



MEETING SUMMARY

CALIFORNIA WATER PLAN UPDATE 2013
IWM FINANCE PLANNING OBJECTIVE
11:00 A.M. – 12:30 P.M.
815 S STREET, SACRAMENTO, CA

Meeting Objectives

Discuss and suggest revisions for the Related Actions associated with the Update 2013 Objective relating to Integrated Water Management (IWM) Finance Planning:

“State government uses consistent, reliable and diverse funding mechanisms with an array of revenue sources to support statewide and regional IWM activities; and makes future State government investments in innovation and infrastructure (green and grey) based on an adaptive and regionally-appropriate prioritization process.”

Document Walk Through

Paul Massera reviewed the Finance Objective. He noted that the related actions were developed through conversations with the Finance Caucus and Public Advisory Committee. Much of this relates to what will be Chapter 7 of the Water Plan, the Finance Planning Framework. The related actions here have not been pulled from other plans. Quite a bit of detail is provided in the last column which provides notes on each action, representing text from Chapter 7.

During the June 14th session, the discussions covered the first 4 related actions and touched on action #5. For action #1, there was a request to better describe the term “state government.” For action #2, there was a suggestion to better define the term “public benefit” and examples were provide. There was not much comment on action #3. On action #4, it was noted that criteria should be developed for expanding public-private partnerships. Regarding action #5, it was clarified that this emphasizes a need for consistency in funding innovation – for R & D. It does not represent a call for redirection of funds towards innovation.

General Discussion

- The suggestion that there are diverse funding sources is misleading. Ultimately, there are two types of revenue: taxes and fees (that are passed on the consumer).
 - This raises the important of the Chapter 7 itself, which discusses this. There is good background for all of these action in Chapter 7.
- There have been questions about where we might estimate the costs of recommendations associated with other objectives. We recognize the need for that, although it’s not possible to provide these estimates within Update 2013.



Related Actions

The proposed Related Actions, and the ensuing discussion, are presented below. Please note that the actions below have been abridged from the original text and the sub-actions are not included:

1. Regional and local entities should continue their investments in IWM activities based on regional and local conditions, goals, priorities, and solutions...Regional and local investments should be augmented and amplified with State and federal public funding.

Discussion:

- Should the issue of regional sustainability be mentioned here?
2. State government should continue to provide incentives for Integrated Regional Water Management (IRWM) activities that achieve State goals and provide broad public benefits. (This includes technical and financial assistance for regional activities providing public benefits *and* that would not otherwise be cost effective. Incentives should be flexible to accommodate the State's geographically and economically diverse regions.)

Discussion:

- No comments.
3. State government should improve and facilitate access to State and federal public revenue sources. Item #a: Create an online inventory of funding programs and revenue sources, with guidance on how to apply for these. Item #b: Support local entities in applying for funding – by providing technical and financial assistance and grant application training.

Discussion:

- No comments.
4. The Governor and Legislature should broaden the ability of public agencies to partner with private agencies for IWM investments – beyond California's current limitation to pilot projects only.

Discussion:

- There should be criteria for establishing public-private partnerships.
5. State government should focus its investments on IWM innovation activities that have broad public benefits using a more reliable, predictable and diverse mix of finance mechanisms and revenue sources, including, but not limited to, General Funds and General Obligation bonds. (Provides examples of innovation with broad public benefits, and describes best practices for the finance mechanisms supporting those activities.)



Discussion:

- No comments.
6. State government should reduce planning and implementation timeframes and costs associated with IWM activities by clarifying, aligning and reducing redundancies among State government agencies' policies, incentive programs and regulations.

Item #a: Convene an interagency IWM alignment group to recommend ways to reduce duplication and fragmentation among State agency approaches. Item #b: Prepare and update a "Return on State Government Investment" report card to track the benefits and value from State government investments.

Discussion:

- There are other actions regarding reducing timeframes through alignment. This is broader in addressing policies, programs and regulations.
 - Thought there was a discussion on removing roadblocks that might prevent local agencies to raise funds through assessments. The Delta talked about fee assessments. Is that needed in this section as well?
 - Is this about modifications to Prop 218? There are cautions that the text needs to tread lightly, since this is a constitutional provision. It is both a liability and a protection. If that is the suggestion here, there are some mixed feelings about that.
 - This is showing up in several different sections in this document. Some clarifications were needed in interpretations of the law. If the state doesn't provide financial assistance, without this, many things will not get done.
 - What is the goal for Chapter 7? The topic has been raised in text. Do we want to propose an objective, boundaries to this problem and some potential solutions? Some agencies would be very, very concerned about bringing this up in the Water Plan.
 - #6, b: The rate of return must look at life-cycle costing, including benefits associated with reductions in O & M.
 - #6, b: Clarify that this is a proposal for such a report. Suggest who might be involved. What is it we want to commit to?.
7. The Governor and Legislature should establish a "State IWM Innovation and Infrastructure Investment Fund" (4I Fund) that provides a consistent and consolidated State water financing framework. (To prioritize and fund investments, improve transparency of State fund disbursements, enhance stewardship of State government fund.) The 4I Fund would be endowed by multiple finance mechanisms and revenue sources.



Discussion:

- The 4I fund is to be consistent with the findings of Chapter 7 and implement potential solutions. This is not intended to be a receptacle for new user fees. Fees are one part of an exhaustive list of funding sources. Chapter 7 documents the finance discussions that occurred over the last 2 years. There is a lot of information regarding past expenditures. It highlights things to keep in mind when the state is spending money.
- It is important to explain what is needed to build a finance framework. Objective 17 cannot be taken out of context, it is tied to Chapter 7.
- This action seems important. There are things that need to be flushed out: What criteria would be used? How would it be developed? How comprehensive will this be? You are gap filling to accomplish important ideas. Are you dumping every revenue source here? What is meant by “more consolidated?” Each funding source has its own limitations and we need to understand existing constraints on these funds.
 - There are yet to be articulated boundaries. There were discussions on revolving funds used for infrastructure (including green infrastructure). Does this become the super fund that subsumes the State Revolving Fund? Are we centralizing the funding? What are the benefits and pushback? What about the issue of endowment? The biggest problem is that many will ask “where’s the money.” Is this intended to pool existing resources, to generate new sources?
 - An ongoing impediment is the uneven funding structure, which doesn’t seem to be coordinated. Is this about trying to address improving our existing funding structure OR about creating a funding mechanism that creates consistent funding? This seems to be about both.
 - It’s a challenge to have two complex ideas in one objective.
 - Is there a need to structurally address the deficiencies in the existing funding system? There is conceptual agreement that improvements could be made in the existing system of funding.
 - On the surface, we can say there’s a gap between where we are and where we need to be. Also, existing funding is based on programs that force a certain approach to doing things. It may not be possible to change the way that things are done. Redesigning finance involves redesigning programs and governance. As the final objective, this needs to relate back to all the other objectives. People will be looking for the price tag – but that is not intended in this objective.
 - The presupposition, that IRWM does work, doesn’t work. Prop 50 works to influence local decisions, while allowing room for local priority.



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- The model for assigning funding allocations is the IRWM mechanism. While it's been difficult, there has been some overlay of state priorities. This is something that seems to be working – it could be optimized. This implies some state management and oversight of funding allocations. A 4I Fund implies the state tell locals how to spend their money.
 - How could the current funding system be improved?
 - The idea is to develop a process for establishing the 4I Fund. The state could evaluate the optimal way of creating a funding approach to strengthen water management. Funding is generated by programs, allowing more dynamic responses. The 4I Fund would say how much each program should get. It would be worthwhile to establish a process to look into this.
 - One of the missing links is state standards. With those standards, you would see greater progress. If a few standards were established, it would provide more efficiencies in a shorter timeframe.
 - The word “prioritize” implies criteria, which have not been discussed. State standards can be chilling to local government. ...Cities and counties are varied in their receptivity to state standards. How can a funding vehicle avoid that heated discussion? This is an extremely politicized process. The only way it could be implemented is through the legislation or a bond. This begs the question of priorities and control.
 - This reaches into the pocketbooks of locals for funding. It will be difficult to explain the benefits. There are “asks” that come from all over the place.
 - The goal is to create a framework for more orderly funding of IWM, rather than piecemeal. The allocation process is meant to be untangled from revenue sources. This could be a stable foundation for outflow of expenditures.
 - Conversely, many will not be able to separate the process of allocations from the question of funding sources.
 - How might this item move forward?
 - Local government and state governance issues have risen to the top as important questions. The more we get into this, the less likely we are to move this forward. Can we focus this more on IRWM-type funding? This would be more about incentivizing local programs to allocate state funding. This was not intended to tell locals how to spend their money. State standards can be scary for local governance. Flexibility may be needed to address local conditions, and may be constrained by standards.



- There was a proposal to slightly refocus the language and develop this idea further. There is a commitment to a context for developing this idea. Many of the questions can and could be resolved during the next cycle of the Water Plan. We are not capturing the current bond language.
- A straw proposal should look at where the state can increase efficiencies and align investments across programs. Investment in regulatory planning is severely lacking (e.g., basin plans), yet a lot of investment hangs on these regulatory plans. Look at how do the state's priorities compare to the reorganization of the state's funding?
- Item 17, 7 (a) is a critical piece, to determine how much is needed for the 4I Fund. This could be developed through a committee or the finance investment plan.

Discussion on Next Steps

- Local government could be greatly affected that comes out of this. Put some urgency on it. Don't subsume it into the next Water Plan. Create a Task Force, with guidelines and a due date. The intent is to create stable funding.
 - Action #6 is a study idea also. Conjoin them. Talk about the efficiencies and alignment. Do an alignment study and the funding mechanisms on a parallel track. Produce a proposal. Some of it might involve statutory work. It sets up a deliverable that could be created within the next 5 years.
 - Schedule a Finance Caucus meeting to talk about structuring the Task Force. We would need to discuss representation on this body.
 - There could be a short-term approach, targeted towards the funding gap. Some things could be elevated – that there is no funding for some activities that are critically needed. It will require further discussion.
 - Some storyboard elements could help to develop a Task Force proposal.
 - What might be the character and nature of a Task Force?
8. California Water Plan Update 2018 will enhance and refine the eight components of the Water Finance Storyboard as described in the "Next Steps" section of Chapter 7, the Finance Planning Framework.

Discussion:

- There was agreement that this needs to be done. How would it be done – would the Finance Caucus be continued? What would be the context and deliverables?
 - The caucuses dissolve at the end of each CWP Update.
- Broaden this to include 6 & 7. This could be an enhancement of the Finance Framework.



Attendance

In-Room

Dave Bolland, Association of California Water Agencies
Rebecca Crebbin-Coates, Planning and Conservation League
Al Herson, American Planning Association
Alan Highstreet, CH2MHill
Valerie Nera, California Chamber of Commerce
Brandon Souza, Farm Water Coalition
Greg Zlotnick, State and Federal Water Contractors

Jose Alarcon, DWR, Water Quality Lead
Paul Massera, DWR, Water Plan Program Manager
Elizabeth Patterson, DWR, Land Use Lead

Lisa Beutler, MWH, Water Plan Executive Facilitator
Judie Talbot, CCP, Facilitator

Webinar

Karen Buhr, California Assn. of Resource Conservation Districts
Brian Campbell, East Bay Municipal Utilities District
Ron Davis, Burbank Power and Water
Alicia Eagan, Edelman
Glenn Farrel, San Diego County Water Authority
Bruce Gwynne, Department of Conservation
Carol Hall, Kleinfelder
Mark Horne, Consultant
Ashley Indrieri, Family Water Alliance
Glenn Knapp, City of Fresno
Debbie Liebersbach, Turlock Irrigation District
Karl Longley, California Water Institute, UC Fresno
Kathy Mannion, Regional Council of Rural Counties
Cynthia Naha, Kashia Band of Pomo Indians of Stewarts Point Rancheria
Cindy Paulson, Brown and Caldwell
Bob Siegfried, Carmel Area Wastewater District
Ron Sprague, County Planners Association
Mark Stadler, San Diego County Water Authority
Eric Thorburn, Oakdale Irrigation
Iovanka Todd, Floodplain Management Association
Bori Touray, Parsons Brinckerhoff
Douglas Wallace, East Bay Municipal Water Districts
Betty Yee, Central Valley Water Boards

Abby Carevic, DWR
Toni Pezzetti, DWR
Katherine Spanos, DWR