> Levee construction by land owners and reclamation districts Federal funding of flood control projects (e.g. Los Angeles River and, Sacramento River Flood Control Project) 	<ul style="list-style-type: none"> Flood Control Act of 1928 – Authorized the USACE to construct projects on the Sacramento River for flood control Flood Control Act of 1944 authorized the Lower San Joaquin River & Tributaries Project 	<ul style="list-style-type: none"> General obligation bonds for State Water Project Utility rates, revenue bonds, and fees fund local agency projects 1973 statute required local and State cost sharing of projects (Senate Bill 399 Sec 12585.2 of the California Water Code, Amended in 1973 (Chapters 893)) 	<ul style="list-style-type: none"> Clean Water Act funds variety of Federally authorized projects 1973 Way Bill (California Water Code §12980-12991) set requirements for State funding of non-project levee maintenance and improvement costs 	<ul style="list-style-type: none"> Passage of several Propositions with IWM components <ul style="list-style-type: none"> Prop 13 Prop 12 Prop 40 Prop 50 Prop 1E Prop 84 2014 Bond (potential)

Finance Planning Framework

Key Information

Figure 7-3 Recent Trends in Local, State, and Federal IWM Expenditures (in millions) 1995-2010



Finance Planning Framework

Figure 7-5 General Obligation Water Bond History, 1970-2010

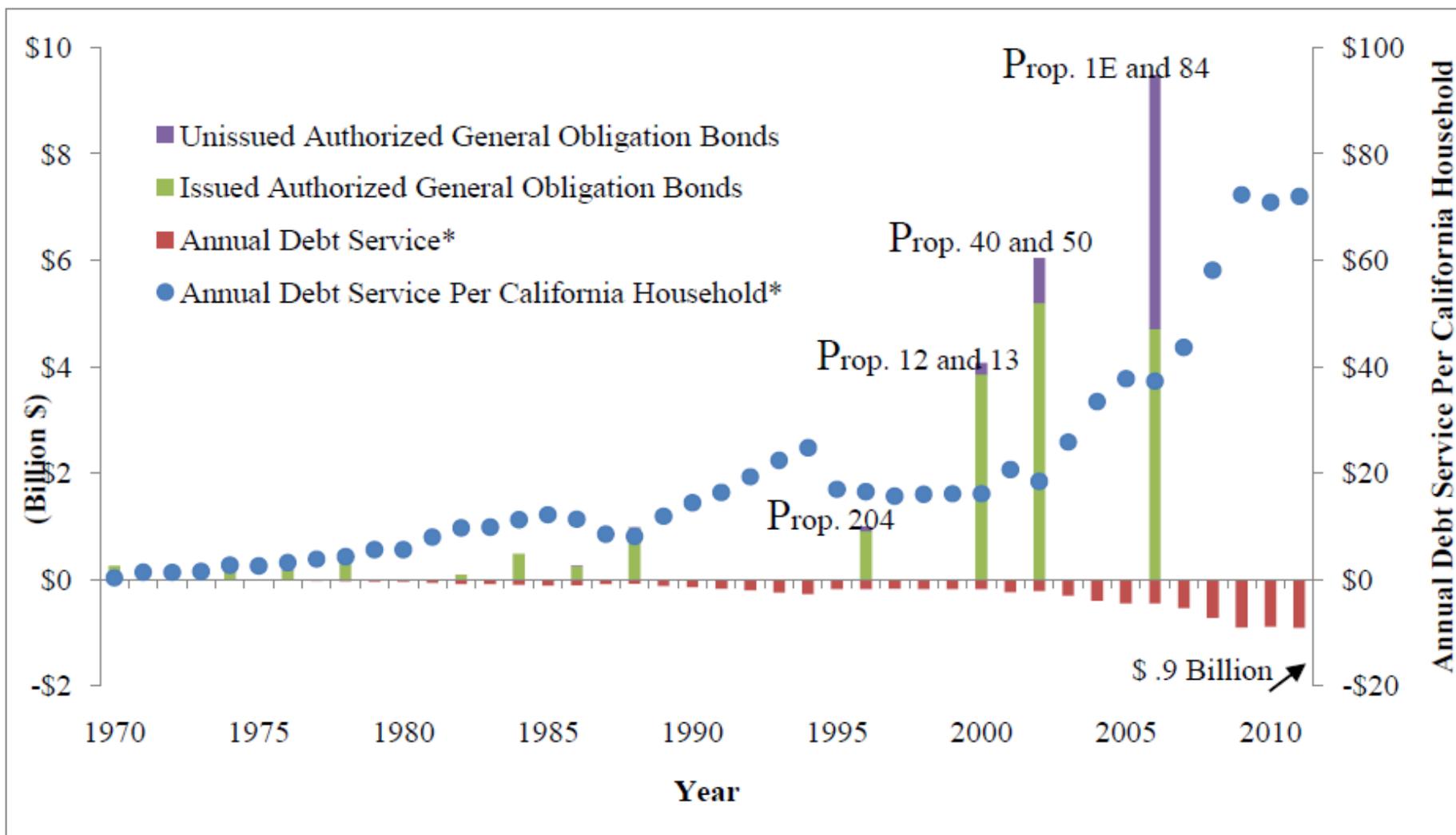
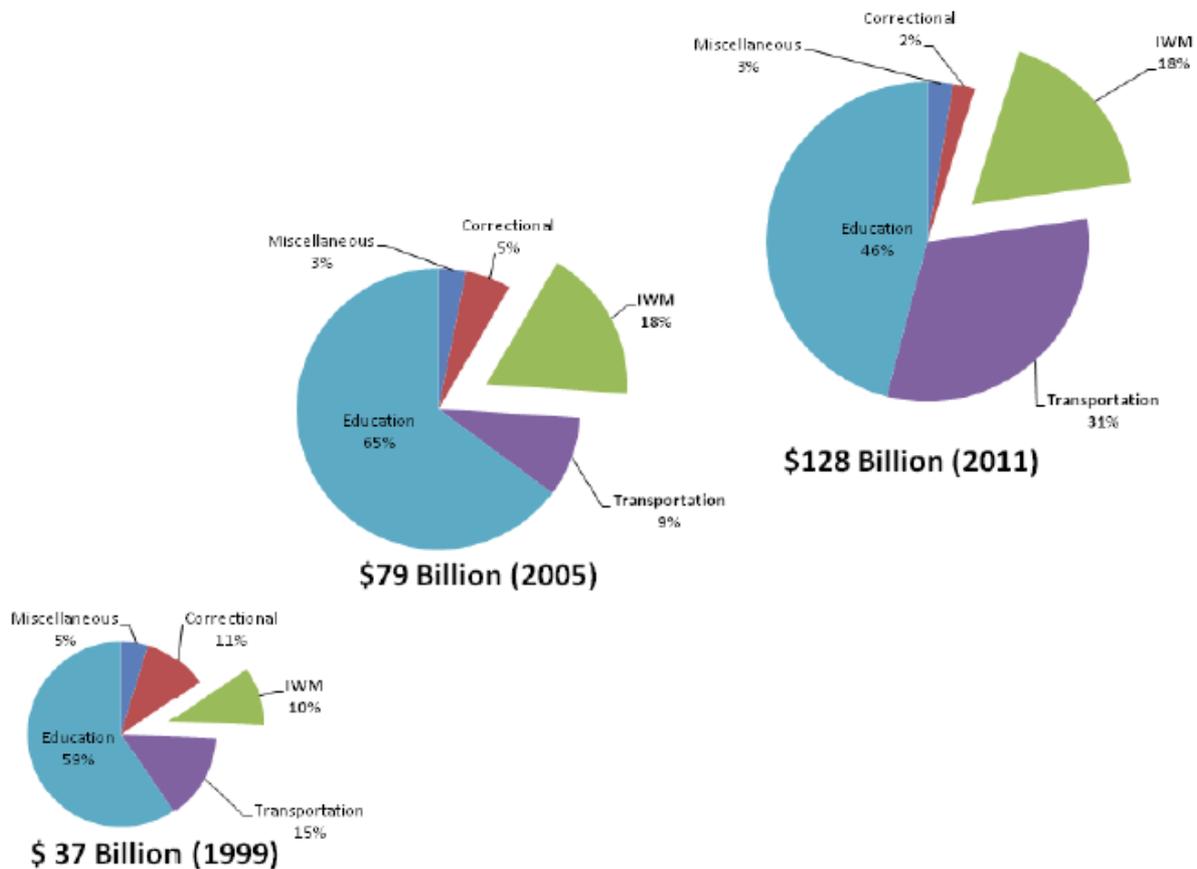


Figure note: Debt service is applicable to issued GO bonds only.
Source: Department of Finance 2012

Finance Planning Framework

Key Information

Figure 7-4 Total Authorized State General Obligation Bonds in California



Reliable funding requires suite of revenue sources

Table 7-2 State and Local Water Management Revenue Sources

Revenue Source	Appropriate Uses	Feasibility	Key Tradeoffs	Application in California
General Fund	Activities that benefit the general public	Available each year, but subject to competing uses	Funds are limited	A common source of funding
General Obligation Bonds	Projects that benefit the general public	Commonly used	Subject to a vote	Commonly used, but some concern about getting future bonds approved
Revenue Bonds	Projects where a dependable revenue stream is available	A standard method of financing	None	A typical method of financing for local and state projects
User Fees	Projects where direct beneficiaries are easily identified.	Potentially works well with clearly defined beneficiaries, less likely to work for projects with significant public benefits.	Will focus projects to those with local scope which may undermine IWM efforts. May limit state's ability to increase fees and taxes to support other projects.	State Water Project is an excellent example as over 90% of project cost will be repaid by direct beneficiaries (contractors)
Assessment Districts	Can be formed by majority vote but must support local projects that do not provide a "general" public benefit. Water	The state could coordinate with local	Assessment districts cannot be used to support general	1911 and 1913/1915 assessment districts are widely used by local

Finance Planning Framework

Key Information

- **Basic State government IWM obligations, commitments and responsibilities of State government**
- **Future role of State government & public financing**
- **Shared values to guide decisions for State government investment and prioritization**
 - **Prioritization of State Government Investments**
 - **Fiduciary Responsibility**
 - **Beneficiary and Stressor Responsibilities**

Finance Planning Framework

Framing Future Finance Deliberations

- **Cost effectiveness, efficiencies, and accountability**
- **Avoid stranded costs and funding discontinuity**
- **Leverage funding across State government agencies**
- **Increase certainty of desired outcomes**
- **Prioritization based on shared funding values, defined principles**
- **Utilize Update 2013 Framework for apportioning IWM investment**
- **Enhance stewardship of State government monies**

Finance Planning Framework Questions for Reviewers

- How can this chapter be improved to more clearly or thoroughly represent the intended purpose?

CALIFORNIA

WATER PLAN

UPDATE 2013

REVIEWER'S GUIDE

We are pleased to release the **Public Review Draft (PRD) of California Water Plan Update 2013 (Update 2013)** for your review and comment according to this schedule. The content reflects input received from extensive collaboration with hundreds of stakeholders and dozens of State agencies.

Volume	Release Date	Comment Deadline
1. The Strategic Plan	October 2, 2013	November 18, 2013
3. 30 Resource Management Strategies	October 16, 2013	December 2, 2013
2. 12 Regional Reports	October 23, 2013	December 9, 2013

You may access and download the volume chapters in PDF format by using the Web link below. There are three options for sending us your comments — e-mail, fax, or postal mail. An Update 2013 navigation guide is also available to help expedite your review.

- **Public Review Draft Web page:**
<http://www.waterplan.water.ca.gov/cwpu2013/prd>
- **Navigating Update 2013 guide:**
<http://www.waterplan.water.ca.gov/docs/cwpu2013/2013-prd/NavigationGuide-2013PRD.pdf>
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 P.O. Box 942836, Sacramento, CA 94236-0001