



- Board of Directors
Communications and Legislation Committee

3/12/2013 Board Meeting

8-1

Subject

Adopt Metropolitan 2014 Water Bond Priorities

Executive Summary

In November 2009, the California Legislature passed and then-Governor Arnold Schwarzenegger signed into law a comprehensive package of water policy to address California's water management needs. The 2009 legislative package codified in statute the coequal goals of ecosystem restoration and water supply reliability and established state requirements related to conservation, groundwater monitoring and reporting of water diversions. The comprehensive water package also included an \$11.14-billion general obligation bond (**Attachment 1**) to help finance local resource development, Delta ecosystem restoration and watershed improvements and the public benefits associated with groundwater and surface storage projects. The bond was to appear on the November 2010 general election ballot.

Subsequently the state's poor economic condition convinced the California Legislature to twice delay placing the water bond before the voters until the November 2014 general election. Although public opinion research has shown voters understand that California has chronic water problems and supports investments to address them, the size and scope of the bond has been called into question.

Four water bond-related measures have been introduced in 2013: AB 142 (Perea, D-Fresno), SB 36 (Rubio, D-East Bakersfield), SB 40 (Pavley, D-Agoura Hills) and SB 42 (Wolk, D-Davis). SB 42 repeals the 2014 bond in its entirety and would authorize the issuance of a general obligation bond, in an unspecified amount, to finance clean, secure water supplies and the Sacramento-San Joaquin Delta recovery program. AB 142, SB 40 and SB 42 are "spot" or placeholder bills and contain no material changes to the existing 2014 water bond.

It is recommended that the Board establish a set of funding priorities to guide staff in future negotiations to modify the contents of the 2014 water bond. In the event a new or modified water bond takes shape in the Legislature, staff will present the bond measure to the Board for consideration and action.

Details

The Brown Administration's proposed state budget for FY 2013/14 identifies a strengthening state economy that is reflective of the national economic recovery, overall reductions in state expenditures and newly authorized tax revenues. While improved fiscal conditions are a positive development, Governor Brown and the Legislature remain cautious over the long-term fiscal impacts of an \$11.14 billion general obligation bond for water infrastructure and the potential impact to financing other state infrastructure priorities. The Legislative Analyst has also recommended that the Legislature examine how competing bond proposals fit within the context of overall state infrastructure needs, priorities and funding capabilities.

The November 2014 bond, in its current form, is considerably larger in size than previous resource-related general obligation bonds that have been passed by the voters. While there is broad agreement on the merits of advancing the statutorily required coequal goals of water supply reliability and ecosystem restoration, there is also growing consensus that the 2014 water bond can be reasonably downsized without impacting the policy objectives

established in the 2009 water management policy package. As currently crafted, the 2014 water bond would authorize seven categories of state funding:

- Drought relief, including drinking water programs for disadvantaged communities - \$455 million;
- Water supply reliability, including integrated regional water management projects - \$1.4 billion;
- Delta sustainability, including projects to protect and enhance sustainable ecosystems - \$2.25 billion;
- Statewide water system operational improvements, including groundwater and surface water storage projects - \$3 billion;
- Recycling and conservation, including pilot projects for new technology development - \$1.25 billion;
- Conservation and watershed protection, including ecosystem and watershed restoration - \$1.785 billion; and
- Groundwater protection and water quality, including groundwater remediation projects - \$1.0 billion.

Proposed Metropolitan 2014 Water Bond Priorities

Metropolitan played a vital role in the development and passage of the 2009 comprehensive water management package, and it is anticipated Metropolitan will be invited to resume that role to help identify a path for making adjustments to the bond to help ensure its passage and to advance the coequal goals established in state law.

The proposed priorities affirm and advance Metropolitan's objectives for long-term water supply reliability for the Southern California region, responsible resource stewardship and Metropolitan's commitment to environmental sustainability.

Recommended 2014 Water Bond Priorities:

1. Fund the state's share of public benefits to support the coequal goals of water supply reliability and Delta ecosystem restoration including:
 - a. Habitat restoration beyond any mitigation obligations of any party or interest;
 - b. Improvements consistent with the Bay Delta Conservation Plan; and
 - c. No local matching funds required.
2. Fund public benefits associated with Delta sustainability projects including:
 - a. Flood protection;
 - b. Water quality improvements;
 - c. Addressing other "stressors" including, but not limited to, invasive species, predator control and unscreened diversions; and
 - d. Require local matching funds as appropriate.
3. Fund multi-benefit projects to reduce future reliance on imported water supplies:
 - a. Fund projects that require public incentives to be locally cost-effective;
 - b. Require local matching funds as appropriate;
 - c. Eligible projects in urban areas would include: conservation, recycling, groundwater remediation, storm water capture and desalination;
 - d. Eligible projects in agricultural areas would include on-farm efficiency and system improvements;
 - e. Provide special consideration for disadvantaged communities; and

- f. Provide start-up funds for a low-interest revolving loan program as proposed under AB 1349 (Gatto, D-Silver Lake).
4. Fund statewide system improvements:
- a. Fund the public benefits associated with surface and groundwater storage;
 - b. Eligible projects must meet public benefit criteria as developed by the California Water Commission (pursuant to SBX7-2/Cogdill from 2009);
 - c. Bond funds to be awarded on competitive basis; and
 - d. Require local matching funds as appropriate.

Policy

Policy Principle on Delta Visioning, M. I. 47135 – June 12, 2007

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and authorize the General Manager to advance Metropolitan's priorities in future negotiations on 2014 water bond.

Fiscal Impact: None

Business Analysis: If passed by voters, state funding could be available to implement Metropolitan's Delta Action Plan and state policy to reduce future reliance on imported water supplies within Southern California.

Option #2

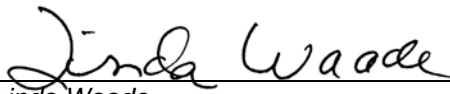
Adopt the CEQA determination and take no position on Metropolitan's priorities for 2014 water bond.

Fiscal Impact: None

Business Analysis: Could risk funding state's share of public benefits to support coequal goals of water supply reliability and Delta ecosystem restoration, Delta sustainability projects and statewide system improvements.

Staff Recommendation

Option #1


Linda Waade
Deputy General Manager, External Affairs

3/5/2013
Date


Jeffrey Kightlinger
General Manager

3/5/2013
Date

Attachment 1 – DWR’s Water Bond Summary, November 2009

Ref# ea12623533

SAFE, CLEAN, AND RELIABLE DRINKING WATER SUPPLY ACT OF 2010

WATER BOND SUMMARY

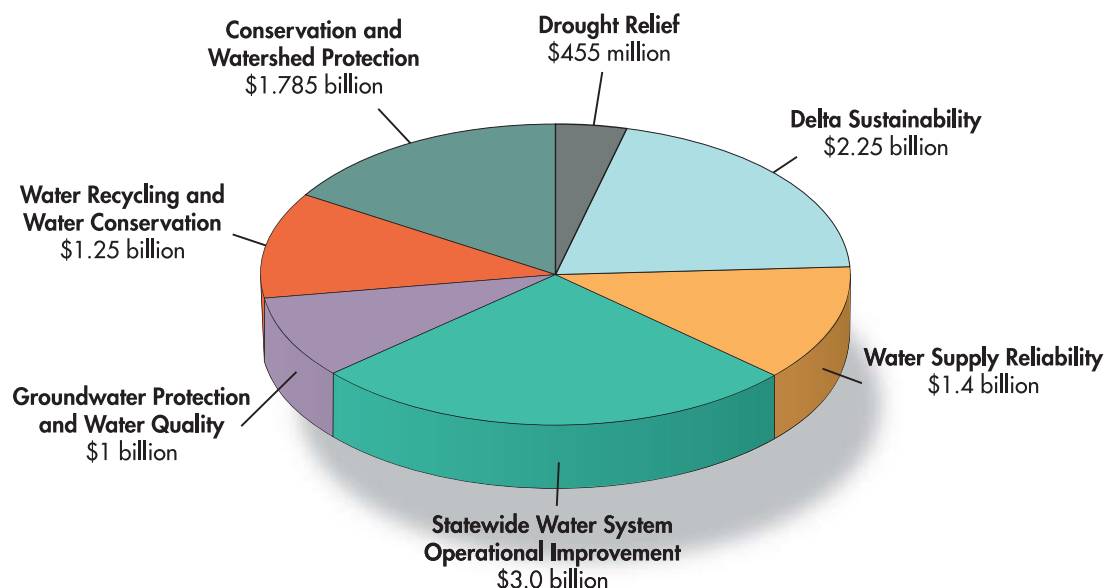
NOVEMBER 2009

The Safe, Clean, and Reliable Drinking Water Supply Act of 2010 is an \$11.14 billion general obligation bond proposal that would provide funding for California's aging water infrastructure and for projects and programs to address the ecosystem and water supply issues in California. The bond is comprised of seven categories, including drought relief, water supply reliability, Delta sustainability, statewide water system operational improvement, conservation and watershed protection, groundwater protection and water quality, and water recycling and water conservation.

Total: \$11.14 billion

Drought Relief - \$455 million. This funding will be available for local and regional drought relief projects that reduce the impacts of drought conditions, including the impacts of reductions to Delta diversions. Projects will include water conservation and water use efficiency projects, water recycling, groundwater cleanup and other water supply reliability projects including local surface water storage projects that provide emergency water supplies and water supply reliability in drought conditions. Funds will be available to disadvantaged communities and economically distressed areas experiencing economic impacts from the drought for drought relief projects and programs. Funds will also be available to improve wastewater treatment facilities to protect water quality or prevent contamination of surface water or groundwater resources.

Delta Sustainability - \$2.25 billion. This bond will provide funds for projects to assist in maintaining and restoring the Delta as an important ecosystem. These investments will help to reduce the seismic risk to water supplies derived from the Delta, protect drinking water quality and reduce conflict between water management and environmental protection.



SAFE, CLEAN, AND RELIABLE DRINKING WATER SUPPLY ACT OF 2010

NOVEMBER 2009

Water Supply Reliability - \$1.4 billion. These funds would be in addition to prior funding provided by Proposition 50 and Proposition 84 and would support the existing Integrated Regional Water Management (IRWM) program. IRWM is designed to encourage integrated regional strategies for management of water resources that will protect communities from drought, protect and improve water quality and improve local water security by reducing dependence on imported water. The bond would provide funds for water supply projects in 12 regions throughout the state and would also be available for local and regional conveyance projects that support regional and interregional connectivity and water management.

North Coast	\$45,000,000
San Francisco Bay	\$132,000,000
Central Coast	\$58,000,000
Los Angeles subregion	\$198,000,000
Santa Ana subregion	\$128,000,000
San Diego subregion	\$87,000,000
Sacramento River	\$76,000,000
San Joaquin River	\$64,000,000
Tulare/Kern	\$70,000,000
North/South Lahontan	\$51,000,000
Colorado River Basin	\$47,000,000
Mountain Counties Overlay	\$44,000,000
Interregional Projects	\$50,000,000

Statewide Water System Operational Improvement - \$3.0 billion. This funding would be dedicated to the development of additional water storage, which, when combined with other water management and flood system improvement investments being made, can increase reliability and offset the climate change impacts of reduced snow pack and higher flood flows. Eligible projects for this funding include surface storage projects identified in the CALFED Bay-Delta Record of Decision; groundwater storage projects and groundwater contamination prevention or remediation projects that provide water storage benefits; conjunctive use and reservoir reoperation projects; local and regional surface storage projects that improve the operation of water systems in the state and provide public benefits.

The bond provides that water suppliers who would benefit from new storage will pay their share of the total costs of the project while the public benefits of new water storage can be paid for by this general obligation bond.

Groundwater Protection and Water Quality - \$1 billion. To protect public health, funds will be available for projects to prevent or reduce the contamination of groundwater that serves as a source of drinking water. Funds will also be used to finance emergency and urgent actions on behalf of disadvantaged communities and economically distressed areas to ensure that safe drinking water supplies are available to all Californians.

SAFE, CLEAN, AND RELIABLE DRINKING WATER SUPPLY ACT OF 2010

NOVEMBER 2009

Water Recycling and Water Conservation - \$1.25 billion. Funds will be available for water recycling and advanced treatment technology projects that recycle water or that remove salts and contaminants from water sources. Funds will also be available for urban and agricultural water conservation and water use efficiency plans, projects, and programs. These funds will assist urban water users in achieving water conservation targets.

Conservation and Watershed Protection - \$1.785 billion. Funds will be available, through a 50-50 cost share program, for ecosystem and watershed protection and restoration projects in 21 watersheds throughout the state, including coastal protection, wildlife refuge enhancement, fuel treatment and forest restoration, fish passage improvement and obsolete dam removal.

Coastal counties and watersheds	\$250,000,000
Wildlife Conservation Board	\$365,000,000
San Gabriel and Lower Los Angeles River watersheds	\$75,000,000
Santa Monica Mountains Conservancy	\$75,000,000
Baldwin Hills Conservancy	\$20,000,000
Santa Monica Bay watershed	\$25,000,000
Coastal salmonid restoration	\$50,000,000
Lake Tahoe watershed restoration	\$100,000,000
Farmland Conservancy Program	\$20,000,000
River parkways and urban streams restoration	\$50,000,000
Sierra Nevada Conservancy	\$75,000,000
Salton Sea restoration	\$100,000,000
Watershed climate change impacts and adaptation	\$10,000,000
Watershed education facilities	\$30,000,000
Waterfowl habitat preservation	\$10,000,000
Forest restoration	\$100,000,000
Klamath dam removal	\$250,000,000
Siskiyou County economic development offset	\$20,000,000
Agricultural water use efficiency research	\$50,000,000
Ocean protection	\$50,000,000
CVPIA fish passage improvement	\$60,000,000