Update 2013
Integrated Water Management Finance Plan

Prepared for:
South Lahontan Regional Forum

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Update 2013 Finance Plan

Implementing Update 2009

"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

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

Any prioritization that occurs will be in terms of categories of IWM activities (not specific projects). Stakeholders and Water Plan advisory groups might also wish to recommend criteria for the geographical distribution of future State IWM investment.

What to Expect from Update 2013 Finance Plan

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

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

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

Challenges/Lessons Learned:

- **First attempt to build IWM finance plan (generally at <u>tactical</u> level) from a <u>strategic</u> 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**
- **Need to capture regional activities that are not reflected in an IWM** ***(lack of a single source of regional IWM information)***

Update 2013 Finance Plan
Where we are now

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 <u>not</u> invest in certain IWM activities
- Conflicting beliefs and values

Fundamental finance question:

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

Common responses:

What do you mean by “it”?

What benefits would I receive?

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

Why should I believe you?

How much will it cost?

Will I get a good bargain?

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

Who is currently paying for this?

What would I be paying for?

What is wrong with the way things are right now?

Who will be accountable?

- Scope and Outcomes
- Activities
- Existing Funding
- Funding Sustainability
- State Role (including governance and accountability)
- Future Costs
- Funding Whos and Hows
- Trade-offs

- Scope and Outcomes

  What do you mean by “it”?

- Activities

  What would I be paying for?

- Existing Funding

  Who is currently paying for this?

- Funding Sustainability

  What is wrong with the way things are right now?

- State Role (including governance and accountability)

  Why should I believe you? Who will be accountable? Will I get a good bargain?

- Future Costs

  How much will it cost?

- Funding Whos and Hows

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

- Trade-offs

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

  What benefits would I receive?

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
Next Steps

Complete Component 2 – Identifying IWM Activities:

- **Collect regional IWM data from IRWM plans and other sources as necessary (projects, costs, objectives, etc)**
- **Identify alignments between IRWM projects/objectives and Update 2009 Strategic Vision**
- **Estimate costs of implementing IRWM (and other) Plans by hydrologic region**
- **Characterize and recommend future State local assistance using high level "buckets" such as *Innovation* and *Infrastructure***

Update 2013 Finance Plan
Flood Caucus Coordination

Questions