

MEETING OF THE
BOARD OF DIRECTORS OF THE
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Jointly with the
PUBLIC AFFAIRS/MET OVERSIGHT COMMITTEE
June 20, 2005, 8:30 a.m.
MWDOC Conference Room 101

Committee:

Director Barbre, Chairman
Director Finnegan
Director Hinman

Staff: K. Hunt, K. Seckel, M. Stone, R. Bell
D. Cordero, K. Davanaugh, M. Tuchman
Deven Upadhyay

Ex Officio Member: Ed Royce, Sr.

MWDOC Committee meetings are noticed and held as joint meetings of the Committee and the entire Board of Directors and all members of the Board of Directors may attend and participate in the discussion. Each Committee has designated Committee members, and other members of the Board are designated alternate committee members. If less than a quorum of the full Board is in attendance, the Board meeting will be adjourned for lack of a quorum and the meeting will proceed as a meeting of the Committee with those Committee members and alternate members in attendance acting as the Committee.

PUBLIC PARTICIPATION

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine there is a need to take immediate action on item(s) and that the need for action came to the attention of the District subsequent to the posting of the Agenda. (Requires a unanimous vote of the Committee.)

ACTION ITEMS

1. PRIORITY LEGISLATION

DISCUSSION ITEMS

2. LEGISLATIVE ACTIVITIES
 - a. Report on State Legislative Activities by Townsend Public Affairs, Inc.
 - b. Report on Federal Legislative Activities by James Barker

 - c. Legislation Matrix
 - d. State Pension Reform

INFORMATION ITEMS

(The following items are for informational purposes only – background information is included in the packet. Discussion is not necessary unless a Director requests.)

3. PUBLIC AFFAIRS ACTIVITIES REPORT
4. WATER INFRASTRUCTURE INVESTMENT FUND
5. REPORT ON COUNTY'S DEPT OF EDUCATION OUTDOOR EDUCATION PROGRAM
(to be e-mailed separately)

OTHER ITEMS

6. REVIEW ISSUES RELATED TO LEGISLATION, OUTREACH, PUBLIC INFORMATION
ISSUES, AND MET
7. GENERAL MANAGER'S / DIRECTORS' REPORT

ADJOURNMENT

NOTE: At the discretion of the Committee, all items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the Committee. On those items designated for Board action, the Committee reviews the items and makes a recommendation for final action to the full Board of Directors; final action will be taken by the Board of Directors. Agendas for Committee and Board meetings may be obtained from the District Secretary. Members of the public are advised that the Board consideration process includes consideration of each agenda item by one or more Committees indicated on the Board Action Sheet. Attendance at Committee meetings and the Board meeting considering an item consequently is advised.

Accommodations for the Disabled. Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning Maribeth Goldsby, District Secretary, at (714) 963-3058, or writing to Municipal Water District of Orange County at P.O. Box 20895, Fountain Valley, CA 92728. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that District staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the District to provide the requested accommodation.

2. Requires water and sewer providers, by July 1, 2006, to adopt a written policy with specific objective standards for allocation of services that grants priority for existing and future resources for housing to lower-income housing.
3. Prohibits a water or sewer provider from denying, reducing, or conditioning a hookup based in whole or in part on the inclusion of lower income housing units in a development.
4. Clarifies that the failure to deliver a housing element shall neither invalidate any action or approval of a development project nor exempt a public agency, private entity, or special district from the obligations of this bill.
5. Allows any applicant for service, or a resident or organization with the service area, to bring an action to enforce the provisions of the bill.
6. Clarifies that this law applies to charter cities

This bill would also provide that a provider of water or sewer services may not deny or condition the approval of an application for services, or reduce the amount of the services applied for, if the proposed development includes housing affordable to lower income households. Furthermore, appropriate civil action may be taken to enforce the provisions of the bill.

Notes: SB 1087 has the recorded supported of the California Coalition for Rural Housing, Mercy Housing, Self Help Enterprises, Southern California Association of Non-Profit Housing, and Housing California. The Association of California Water Agencies (ACWA) and the Orange County Division of the League of California Cities are opposed to the bill.

The California Building Industry Association (CBIA) has been working to craft amendments to the bill that will modify Section 65589.7 of the Government Code. CBIA believes it creates reverse discrimination against market rate housing projects by granting service priorities to residential projects that include affordable housing. There is also case and statutory law addressing this issue, related to water and sewer service providers not being able to act in a discriminatory fashion when determining its ability to provide service.

Staff believes SB 1087 would place unnecessary administrative and potential financial burdens on water and sewer agencies, as well as subjecting them to potentially costly litigation. Existing law already addresses the issue of prohibition of service, which staff believes is working and is not in need of repair.

Status: The bill is presently in the Assembly, waiting for a committee assignment.

Recommended position: OPPOSE

AMENDED IN SENATE MAY 31, 2005
AMENDED IN SENATE MAY 11, 2005
AMENDED IN SENATE APRIL 26, 2005

SENATE BILL

No. 1087

Introduced by Senator Florez

February 22, 2005

An act to amend Section 65589.7 of the Government Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

SB 1087, as amended, Florez. Housing elements: services.

(1) The Planning and Zoning Law requires each city, county, or city and county to prepare and adopt a general plan for its jurisdiction that contains certain mandatory elements, including a housing element. One part of the housing element is an assessment of housing needs and an inventory of resources and constraints relevant to meeting those needs. That law also requires that the housing element adopted by the legislative body of the city, county, or city and county and any amendments made to that element be delivered to all public agencies or private entities that provide water services at retail or sewer services within the territory of the legislative body.

The Planning and Zoning Law also requires each public agency or private entity providing these services to grant a priority for the provision of available and future resources or services to proposed housing developments that help meet the legislative body's share of the regional housing need for lower income households as identified in the housing element and any amendments to the housing element.

This bill would require that the adopted housing element and any amendments be delivered immediately to all public agencies or private

entities that provide water resources or services at retail or sewer resources or services, as specified, would apply these provisions to proposed developments that include housing units affordable to lower income households, and would require, on or before July 1, 2006, that these public agencies or private entities adopt a *written policy with specific objective standards* for the allocation of these services in conformance with these provisions. By increasing the duties of local public officials, the bill would impose a state-mandated local program.

This bill would also provide that a provider of water or sewer services may not deny or condition the approval of an application for services, or reduce the amount of the services applied for, if the proposed development includes housing affordable to lower income households and would ~~require the local planning agency or the legislative body to deny an application for any residential or nonresidential development if it makes a written determination that these provisions have not been complied with~~ *authorize an appropriate civil action to enforce the provisions of the bill, as specified.*

The bill would make these provisions applicable to charter cities.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that with regard to certain mandates no reimbursement is required by this act for a specified reason.

With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 65589.7 of the Government Code is
2 amended to read:
3 65589.7. (a) The housing element adopted by the legislative
4 body and any amendments made to that element shall be
5 immediately delivered to all public agencies or private entities
6 that provide water resources or services at retail or sewer

1 resources or services within the territory of the legislative body.
2 When allocating or making plans for the allocation of available
3 and future resources or services designated for residential use,
4 each public agency or private entity providing water resources or
5 services at retail or sewer resources or services, shall grant a
6 priority for the provision of these available and future resources
7 or services to proposed developments that include housing units
8 affordable to lower income households.

9 (b) On or before July 1, 2006, the public agency, or private
10 entity providing services as provided in subdivision (a), shall
11 ~~adopt a policy for allocation of services in conformance with this~~
12 ~~section. The priority established in subdivision (a) shall mean a~~
13 ~~priority over all other applicants for existing as well as future~~
14 ~~resources or services. *adopt a written policy with specific*~~
15 ~~*objective standards for allocation of services in conformance*~~
16 ~~*with this section. The policy shall address, but not be limited to*~~
17 ~~*(1) how the need for housing for all income groups will be met,*~~
18 ~~*and (2) how water or sewer resources or services will be*~~
19 ~~*increased if necessary to meet the priority in subdivision (a).*~~

20 (c) The provider of water or sewer resources or services as
21 provided in subdivision (a) shall not deny or condition the
22 approval of an application for services, or reduce the amount of
23 services applied for, if the denial, condition, or reduction is based
24 in whole or in part on the inclusion of housing units affordable to
25 lower income households.

26 ~~(d) The provider of water or sewer resources or services shall~~
27 ~~reserve sufficient available existing and future resources or~~
28 ~~services to meet the shares of the regional housing need for very~~
29 ~~low and low-income households, as identified pursuant to~~
30 ~~paragraph (1) of subdivision (a) of Section 65583, for each city,~~
31 ~~county, and city and county within its jurisdiction. Resources or~~
32 ~~services may only be allocated from this reserve for housing~~
33 ~~units affordable to lower income households.~~

34 ~~(e) When considering an application for any residential or~~
35 ~~nonresidential development that does not include housing~~
36 ~~affordable to lower income households, the public agency or~~
37 ~~private entity providing sewer or water resources or services to~~
38 ~~the proposed development shall not approve the application~~
39 ~~unless it makes a written determination that the provider has~~
40 ~~complied with this section.~~

1 ~~(f) The following definitions apply for purposes of this~~
2 ~~section:~~

3 ~~(1) “Available existing and future resources or services”~~
4 ~~means those that are not irrevocably committed by legally~~
5 ~~enforceable agreement, including those that will become~~
6 ~~available as a result of expansion or increase in capacity or~~
7 ~~reduction of the provision of resources or services to existing~~
8 ~~recipients.~~

9 ~~(d) The following definitions apply for purposes of this section:~~

10 ~~(2)~~

11 ~~(1) “Housing units affordable to lower income households”~~
12 ~~means dwelling units that are sold or rented to lower income~~
13 ~~households, as defined in Section 50079.5 of the Health and~~
14 ~~Safety Code, at an affordable housing cost, as defined in Section~~
15 ~~50052.5 of the Health and Safety Code, or an affordable rent, as~~
16 ~~defined in Section 50053 of the Health and Safety Code, and~~
17 ~~restricted by legally sufficient commitments to ensure continued~~
18 ~~availability of units to lower income households in accordance~~
19 ~~with the provisions of this subdivision for at least 30 years.~~

20 ~~(2) “Water resources or services at retail” means supplying~~
21 ~~water directly to the end user or consumer of that water, and~~
22 ~~does not include sale by a water supplier to another water~~
23 ~~supplier for resale.~~

24 ~~(g)~~

25 ~~(e) This section is intended to neither enlarge nor diminish the~~
26 ~~existing authority of a city, county or city and county in adopting~~
27 ~~a housing element. Failure to deliver a housing element adopted~~
28 ~~by the legislative body or amendments made to that element, to a~~
29 ~~public agency or private entity providing water resources or~~
30 ~~services at retail or sewer resources or services shall not~~
31 ~~invalidate any action or approval of a development project~~
32 ~~neither invalidate any action or approval of a development~~
33 ~~project nor exempt a public agency, private entity, or special~~
34 ~~district from the obligations under this section. The special~~
35 ~~districts which provide water resources or services at retail or~~
36 ~~sewer resources or services related to development, as defined in~~
37 ~~subdivision (e) of Section 56426, are included within this section.~~

38 ~~(h) As used in this section, “water resources or services at~~
39 ~~retail” means supplying water directly to the end user or~~

1 ~~consumer of that water, and does not include sale by a water~~
2 ~~supplier to another water supplier for resale.~~

3 *(f) Any applicant for service, or a resident or organization*
4 *within the service area, may bring an action pursuant to Section*
5 *1085 or 1094.5 of the Code of Civil Procedure, as appropriate,*
6 *to enforce the provisions of this section. Relief granted pursuant*
7 *to an action shall include, but is not limited to, injunctive relief*
8 *and damages.*

9 *(i)*

10 *(g) The Legislature finds and declares that this section shall be*
11 *applicable to all cities and counties, including charter cities,*
12 *because the Legislature finds that the lack of affordable housing*
13 *is a matter of vital statewide importance.*

14 SEC. 2. The Legislature finds and declares that Sections
15 65104 and 66014 of the Government Code provide local agencies
16 with authority to levy fees sufficient to pay for the program or
17 level of service mandated by this act.

18 SEC. 3. No reimbursement is required by this act pursuant to
19 Section 6 of Article XIII B of the California Constitution because
20 a local agency or school district has the authority to levy service
21 charges, fees, or assessments sufficient to pay for the program or
22 level of service mandated by this act, within the meaning of
23 Section 17556 of the Government Code.

24 However, if the Commission on State Mandates determines
25 that this act contains other costs mandated by the state,
26 reimbursement to local agencies and school districts for those
27 costs shall be made pursuant to Part 7 (commencing with Section
28 17500) of Division 4 of Title 2 of the Government Code.



M E M O R A N D U M

To: Public Affairs/ Met Oversight Committee
Municipal Water District of Orange County

From: Christopher Townsend, President
Sean Fitzgerald, Client Manager

Date: June 20, 2005

Subject: Monthly Activity Report

Proposition 50 Desal Grant

Final approval for the \$1 million grant from DWR has now been issued by Director Lester Snow. The next phase of this process is contract negotiation with DWR, which the department has indicated may take through the end of the year. Despite the political wrangling over the upcoming budget and CALFED financing, none of the Proposition 50 funds already appropriated are at risk.

Proposition 50 Water Security Grant

Despite their tentative timeline that calls for selected Prop. 50 pre-applications to be submitted for public review in "spring 2005", DHS has still not released any such list, nor has the Department indicated when it may be available. While some rumors about the prospects for individual have circulated (due primarily to information from local DHS engineers), DHS will not release any such information, nor will they confirm any rumors.

TPA has also worked to assist MWDOC member agencies with their DHS pre-applications and will continue to do so as the process continues.

Desal Sites/Facilities Protection

The development of the proposed resolution continues this month through internal review at MWD and direct engagement with environmental interests. TPA has continued proactively promoting the language of the resolution and seeking input that will help assure a successful introduction and solid progress.

ACWA State Legislative Meeting

TPA attended this meeting and provided updates to MWDOC staff, and has also incorporated the information from that meeting into the Legislative Matrix that has been provided for this meeting.

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<p><u>Congressional Session Status</u></p>	<p>The partisan unrest that referred to in last month's report has somewhat subsided in Congress with the Senate Democrats agreeing to allow votes on various federal judicial nominations. Meanwhile, on the House side, in light of the Republican Speaker's attempts to undue some of the ethical rule changes implemented to protect the Majority Leader, Tom Delay (R-Texas), there is evidence that level of partisan unrest is quieting down. The President's Social Security plan is no longer center stage, gasoline prices and energy security issues have become more topical and the Congress is showing signs that it may be becoming restless with the President' Iraq policy.</p>
<p><u>CalFed</u></p>	<p>Waiting to see earmarks contained in the Senate Energy and Water Appropriations Bill.</p>
<p><u>Desal</u></p>	<ol style="list-style-type: none"> 1. <u>US Desal Coalition: No change here.</u> Representative Jim Davis (D-Florida) and Jim Gibbons (New Mexico-Republican), a member of the House Resources Committee, have agreed to sponsor the US Desal Coalition Bill. The Coalition is out trying to obtain other cosponsors. On the Senate Side, Senator Martinez (R-Florida) has introduced a companion bill. There is a House Side hearing scheduled for May 24, 2005 in the House Resources Water and Power Subcommittee. Senator Pete Domenici and the Senate Energy Committee staff are still reviewing the merits of the legislation and are trying to come to closure on a position for the Committee. 2. <u>MWDOC Desal Project:</u> Congressman Cox , the member of Congress that was planning to introduce our Desal Bill, has been nominated to the Securities and Exchange Commission Chairmanship by President Bush and national and local wire services have reported. We will now be seeking another Representative to introduce our bill. See attachment for draft language. Our legislation calls for federal funding of desal research and development,

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	<p>environmental studies, feasibility studies and preliminary design. On the Senate side, the Energy Committee is drafting a water technology bill and such a bill could possibly be amended to include the proposed MWDOC desal language--funding for MWDOC's Desal preliminary engineering, environmental studies and feasibility costs.</p> <p>3. <u>Camp Pendleton Desal Project:</u> No change here that I can report on. See Karl Sechel memo of Feb. 20, 2005. One update, apparently the new Marine General at Camp Pendleton has expressed support for the desal efforts to date and it appears that he will be supportive. The SDCWA is taking the lead on the Camp Pendleton Desal facility.</p>
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<p><u>Federal Funds for MWDOC</u></p>	<p>MWDOC is seeking two separate earmarks this year:</p> <p>1) <u>Agriculture Appropriations:</u> MWDOC will seek \$1 million from the Natural Resources Conservation Service (NRCS), U.S. Department of Agriculture. Congressman Gary Miller submitted the request on the House side and Senator Feinstein is planning on submitting the request on the Senate side.</p> <p>2) <u>EPA Appropriations:</u> MWDOC will seek a \$1.9 million appropriation for an Emergency Ground Water Service System out of the State and Tribal Assistance Grant Program (STAG program). Congressman Ed Royce submitted the request on the House side. Senator Feinstein has agreed to submit the request on the Senate side. The approximate cost of this program is \$15 million over a multi-year period.</p> <p><u>Appropriation Notes:</u></p> <p>i. We are no longer a "new start" in the NRCS account and this means we are more likely to have success this year. Last year we were one of only four "new starts" that were approved out of thousands, which were submitted.</p> <p>ii. Last year we received federal funds for study money out of the STAG account. This year we are seeking "project money". Though this year promises to</p>
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	<p>be another tight budget year, we are hopeful that we can begin a multi-year funding process to obtain funds from this account, a part of the EPA. We will be considered a “New Start” for this EPA account.</p>
<p style="text-align: center;"><u>Administration’s Request to increase public power rates</u></p>	<p>No change here. Metropolitan and the American Public Power Association have urged congressional committees to reject these budget/revenue proposals. The specific proposals are: 1) The Administration’s proposal to increase PMA rates; 2) the Joint Committee on Taxation (JCT) proposal to eliminate advance refunding of tax exempt bonds; and, 3) the Congressional Budget office and JCT proposal to tax the revenues of public power systems.</p>
<p style="text-align: center;"><u>Perchlorate/Department of Defense</u></p>	<p>Senator Feinstein intends to introduce a Perchlorate clean up bill, which would be national in its scope. Senator Feinstein’s staff is still working on the draft and her staff, as of last week, has begun circulating the bill for co-sponsors. The major change here is that Senator Feinstein has yet to find a Republican Co-sponsor and is actively looking for a member.</p>
<p style="text-align: center;"><u>Army Corps of Engineers</u></p>	<p>The Water Resources Development Act (WRDA) legislation will be under consideration again this year. This legislation contains authorizations for the Army Corps of Engineers.</p>

Jim Barker
6/14/05

MWDOC Priority Legislation Matrix

Bill # (Author)	Title	Status	Analysis/Notes	MWDOC Position	Other Agencies Positions
AB 194 (Dymally)	Brown act violation	In Asm LG Committee: Set, first hearing. Hearing canceled at the request of author. (05/05/05)	Permits a district attorney or any interested person to commence an action to obtain a judicial determination that an action taken by a local legislative body is in violation of the Ralph M. Brown Act (Brown Act) and reduces the time period that the district attorney or interested person has to make a written demand for cure or correction.	Oppose (5/18/05)	OCWD: No position MWD: No position ACWA: Oppose
AB 214 (Richman)	Retirement: Final Compensation	Referred to Asm. P.E.,R. & S.S. Committee on 2/15/05 (04/20/05); In committee: Set, first hearing. Failed passage. (06/09/05)	47 other states utilize either 3 or 5 year averages to determine "final compensation" for PERS benefit determination. This bill would change CA's system from 6-12 months to a 3-year average.	Watch (3/05)	OCWD: Support MWD: No position ACWA: Watch
AB 340 (Parra)	Drinking Water: arsenic levels	In Asm ES/TM Committee: Hearing postponed by committee. (04/26/05)	Asm. Parra has established a Select Committee that will hold hearings on the naturally occurring arsenic issue present in a groundwater source within her district. Those hearings will provide the eventual substance of this bill.	Watch (3/05)	OCWD: No Position MWD: No position ACWA: Watch
AB 492 (Baca)	Hazardous waste: perchlorate: report	In Asm. APPR. Committee: Set, first hearing. Referred to APPR. suspense file. (05/04/05)From committee: Amend, and do pass as amended. (Ayes 13. Noes 5.) (May 25). Read second time and amended. (05/26/05); Senate Environmental Quality Hearing:06/27/05	Would require businesses that handle or use percholorate in the course of its operations, including a generator otherwise exempt from the hazardous waste facilities permit requirements, to submit an annual report to the Department of Toxic Substances Control detailing the manner in which the perchlorate waste is disposed.	Watch (3/05)	OCWD: No Position MWD: Watch ACWA: Watch

MWDOC Priority Legislation Matrix

AB 511 (Richman)	Public employees retirement	In Asm. P.E.,R. & S.S Committee: Set, first hearing. Hearing canceled at the request of author. (04/20/05); In committee: Set, first hearing. Hearing canceled at the request of author. (06/08/05)	Places limits on public agency contributions to employees' defined contribution plan. Limits could be exceeded with respect to local public agencies comprised of directly elected public officials upon a 2/3 vote of the electorate of that agency. Would specify required matching employee contributions. The bill would condition its operation upon the approval of a specified constitutional amendment, which would permit new employees of public agencies, on and after July 1, 2007, to enroll only in defined contribution plans.	Watch (3/05)	OCWD: No Position MWD: No Position ACWA: Watch
AB 514 (Richman)	Public employees: benefits	Referred to Coms. on INS. and P.E.,R. & S.S. (04/13/05); Assembly Insurance	Limits the amount that a retired public employee who is receiving disability retirement benefits may receive in connection with a workers' compensation claim.	Watch (3/05)	OCWD: No Position MWD: No Position ACWA: Favor
AB 672 (Klehs)	Reservoirs with water intended for domestic use: recreational use.	From committee: Do pass. (Ayes 17. Noes 1.) (May 25). (05/26/05); Senate In Senate. Read first time. To Com. on RLS. for assignment. (06/10/05)	Expands recreational opportunities at government-owned, domestic use reservoirs and adjacent lands.	Oppose (5/18/05)	OCWD: No Position MWD: ACWA: Not Favor
AB 1003 (Nava)	Water Conservation	In Sen LG Comm. (05/12/05) Hearing Set:06/15/05	Authorizes the Ventura County Watershed Protection District (District) to levy property fees, after a vote by District property owners. Expands the District's authorization to add the levying of property-related fees to its current authorization for levying of taxes or assessments.	Watch (3/05)	OCWD: No Position MWD: No Position ACWA: Watch

MWDOC Priority Legislation Matrix

AB 1033 (Daucher)	Property Tax Revenue Allocations	In committee: Set, first hearing. Referred to APPR. suspense file. (05/26/05)	This bill would help address the "county equity" formulas that account for Orange County recouping among the smallest portions of property tax of any county in the state.	Watch (3/05)	OCWD: No Position MWD: No Position ACWA: Watch
AB 1168 (Saldana)	Drinking water standards: boron contamination.	In Asm. APPR Committee: Set, first hearing. Referred to APPR. suspense file. In committee: Set, first hearing. Referred to APPR. suspense file. (05/26/05); Senate Health Hearing:06/15/05	This bill requires the Department of Health Services (DHS), when reviewing an application for operating a water system using desalination, to identify potential sources of contamination, identify contaminants, evaluate proposed treatment processes and the means to ensure the reliability and security of those processes, and include reliability and security measures in any operating permit issued. (Amended 4/5)	Oppose unless amended (3/05)	OCWD: Oppose MWD: No Position ACWA: Oppose
AB 1234 (Salinas)	Local agencies: Compensation and Ethics	IFrom committee chair, with authors amendments: Amend, and re-refer to committee. Read second time, amended, (06/13/05)n Senate. Referred to Sen. LG Committee. Hearing set for 6/15/05.	So-called "sunshine" bill defers largely to policies adopted by local special districts, but does include parameters for districts that do not have specific policies on key issues.	Support (3/05)	OCWD: Support MWD: Support ACWA: Support if Amended
AB 1244 (Wolk)	CALFED Bay-Delta Program	In Asm. APPR Committee. (05/11/05)From committee: Do pass. (Ayes 13. Noes 5.) (May 25). (05/26/05); To inactive file on motion of Assembly Member Wolk. (06/13/05) Hearing: 06/14/05	Conforms authorizing statute for California Bay-Delta Authority (CBDA) with federal statute enacted in 2004.	Watch (4/05)	OCWD: No Position MWD: Watch ACWA: Watch
AB 1245 (Wolk)	CALFED Bay-Delta Program	In Asm. APPR Committee. Referred to APPR Suspense File (05/11/05)From committee: Do pass. (Ayes 13. Noes 5.) (May 25). (05/26/05); Senate Natural Resources And Water Hearing: 6/21/05	Creates the Environmental Water Account fund in the State Treasury, for management of EWA funds.	Support if Amended (4/05)	OCWD: No Position MWD: Support if Amended ACWA: Watch

MWDOC Priority Legislation Matrix

AB 1259 (Daucher)	Property Tax Revenue Allocation	Asm LG Committee: Set, first hearing. Hearing canceled at the request of author. In committee: Hearing postponed. (04/18/05)	Would reward cities and counties that exceed 80% of their Regional Housing Need Assessment (RHNA) goals over a 5-year period, with an increased share of the annual tax increment that is allocated among local agencies in a county.	Watch (4/05)	OCWD: Oppose MWD: No Position ACWA: Oppose
AB 1354 (Baca)	Drinking Water : Perchlorate Levels	In Asm. ES/TM Committee: Hearing postponed by committee. (04/26/05)	Would establish, through legislation, a maximum contaminant level for perchlorate at 6 ppb. This would circumvent the DHS process for setting such standards.	Oppose (3/05)	OCWD: Oppose MWD: Oppose ACWA: Oppose
AB 1423 (Bogh)	MWDs Utilization of Budgets	From printer. May be heard in committee March 25. (02/23/05)	Would declare the intent of the Legislature to enact legislation relating to the purposes for which the budgets of metropolitan water districts, formed under the Metropolitan Water District Act, may be utilized.	Watch (3/05)	OCWD: No Position MWD: No Position ACWA: Watch
AB 1453 (Daucher)	Superior courts: adjudication of rights to produce groundwater.	In Asm. Judiciary Committee: Set, first hearing. Hearing canceled at the request of author. (04/27/05)	Would establish specialized judges to hear cases involving groundwater management, acknowledging the depth of the issues involved and the intricacies that are often not understood in typical legal proceedings.	Support (5/18/05)	OCWD: No Position MWD: Support ACWA: Watch
AB 1466 (Laird)	Colorado River: Tamarisk plant control	In Asm. APPR Comm. Referred to APPR Suspense File. (5/12/05)	Would establish a tamarisk control program in the Department of Water Resources (DWR) for the Colorado River watershed. As the lead agency, DWR would work with the Department of Food and Agriculture, Department of Fish and Game, and the Colorado River Board in developing the eradication program. The program would also focus on the reestablishment of native vegetation in the watershed.	Support (5/18/05)	OCWD: MWD: Support if Amended ACWA:
SB 8 (Soto)	Political Reform Act of 1974: conflicts of interest	In Sen. APPR. In Assembly ;To Com. on E. & R. (06/13/05)	Prohibits former elected city and county officials who held a position with a local government agency from appearing before that local agency for a period of one year after leaving office, as specified.	Watch (3/05)	OCWD: No Position MWD: No Position ACWA: Watch

MWDOC Priority Legislation Matrix

SB 153 (Chesbro)	California Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2006	In Sen. APPR. ; In Assembly. Read first time. Held at Desk. (06/08/05)	Legislative vehicle that may provide the basis for a future "resources" bond to include funding for parks, coastal preservation, clean air and clean water. Current language closely resembles Proposition 40.	Watch (3/05)	OCWD: Watch MWD: No Position ACWA: Watch
SB 274 (Romero)	Incompatible Offices: elected and appointed positions	In Assembly. Read first time. Held at Desk. (04/20/05); Assembly ;	This bill was introduced by Sen. Romero in response to a situation in her district in which a local school board member also holds a water board seat, which are seen by many as incompatible. According to the author, the bill merely attempts to "codify Common Law doctrine", but many districts are concerned with its far-reaching impacts.	Watch (4/05)	OCWD: Oppose Unless Amended MWD: Watch ACWA: Watch
SB 393 (Ortiz)	Special districts.	In Sen. APPR. Committee. ; Senate Appropriations; Set, first hearing. Held in committee and under submission. (05/31/05)	Re-introduction of SB 1272 from last year, with some changes; per meeting compensation now capped at \$150 per meeting, savings resulting from "reforms" now directed to pay state costs for auditing controls.	Oppose unless Amended (4/05)	OCWD: Oppose MWD: Oppose ACWA: Oppose unless amended
SB 543 (Margett)	State Water Project: Rights of Way	In Sen. APPR. Committee. (05/17/05); In Assembly. Read first time. Held at Desk. (06/01/05)	This bill would add a new chapter to the water code titled "State Water Resources Development Systems Rights-Of-Way."	Support (4/05)	OCWD: No Position MWD: Support if Amended ACWA: Support if Amended
SB 554 (Alarcon)	Local Agency Financing	In. Sen. RLS. Committee (03/14/05);	Would state the intent of the Legislature to enact legislation that would provide a clearer definition of the term "surplus" with respect to local government financing and budgets.	Watch (3/05)	OCWD: No Position MWD: No Position ACWA: Watch
SB 568 (Kehoe)	Property Tax Revenue Allocations: Enterprise special districts	In Sen. APPR. Committee. ; In Assembly; To Com. on L. GOV. (06/13/05)	This bill exempts non-enterprise healthcare districts from the shift of property tax revenues to the Educational Revenue Augmentation Fund (ERAF) in each county for the 2005-06 fiscal year.	Watch (4/05)	OCWD: watch MWD: No Position ACWA: Watch

MWDOC Priority Legislation Matrix

SB 820 (Kuehl)	Water	In Sen. APPR. Committee. (05/17/05); In Assembly To Com. on W.,P. & W. (06/13/05)	Comprehensive water legislation seeking to set definition of "cost-effective conservation", as well as institute a rebuttable presumption of waste for any water source not managed in accordance with that definition. Also deletes CEQA exemption for UWMP's and sets forth several new reporting requirements. Amendments to the bill have addressed original concerns.	Support if Amended (4/05)	OCWD: Support if Amended MWD: Support if Amended ACWA: Oppose unless Amended
SB 866 (Kehoe)	Water Use measurement information	In Sen. NR&W Committee. Set, second hearing. Hearing canceled at the request of author. (04/26/05)	Requires DWR to develop & implement the use of a coordinated water use database through a standardized reporting system; agricultural water suppliers to report aggregated farm-gate delivery data through a standardized system; reporting of any diversion of surface water through a standardized system.	Support (3/05)	OCWD: No Position MWD: Support ACWA: Watch
SB 1067 (Kehoe)	Drinking Water: arsenic levels	Read second time. Amended. To third reading. (05/26/05); Assembly Environmental Safety And Toxic Materials (06/09/05)	Repeals obsolete provisions pertaining to arsenic in drinking water and the establishment of public health goals; Requires the Department of Health Services to adopt regulations requiring the notification of customers by a public water system for levels of trihalomethanes (THMs) that exceed the public health goal; Makes various legislative findings, including studies associating THM levels with reproductive problems.	Oppose unless Amended (5/18/05)	OCWD: Support MWD: Oppose ACWA: Watch

MWDOC Priority Legislation Matrix

<p>H.R. 1071 (Davis)</p>	<p>Desalination Water Supply Shortage Prevention Act of 2005</p>	<p>In House Resources Committee: Referred to Subcommittee on Water and Power.</p>	<p>Desalination Drought Protection Act of 2005 - Requires the Secretary of Energy to: (1) make specified incentive payments to the owners or operators of qualified desalination facilities (facilities first used to produce desalinated water after enactment of this Act) for up to ten years to partially offset the cost of electrical energy required to operate such facilities; and (2) support research and development of promising novel technology approaches for the cost-effective desalination of water.</p>	<p>Support (5/18/05)</p>	
<p>S. 1016 (Martinez)</p>	<p>Desalination Water Supply Shortage Prevention Act of 2005</p>	<p>In Senate. Referred to Committee on Energy and Natural Resources</p>	<p>Desalination Drought Protection Act of 2005 - Requires the Secretary of Energy to: (1) make specified incentive payments to the owners or operators of qualified desalination facilities (facilities first used to produce desalinated water after enactment of this Act) for up to ten years to partially offset the cost of electrical energy required to operate such facilities; and (2) support research and development of promising novel technology approaches for the cost-effective desalination of water.</p>	<p>Support (5/18/05)</p>	

Bill / Author	Title	Status
SBX1 2 (Dunn)	Public employees' retirement: employer contribution rates	In Senate Appropriations Committee (5/24)
SBX1 3 (Speier)	Disability retirement: medical examinations	In Senate Appropriations Committee (5/24)
SBX1 4 (Soto)	Insurance fraud	In Senate Appropriations Committee (5/24)
SBX1 5 (Ducheny)	Public Employees' retirement	Senate 3 rd Reading (6/7)
*SBX1 6 (Ashburn)	<i>Public Employees' retirement: final compensation</i>	<i>In Senate Public Employment and Retirement Committee. Failed passage. Reconsideration granted. (5/23).</i>
*SBX1 7 (Ashburn)	<i>Public Employees' retirement: benefit increase</i>	<i>In Senate Public Employment and Retirement Committee. Failed passage. Reconsideration granted. (5/23).</i>
*SBX1 9 (Ashburn)	<i>Public Employees' retirement: election to First Tier</i>	<i>In Senate Public Employment and Retirement Committee. Failed passage. Reconsideration granted. (5/23).</i>
*SBX1 10 (Ashburn)	<i>Public Employees' retirement: hybrid programs</i>	<i>In Senate Public Employment and Retirement Committee. Failed passage. Reconsideration granted. (5/23).</i>
*SBX1 11 (Ashburn)	<i>Public Employees' retirement: disability retirement</i>	<i>In Senate Public Employment and Retirement Committee. Failed passage. Reconsideration granted. (5/23).</i>
*SBX1 12 (Ashburn)	<i>Public employees' retirement benefits</i>	<i>In Senate Public Employment and Retirement Committee. Failed passage. Reconsideration granted. (5/23).</i>
*SBX1 13 (Ashburn)	<i>Public employees' retirement: contingency reserves</i>	<i>In Senate Public Employment and Retirement Committee. Failed passage. Reconsideration granted. (5/23).</i>
*ABX1 3 (Richman)	<i>Public employees' retirement</i>	<i>Failed to pass Assembly Public Sector Committee (5/25)</i>
ABX1 4 (Torricono)	Public employees' retirement: employer contribution rates	In Assembly Ways and Means Committee (5/26)
ABX1 5 (Torricono)	Public employees' retirement: fraud	In Assembly Ways and Means Committee (5/26)
ABX1 6 (Evans)	Public employees' retirement	In Assembly Ways and Means Committee (6/8)
*ACAX1 8 (Richman)	<i>Public employee defined contribution and hybrid plan</i>	<i>Failed to pass Assembly Public Sector Committee (5/25)</i>

**Not included in supplemental analyses because bill failed to pass committee. Bills that were granted reconsideration are not expected to become active again without significant amendments proposed by the author.*

SBX1 2 (Dunn) – Public employees' retirement: employer contribution rates**SUMMARY:**

Would require the establishment of new Taxpayer Adverse Risk Prevention Accounts in both the Public Employees Retirement System (PERS) law and the County Employees Retirement Act of 1937 ('37 Act) for the purpose of stabilizing public employer contributions to the retirement systems.

BACKGROUND:**1) Investment earnings influence employer contribution rates**

The committee is advised that, currently, interest earnings on the assets of public retirement systems play a major role in the annual determination of employer contribution rates, as follows:

- a) generally, employee contributions are a fixed percentage of salary,
- b) employer contributions fluctuate based on the annual actuarial examination of retirement system assets compared to liabilities,
- c) when investment earnings on retirement system assets are high, employer contributions can be reduced,
- d) conversely, when investment earnings are low, employer contribution rates must be increased, and
- e) in bad economic times, when government is experiencing lowered tax revenues, employer contributions to their retirement systems increase, sometimes significantly.

2) PERS and '37 Act laws provide minimal reserves against investment losses**Existing PERS and '37 Act laws :**

- a) provide for small reserves against deficiencies; the PERS law permits the reserve to be 0.20% of assets, and the '37 Act law permits the reserve to be not more than 1% of assets, and
- b) permit the reserves to be used against deficiencies in interest earned, losses under investments, court-mandated costs and specified actuarial losses.
- 3) Proposition 162 provides California public retirement systems total authority over the contribution rate setting process

Existing constitutional provisions, added by Proposition 162 of 1992, require that the public retirement system boards of administration in this state have the "plenary" (dictionary definition: entire, absolute, complete) authority to determine the rates of contributions necessary to properly fund the respective retirement systems.

As mentioned above, the rate setting process involves an annual examination of retirement system assets compared to already incurred and future liabilities.

ANALYSIS:

1) This bill would require that PERS and the twenty '37 Act county retirement systems establish Taxpayer Adverse Risk Prevention Accounts (TARP Accounts) for each participating employer in order to mitigate sudden increases in contribution rates, as follows:

- a) the TARP Account would be part of the employer's account, but could not be considered an asset by retirement system boards of administration in the process of determining employer contribution rates,
- b) in times of high investment earnings (as specified), when employer contributions are usually reduced under the current methodology used by most retirement system boards of administration, employers would be required to make retirement contributions at specified levels until the TARP Account has reached 50% of that employer's pre-TARP Account assets in the system,
- c) in times of low investment earnings (as defined), when employer contributions usually increase under the current actuarial methodology used by most retirement system boards, the TARP Account "shall be drawn from to pay for that portion of the employer contribution rate" that exceeds specified levels,
- d) funds in TARP Accounts could be used to continue the current practice of permitting participating PERS employers to pay all or a part of the employee contribution, or to pre-fund retiree health care costs, as specified, and
- e) funds in TARP Accounts will be invested in the same manner as other funds in the retirement systems.

SBX1 3 (Speier) – Disability retirement: medical examinations

SUMMARY

Would allow PERS to require a member who retired for disability after age 50 to submit to a medical re-evaluation for up to 36 months or face a penalty or benefit cancellation for refusal.

BACKGROUND:

1) PERS provides disability benefits to injured members

The committee is advised that PERS Law governs the payment of disability retirements, a valuable and necessary benefit to PERS members who are unable to work. As a result, the program has assisted members that become disabled by providing a monthly benefit to support themselves and their families. The disability benefit is a monthly retirement allowance payable to the member for life, or until the member recovers and is able to return to work.

Non-service related disability (DR benefits).

PERS members may become eligible for an ordinary disability retirement (DR), which results from a disability that is not work-related, such as a terminal illness. To be eligible for DR benefits, a member must be vested in the retirement system (at least 5 years of service). A PERS Tier 1 member with 10 to 18.5 years of service would receive a DR benefit of 33.3% of final compensation, and with less than 10 years of service or more than 18.5 years of service, the DR benefit equals the years of service x 1.8% x final compensation. For example, member with 8 years of service earning \$3,000 per month at the time of the disability would receive a PERS DR benefit of \$432 per month ($1.8\% \times 8 \times \$3,000 = \432).

Service related disability (IDR).

Generally applicable to safety employees, certain PERS members are eligible for an industrial disability retirement (IDR), when the disability is the result of a work-related injury or illness. Eligibility for IDR benefits is immediate upon employment. The IDR benefit pays 50% of compensation. If the member is eligible to retire for service, and the member's IDR allowance would be greater than 50%, the member will receive the benefit same amount that would have been paid for a service retirement. IDR benefits are exempt from state and federal tax; the tax-free amount is equal to 50% of the member's salary at the time of the disability.

2) Disability Determination

PERS determines entitlement for DR or IDR for its members, with the exception of local safety members.

Existing PERS law provides that the governing body of the contracting agency employer makes the determination of disability for their employees. The contracting agency employer also has the authority to determine whether the disability was work related. In the event of a dispute, the Workers' Compensation Appeals Board makes the decision of industrial causation.

3) Disability Re-evaluation and Reinstatement

Existing law allows PERS to request a medical re-evaluation for any member receiving a disability retirement allowance, until the member reaches his or her minimum age for service retirement (typically age 50).

PERS generally requests a medical re-evaluation based on the member's condition, restrictions, age at retirement, or when reports are received indicating that the member may be engaged in activities that should be precluded by his or her disability. Some members who receive a disability retirement become healthy after recovering from their disability. It is important to note, therefore, that medical re-evaluations may be ordered when no fraud has been committed on the part of the member.

PERS has no authority to require a disabled member who has achieved the minimum retirement age to undergo a medical exam to determine the current level of disability, unless the member applies for reinstatement. PERS states that this restriction permits members that are over the minimum retirement age to obtain jobs in the private sector similar to those from which they retired and continue to receive their disability retirement allowance.

PERS states that:

- a) As of June 30, 2004, the average age of a member retiring for disability was 48.5 years, which is just under the current age that most members can no longer be required to submit to medical re-evaluation for disability, and
- b) The minimum retirement age standard used in existing PERS law for limiting exposure to medical re-evaluation has become increasingly important due to changing retirement formulas, demographics, and standards for disability retirement. This minimum retirement age standard was last amended in 1945 when the normal age for service retirement was higher.

4) Medical Re-Evaluation Process

Existing PERS law allows the system to request that a member to provide information about the current status of their medical condition. If it is determined that an independent medical evaluation (IME) is necessary, PERS assigns a physician to perform the IME.

PERS pays for the IME. PERS states that approved IME providers are required to sign an agreement to provide an unbiased medical opinion, and PERS monitors the quality of the reports.

This bill will not change PERS' process for conducting independent medical evaluations.

5) Abuse of PERS disability retirement

The committee is advised that, in recent years, there has been a growing concern that PERS disability retirement programs are being abused by some members for several reasons:

- a) the federally tax exempt allowance that is provided to those receiving a PERS industrial disability retirement (IDR), and
- b) the age at which a member retired for disability retirement is exempt from further medical re-evaluation (age 50).

ANALYSIS:

- 1) Existing PERS law provides that medical re-evaluations after retirement cannot be requested if the disability retiree has reached the minimum age of retirement for service (usually age 50).
- 2) This bill would allow PERS to require a member who retired for disability after age 50 to submit to a medical re-evaluation for up to 36 months or face a penalty or benefit cancellation for refusal.

COMMENTS:

- 1) PERS states that this bill:

- a) will create a disincentive for a member to apply for a disability retirement if the member is contemplating similar work after retirement, by increasing the currently low age threshold that a member is subject to medical re-evaluation, and
- b) may deter disability retirement fraud by increasing the probability that such fraud will be detected.

2) CHP Disability Retirement Report

The committee is advised that the CHP Commissioner's report of October 26, 2004 identified several areas outside of the CHP where changes could be made to reduce the abuse of the disability program. One specific recommendation was that PERS re-evaluate disability retirements after the retirement has been approved.

3) The committee is advised that an identical bill, SB 105 (Speier) 2005, is currently on the Senate Floor.

SBX1 4 (Soto) – Insurance fraud

SUMMARY:

Would allow PERS investigators increased access to information maintained by the Employment Development Department (EDD) or by workers' compensation insurers with respect to an investigation of benefit eligibility or unlawful application for or receipt of PERS disability retirement benefits.

BACKGROUND:

The committee is advised that, as part of its responsibilities, PERS investigates cases of potential fraud involving its members. Existing law does not provide the PERS investigators with adequate access to employment and related information retained by other entities, hampering PERS' ability to efficiently investigate these cases.

ANALYSIS:

1) This bill would provide PERS with the authority to request information regarding any specific investigation from workers' compensation insurers. This information may then be used for purposes of determining eligibility for, and unlawful application or receipt of, PERS retirement benefits.

2) This bill would enable PERS investigators to request information from EDD when investigating an individual for which PERS is seeking criminal, civil, or administrative remedies in connection with unlawful application or receipt of PERS retirement benefits.

COMMENTS:

1) Arguments in support

PERS states that the first PERS investigator was hired in November 1981. The PERS Investigation Unit is currently staffed with seven investigators who are designated as peace

officers. The primary responsibility of the Investigation Unit is to provide investigative support for the entire PERS system, with an emphasis in the area of disability retirement.

To assist with the evaluation of disability retirements, the PERS Board created the Disability Validation Team (DVT) in 1998. The purpose of DVT is to ensure the retirement system is making payments to qualified disabled members while simultaneously working to identify those disability claims that are without merit. Once a question disability case has been identified, investigation can consist of interviewing witnesses/employers, collecting documentation, conducting surveillance, and ultimately preparing a written report.

PERS further states that their investigators are currently impeded by statutes which fail to grant them access to employment information maintained by EDD or to relevant information maintained by workers' compensation insurers, including the State Compensation Insurance Fund (SCIF).

Rather than spending significant resources to discover information already known to these other entities, this bill will allow PERS investigators to make efficient use of limited resources.

2) The committee is advised that this bill is identical to SB 697 (Soto) 2005, which has been placed on the Senate Inactive File.

SBX1 5 (Ducheny) – Public Employees' retirement

DIGEST:

This bill repeals existing provisions and enacts new provisions of the County Employees Retirement Act of 1937 relating to the determination of final compensation, and enacts similar final compensation provisions for independent public retirement systems, providing that all of the new provisions are modeled after the final compensation provisions in existing Public Employees' Retirement System law.

ANALYSIS:

The County Employees Retirement Law of 1937 ('37 Act) sets forth a comprehensive system of retirement benefits for county and district employees. The law defines the terms "compensation" and "compensation earnable" for the purposes of determining contributions and benefits. The law establishes how errors resulting from fraud or overstatement may be corrected in a retired member's allowance, and establishes a 10-year period of limitation of actions in this regard. Existing law also authorizes a general law city to establish a retirement system for its officers and employees and provide for the payment of retirement allowances, pensions, and disability and death benefits, and further authorizes the legislative body of a local agency to establish a pension trust, as specified, membership in which may be optional or compulsory.

This bill recasts and revises the terms "compensation" and "compensation earnable" for the purposes of the '37 Act, and defines these terms for the purposes of the city and local agency retirement systems and pension trusts described above.

For the purposes of each of the retirement systems and pension trusts described above, the bill establishes compensation reporting requirements, defines "labor policy or agreement"

for these purposes, and requires a board of retirement to promulgate specified regulations in connection with the definition of compensation earnable.

The bill also requires that final compensation, for the purpose of determining a pension or benefit resulting from service as an elective or appointed officer, as a mayor or a member of a city legislative body, or as a member of a local agency legislative body, as specified, be based on the highest average annual compensation earnable by the member during the period of service in each elective or appointed office. The bill permits a member in this instance to have more than one final compensation. These provisions apply to members elected or appointed on and after January 1, 2006.

For service rendered on and after January 1, 2006, the bill excludes from compensation, in specified instances, compensation based on overtime, and prescribes how the service for members rendering service in two or more categories is calculated.

For the purposes of the '37 Act, the bill revises and recasts the provisions for the correction of errors based on fraud or overstatement. For the purposes of each of the retirement and pension trust provisions described above, the bill provides that the mutual obligations of employers, retirement systems, and members of retirement systems are ongoing until all their various obligations have been discharged, and provides for the adjustment of errors and omissions in payments in and out of a retirement fund. Among other things, the bill establishes for a statute of limitations on a retirement system's collection of an erroneous payment to a member or beneficiary as three years from the date of payment.

The bill requires a county, district, city, or local agency that fails to enroll an eligible employee, as specified, to pay all arrears costs for member contributions and administrative costs of \$500 as a reimbursement. The bill excludes persons rendering professional legal services from membership in the retirement system, except in specified instances.

The bill provides that its provisions addressing city retirement systems and local agency pension trusts apply to persons first retiring on and after January 1, 2007.

The bill provides that its provisions become operative January 1, 2006.

SB 53 (Russell), Chapter 1297, Statutes of 1993, Addressed "Spiking" in the Public Employees' Retirement System (PERS)

After a series of press reports and audits revealing widespread spiking in many of the PERS local contracting agencies, SB 53 was enacted to specify who should what should and should not be included in final compensation for the purpose of calculating retirement benefits.

SB 53 addressed many different aspects of the spiking problem then present in PERS and provided specific definitions of what final compensation should be for the purpose of calculating retirement benefits.

Anti-spiking legislation affecting the '37 Act law was unsuccessful in 1993 and was abandoned.

The Ventura Decision of 1997 and the '37 Act Counties

The Senate Public Employment and Retirement Committee was advised that a landmark court decision affecting final compensation in the '37 Act counties requires the inclusion of

certain types of employee benefits that had previously been excluded from coverage for the purpose of calculating retirement benefits.

Because the twenty '37 Act counties administer their own retirement system, they have different benefit levels and include different employee benefits in final compensation for the purpose of calculating retirement benefits, the Ventura decision affected each of these counties differently. Nevertheless, the Ventura case had a major financial impact on all '37 Act counties.

What is "Pension Spiking"?

"Spiking", put simply, is the intentional inflation of the final compensation used to calculate retirement benefits by the inclusion of many different types of payments to the retirement system member. The bigger the final compensation, the bigger the retirement benefit.

ABX1 4 (Torrico) – Public employees' retirement: employer contribution rates

SUMMARY:

Requires the establishment of Taxpayer Risk Reduction (TRR) Accounts in both the California Public Employees' Retirement System (CalPERS) and in retirement systems established under the County Employees Retirement Act of 1937 ('37 Act) for the purpose of stabilizing public employer contributions to the retirement systems.

Specifically, this bill:

- 1) Requires that CalPERS and the twenty '37 Act county retirement systems establish TRR Accounts for each participating employer.
- 2) Specifies that the TRR Accounts will be part of the employer's account but will not be used when determining the employer's contribution rate.
- 3) Requires deposits into the TRR Accounts to be made from the employer's contributions when the actuarial value of assets exceeds the present value of benefits.
- 4) Specifies that the assets in the TRR Accounts will be drawn upon to pay a portion of the employer contribution when the employer contribution rate is greater than the normal cost of benefits.
- 5) Provides that once the assets in the TRR Account exceed 50 percent of the employer's assets, excluding the TRR Account assets, the employer contribution may be reduced to an amount less than 100 percent of the normal cost, as determined by the system actuary.
- 6) Specifies that funds in the TRR Account may be used by employers to pay all or part of the employee contribution or for retiree health care, as specified.
- 7) Specifies that the funds in the TRR Accounts are to be invested in the same manner as other funds in the retirement system.

EXISTING LAW:

Generally, retirement benefits are funded through contributions paid by employers, member contributions, and earnings from investments. Employee contribution rates are usually a fixed percentage of salary while employer contribution rates are determined by periodic "actuarial valuations" and, therefore, subject to fluctuation. The actuarial valuations are based on the benefit formulas the employer provides and the employee groups covered.

Existing CalPERS and '37 Act laws provide for small reserves against deficiencies; the CalPERS law permits the reserve to be 0.20% of assets, and the '37 Act law permits the reserve to be not more than 1% of assets. The systems are permitted to use the reserves against deficiencies in interest earned, losses under investments, court-mandated costs and specified actuarial losses.

Existing constitutional provisions, added by Proposition 162 of 1992, require that the public retirement system boards of administration in California have plenary authority to determine the rates of contributions necessary to properly fund the respective retirement systems.

FISCAL EFFECT:

Unknown

COMMENTS:

ABX1 4 is part of a three bill pension reform package introduced as part of the Assembly's Special Session. The other bills in the package include ABX1 5 (Torrico) which addresses pension fraud, and ABX1 6 (Evans and Torrico) which addresses pension spiking. Similar reform measures have also been introduced in the Senate's Special Session. These include SBX1 2 (Dunn), SBX1 3 (Speier), SBX1 4 (Soto) and SBX1 5 (Ducheny).

Historically, when investment earnings on retirement system assets have been high, required employer contributions to public retirement systems have been reduced. Conversely, when investment earnings are low, employer contribution rates have been increased. Concern has been raised by employers that this fluctuation in contribution amounts makes it very difficult to budget and plan for and that high contribution rates are most often required at a time when employers are experiencing lower revenue.

According to the author, by establishing TRR Accounts in both CalPERS and '37 Act systems, ABX1 4 will help minimize the volatility in the employer's contribution rate. Further, the author states, "These common-sense proposals will help to fix our public pension systems and put them on sound financial footing for years to come. They will save taxpayers' money now and keep the faith with the public servants who teach our kids and protect us from crime and fires."

ABX1 5 (Torrico) – Public employees' retirement: fraud**SUMMARY:**

Adds a definition of fraud to the Public Employees' Retirement Law, the Teachers' Retirement Law, and the County Employees' Retirement Act of 1937 ('37 Act) and establishes civil and criminal penalties for committing such fraud.

Specifically, this bill:

- 1) Makes it a crime for a person to make or present false material statements and representations in connection with California Public Employees' Retirement System (CalPERS), California State Teachers' Retirement System (CalSTRS), or a '37 Act retirement system benefits and applications or to aid or abet someone in this regard.
- 2) Establishes a crime for a person to knowingly accept, with the intent to keep for personal benefit, a payment from the system with the knowledge that one was not entitled to the benefit.
- 3) Provides that a violation of these provisions is punishable by up to one year in a county jail, by a fine of not more than \$5,000, or by both imprisonment and fine, or by imprisonment in state prison for a term of two, three or four years, by a fine of not more than \$50,000, or by both imprisonment and fine.
- 4) Requires that criminal prosecutions for these violations be commenced within three years of the commission of the offense, and that a civil action for violations be commenced within three years after discovery of the commission of the offense. The bill also provides that its provisions are cumulative.
- 5) Provides that no reimbursement to local agencies is required by this act.

EXISTING LAW:

- 1) Provides that it is a crime to make a knowingly false material statement or representation for the purpose of obtaining workers' compensation, or supporting or denying a workers' compensation claim.
- 2) Permits the Board of Administration of the Public Employees' Retirement System to make corrections for errors by adjusting future payments, and permits the board to refrain from collecting underpayments in certain situations.

FISCAL EFFECT:

Assuming costs for fraudulent activities are recovered, this bill should be cost neutral. Minor savings in program costs may result from deterring fraudulent actions by those trying to inappropriately obtain retirement benefits or by obtaining restitution when fraudulent actions are discovered. The bill may have a minor impact on administrative costs as a result of pursuing civil actions against individuals committing fraud. It is anticipated that savings in program costs would exceed any such administrative expenses.

COMMENTS:

This bill is similar to AB 456 (Torrico) from the current regular session. That bill passed out of both the Assembly PER&SS and Public Safety Committees unanimously and is currently on the Assembly Appropriations Committee suspense file.

According to the sponsor of AB 456 (CalPERS), the first CalPERS investigator was hired in November 1981. The CalPERS Investigation Unit is currently staffed with seven investigators who are designated as peace officers. The primary responsibility of the Investigation Unit is to provide investigative support for the entire CalPERS system, with an emphasis in the area of disability retirement.

Currently, when CalPERS investigators uncover cases of fraud, there is often little that can be done to prosecute these cases because no statute clearly defines the actions involved as fraud. CalPERS must rely on the more general Penal Code violations, such as presenting false claims, grand theft, or perjury. Some prosecutors are reluctant to use these more general Penal Code sections to file charges in a case involving fraud against CalPERS, since they do not necessarily reflect the true nature of the crime.

CalPERS also states that there is currently no specific statute which defines as fraud those activities associated with a CalPERS member's fraudulent application for benefits and no clear penalties for such fraud. This bill will provide a deterrent to potential fraud against the system by adding statutory language defining fraud and by establishing civil and criminal penalties for such fraud. It will also provide the authority under which cases of fraud can be prosecuted.

The bill language is modeled after a provision of the Insurance Code which prohibits similar fraudulent actions when made in connection with an application for workers' compensation benefits (Section 1871.4). It is also modeled after a provision of the Penal Code which prohibits similar fraudulent actions with respect to insurers (Section 550).

According to the author, "Expanding these fraud provisions to apply to CalSTRS and the '37 Act retirement systems is a logical extension of a good idea put forward by CalPERS. Current law is ambiguous with regard to what constitutes fraud when made in connection with an application for retirement benefits. This bill will provide a deterrent to potential abuse by clearly defining what constitutes fraud and by establishing civil and criminal penalties for such fraud

ABX-1 6 (Evans) – Public employees' retirement

SUMMARY:

Makes various changes to the laws governing public employee retirement in an effort to eliminate or reduce pension spiking and disability retirement abuse.

Specifically, this bill:

- 1) Establishes a limit on the amount of salary that is used to calculate retirement benefits and employees contributions by creating a new formula for determining final compensation (the salary upon which retirement benefits are calculated) for public employees who are members of the California Public Employees' Retirement System (CalPERS) or a retirement system established under the County Employees' Retirement Act of 1937 ('37 Act) hired on or after January 1, 2006. The formula is based on the state average weekly wage as reported by the United States Department of Labor for California.
- 2) Establishes a process in CalPERS law for creating reemployment plans for patrol, state peace officer/firefighter, and state and local safety members who are injured on the job but still capable of performing the duties of a miscellaneous member, as specified. Under the reemployment process:

- a) Once the member is reemployed in the miscellaneous position, their disability retirement allowance will not be paid. However, they will be able to receive a supplemental disability retirement allowance equal to the difference between the compensation rate of the previous position and the compensation rate of the current position.
 - b) The supplemental disability allowance will be adjusted annually to reflect changes in the compensation rates of the two positions and the supplemental payments will be considered as compensation for retirement purposes.
 - c) A member will continue to receive the disability retirement allowance until reemployed in the position specified in the reemployment plan.
 - d) The member will continue to be considered a patrol, state peace officer/firefighter, or state or local safety member for the entire period the member remains in state service regardless of the duties performed in the miscellaneous position.
 - e) These provisions only apply to those members incapacitated in the line of duty on or after January 1, 2006.
- 3) Establishes new benefit limits in CalPERS law for patrol, state peace officer/firefighter, and state and local safety members first hired on or after January 1, 2006, or those current members making an irrevocable election to become subject to these provisions, as follows:
- a) Increases the cap from 90% to 100% of final compensation for service retirement.
 - b) Establishes a cap of 85% of final compensation for disability retirement.
- 4) Requires patrol, state peace officer/firefighter, and state and local safety members of CalPERS and county peace officer or firefighter members of '37 Act systems eligible for the maximum service retirement benefit who retire due to a work related injury and subsequently returns to work as a peace officer or firefighter to have their disability retirement converted to a service retirement. The member receiving the disability allowance would be required to notify the respective boards of retirement in writing of employment subject to these provisions. Failure to provide the required information could result in suspension of the disability retirement allowance.
- 5) Repeals existing provisions and reenacts new provisions in '37 Act law relating to the determination of final compensation and enacts similar provisions for independent public retirement systems. The reenacted provisions are modeled after the final compensation provisions in existing CalPERS law.
- 6) Repeals existing provisions and reenacts new provisions in '37 Act law relating to errors and omissions and enacts similar provisions for independent public retirement systems. The reenacted provisions are modeled after the errors and omissions provisions in existing CalPERS law.

FISCAL EFFECT:

Unknown

COMMENTS:

Pension spiking, put simply, is the intentional inflation of the final compensation used to calculate retirement benefits by the inclusion of many different types of payments to the retirement system member. The bigger the final compensation amount is, the bigger the retirement benefit since benefit for public employees are calculated based on the following formula: Years of Service multiplied by an Age Factor multiplied by Final Compensation equals the unmodified retirement allowance.

In the early 1990s, a series of press reports and audits uncovered extensive evidence of widespread pension spiking in many of the CalPERS local agencies. SB 53 (Russell), Chapter 1297, Statutes of 1993, was enacted to clearly specify in CalPERS law what could and could not be included when determining final compensation. Legislation to place similar provisions in the '37 Act law was unsuccessful in 1993.

In August of 1997, the Supreme Court of the State of California issued a decision in a case entitled Ventura County Deputy Sheriffs Association vs. Board of Retirement of the Ventura County Employees Retirement Association, Case No. S055682. The Supreme Court held that a '37 Act County must include certain types of cash incentive payments and additional pay elements, received by an employee, within the employee's "compensation earnable" and "final compensation" when calculating the employee's retirement benefits. By requiring the inclusion of certain types of employee benefits that had previously been excluded from coverage, this decision significantly impacted all of the '37 Act systems. However, because the twenty '37 Act counties administer their own retirement systems, have different benefit levels and include different employee benefits in final compensation, the impact was different in each of the counties.

The provisions of this bill addressing disability retirement of safety members, was designed to reduce "chief's disease," which is a term that has been coined to reflect the high disability rate among senior-ranking safety officers. According to data, more than 80% of top officers file workers' compensation claims within two years of retirement and many seek medical pensions that shield half their income from taxes. In some cases, officers who claimed to be unable to perform work-related duties while in state service go into the private sector to perform similar work for pay on top of the disability and medical benefits.

**Public Affairs Activities Report
May 14 – June 8, 2005**

<p>Special Projects</p>	<p>Questions about water reliability, water quality, reclamation, population growth and demand, and the need to take a more holistic approach to water resource management were voiced by the 20 individuals who attended the May 12 Urban Water Management Plan Community Information Meeting. Presentations by Matt and I-Wen preceded the discussion; Kevin responded to questions. Michelle was the meeting facilitator. Directors Royce and Hinman also attended. A similar workshop was held with the Orange County Grand Jury during their three-day Colorado River Aqueduct tour, which was hosted by Director Royce. Stakeholder comments will be included in the Urban Water Management Plan, which is currently being compiled.</p> <p>Matt and Michelle continue their involvement in the 2005 Orange County Infrastructure Report Card. Matt is heading the Water Committee, while Michelle is chairing the Public Relations Committee. Monthly meetings are held for all committee chairs, in addition to the specialized responsibilities each committee must complete prior to the release of the Report Card in October.</p> <p>A second community information meeting was held May 31 at Santa Margarita Water District to update the public on South County's efforts to obtain project-implementation funds through Proposition 50 Chapter 8. Public Affairs staff continues to assist in this community outreach effort.</p> <p>Michelle and Steve attended the annual Community Association Institute, Orange County, conference and trade show on May 16 at the Irvine Marriott. The goal in attending the trade show was to raise awareness of the SmarTime Rebate Program among property managers and homeowner association representatives.</p> <p>Bill stuffers and information packets for residential and commercial customers have been completed for the SmarTimer Rebate Program. A new tri-fold brochure is in the final stages of production. Developing these new marketing materials has been a cooperative project of Public Affairs and Water Use Efficiency.</p>
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Item #3

	<p>Dedication of California's most energy efficient seawater desalination demonstration plant was May 11. The plant is financed by California's Affordable Desalination Coalition, of which MWDOC is a member. Michelle and Richard attended the dedication; Michelle was responsible for media relations.</p>
Member Agency Relations	<p>MET is in the processes of selecting a new advertising agency for the outdoor conservation campaign. Michelle is part of the proposal review committee, which is comprised of MET staff and representatives from MET member agencies. Proposal review was June 7 with agency interviews scheduled for June 13.</p> <p>The May 18 Public Affairs Workgroup meeting included a review of the list of annual community outreach activities and those new for the upcoming fiscal year in an effort to better coordinate public affairs activities between MWDOC and our member agencies. Deadlines for member agency publications were reviewed; opportunities for media outreach were identified (MWDOC will conduct outreach to regional media; member agencies will contact their local media outlets)</p>
Community Relations	<p>Director Royce presented an oversized rebate check for more than \$6,000 to the Eastbluff Homeowners Association on May 25. Eastbluff is the first homeowners association in Orange County to install ET controllers through the SmartTimer Rebate Program. The presentation was filmed by the city of Newport Beach and will shown on the city's cable television station. Joe, Steve and Michelle also attended the presentation. Joe provided an on-camera explanation of the rebate program and the benefits and importance of reducing outdoor irrigation.</p> <p>Presentations to the 2005 Poster/Slogan Contest winners are being scheduled. As directed by the Board, the presentations will be made at either a city council meeting or a water agency board meeting, depending upon where the winning student resides.</p>
Legislative Affairs	<p>Staff continues to provide administrative and management support to WACO and ISDOC. The speakers at the WACO meeting in June were Steve Arakawa (Metropolitan), who provided a regional water supply/management update, and Charley Wilson, who provided an update on general energy issues and how they impact the water industry.</p>

Item #3

David represented ISDOC at the California Special District Association's (CSDA) chapter meeting in Sacramento. The purpose of the meeting was to brief the chapters on various CSDA member benefits and services. CSDA lobbyist Ralph Heim provided a comprehensive legislative update on special district reform and property tax-related bills, as well information on the state budget and the status of the special election this fall. CSDA also made presentations on its Special District Risk Management Authority (similar to ACWA-JPIA), its governance academy, and its efforts to help improve communications with local elected officials and the public about the roles special districts play in the community. There was also a roundtable discussion about increasing membership in CSDA, improving communications with and services to the chapters, and any other matters of interest. There were nine chapters that participated in the meeting.

Staff continues to participate in the Legislative Conference Calls hosted by Metropolitan Water District and the Southern California Water Committee, and the meetings of the ACWA State Legislative Committee. Special conference calls were also held to discuss AB 672 (Klehs), which deals with recreational plans for reservoirs intended for domestic use, and AB 771 (Saldana), which deals with ex-parte communications with the California Coastal Commission. MWDOC also continues to coordinate and host monthly planning conference calls for ACWA Region 10 members and the region's four State Legislative Committee members prior to the monthly ACWA State Legislative Committee meetings. The purpose of the conference call is to open a dialogue among Region 10 members with their committee representatives.

Karl Seckel and David Cordero participated in a briefing on ocean water desalination to Congressman George Radanovich (R-Mariposa), who serves as chairman of the Subcommittee on Water and Power in the House Resources Committee. Participating in the briefing were Los Angeles Department of Water and Power, San Diego County Water Authority, West Basin Municipal Water District, Long Beach Water Department, Municipal Water District of Orange County, and Metropolitan Water District of Southern California. Congressman Radanovich appeared particularly intrigued by MWDOC's subsurface intake concept and interested in learning more about advancements in membrane technology and the energy costs associated with desalination.

Item #3

The 2004 Consumer Confidence Reports for which MWDOC coordinated technical and graphic design assistance for the member agencies, were printed and delivered to the mail house in May. The reports should begin arriving to customers by the middle of June.

Approximately 150 guests attended the MWDOC Water Policy Briefing and Dinner on June 2 at the Hilton Costa Mesa. The speaker for the evening was Metropolitan Chief Operating Officer Debra Man, who substituted for Chief Executive Officer / General Manager Dennis Underwood, who was unable to appear due to illness. Also joining Ms. Man were Metropolitan Chief Financial Officer Brian Thomas and Executive Vice President Gilbert Ivey.

David met with Michael Gold, deputy director of the Orange County Division of the League of California Cities, to discuss legislative issues affecting the water community and local government. Part of the meeting also included a discussion about inviting MWDOC to participate in the Division-sponsored legislative issues and information sharing meetings involving city staff when the meetings resume later this year.

Following up on his meeting with Michael Gold, David made a presentation on SB 1087 (Florez) to the Advocacy Committee of the Orange County Division of the League of California Cities. The committee was interested in the bill's impact on cities and counties, related to housing elements, and the role that water and sewer agencies might play in future land use decision making as a result of the bill. SB 1087 seeks to address a perception by the author that water and sewer resource and service providers are putting up roadblocks to low-income and affordable housing in the state by denying or making it extremely difficult for developers to get new service hookups. A general summary of the bill was e-mailed to the MWDOC board on June 8, and more information will be presented to the PAMO Committee on June 20.



INFORMATION ITEM

June 20, 2005

TO: Board of Directors

FROM: Kevin Hunt
General Manager

Staff Contact: Matt Stone
Deven Upadhyay

SUBJECT: Water Infrastructure Investment Fund

STAFF RECOMMENDATION

Staff recommends the Board of Directors receive and file the report.

SUMMARY

A relatively new concept known as the Water Infrastructure Investment Fund (Fund) has been floating around the California water community. The Fund concept is in its infancy and has yet to be formalized in a document for agencies to review or provide feedback.

In concept the Fund would act as a repository for funds collected from the community of water users in California. These funds would be used for major water infrastructure projects throughout the state. The major details on how the fund would operate have yet to be determined.

The Fund concept seems to have support in the Governor's office. There is speculation as to whether the concept will be pushed hard this year or developed for action in 2006. Staff will continue to report on this subject as the concept develops over time.

DETAILED REPORT

CALFED Finance Plan

The California Bay-Delta Authority (CBDA) has been tasked with developing an acceptable Finance Plan by the end of the year. The new Finance Plan is likely to be much leaner than

Budgeted (Y/N):	Budgeted amount:
Action item amount:	Line item:
Fiscal Impact (explain if unbudgeted):	

the \$8.1 billion plan CBDA released in December of 2004. The reality of revenues available to CBDA has forced a trimming of the project list back to those thought of as part of CBDA's core responsibility. While there is still debate about CBDA's final Finance Plan, the Department of Water Resources has developed the concept of an investment fund that could be used for broader water resource infrastructure projects that may or may not be addressed by the final CALFED plans.

The Governor's May Revise Budget includes the following language under the CalFed section of the Resources chapter:

*“Effective management of our water resources is essential to the future of California’s economy and environment. The recently released public review draft of the California Water Plan outlines a new vision for California’s water resources. The Water Plan recognizes our progress and provides a framework to build upon past accomplishments. It identified as many important water management strategies throughout the state that must be developed, maintained, and financed to meet the needs of Californians into the 21st century. **The Secretary for Resources has been directed to work with the Secretaries for Food and Agriculture, Environmental Protection, and the Chair of the California Bay-Delta Authority to develop a long-term strategy for stable water resource investment funding.** This long-term funding strategy will ensure that we continue to improve water supply reliability, protect water quality, and restore our ecosystems to support California’s needs.”*

Fund Concept

The concept of the Fund is still in early development. The details of the Fund contained in this report are largely speculation based on comments provided by staff at DWR, CBDA, and MWD. Joe Grindstaff (Executive Director of CBDA) and Lester Snow (Executive Director of DWR) seem to be developing this concept with input from agencies around the State. Mr. Grindstaff has met a number of times with the California Urban Water Agencies (CUWA) in order to develop a concept that will work for urban water users.

The Fund would receive money from its revenue sources expressly for the development of water infrastructure programs throughout California. These projects could be in a variety of classifications:

- Recycling
- Desalination
- Groundwater & Surface Storage
- Water Use Efficiency Programs

The Fund may also be used for projects that either have indirect benefits to the water community or have benefits that are hard to ascribe to specific beneficiaries. This may be a way of getting projects done that aren't able to work under the “beneficiaries pay” principle.

Special distribution requirements may force a minimum percentage of Fund disbursements to go back to the regions that provide the revenues. This would help avoid the possibility of one region largely funding development for the benefit of a different region. To date, the ratio of funds returning to local use appears to be very low (50% discussed conceptually).

Also it is not clear what sort of administrative cost burden (or drain) on funds would come with the concept.

Fund Security

An important element of the fund could be a security provision protecting investments within the Fund from use for anything other than water infrastructure programs. This provision could help ensure that infrastructure investments in the water community don't suffer under a potential State budget crisis in the future.

Revenue Sources

There are a number of ideas regarding the source of revenue for the Fund:

1. A special flat charge on every retail water connection in California
2. A charge on every acre-foot of metered water use in California
3. Either of method 1 & 2, but with varied charges based on water use type

It is quite possible that the final revenue source for the Fund is an alternative method that has yet to be defined. Clearly the methods listed above will have steeper impacts on areas with more metered water usage or more retail water connections. It could also be viewed as more "regressive" as a tax than other revenue options such as income or property taxes. Urban water agencies will likely have significant input on the development of this part of the concept.

An earlier draft water user fee concept paper related to recovery of CalFed Environmental Restoration Program costs was developed in January 2005. The analysis of this concept is attached for reference. There is no indication that this is the concept under consideration by the administration at this time for the larger Water Infrastructure Fund, but it may reflect the viewpoint of some of the stakeholders taking part in the dialogue.

Considerations to Water Infrastructure Fund Concept

Reaction to the Water Infrastructure Fund concept from the water community has been mixed, leaning to the negative overall. However a number of the players have promised to give it thorough consideration and offer improvements as a matter of dealing in good faith with the administration. Among the issues raised thus far:

- A Water Infrastructure Fund could be a catalyst for development of new water supply and reliability projects – providing a funding source to match and create incentives for local investments in water infrastructure.
- A Water Infrastructure Fund could make the State much less dependent on periodic voter approval of large bond issues (often containing minimal true "water" content).
- What will happen to the funds not returned for local use in each area? Will DWR use these funds to expand/improve the reliable water supply in the State? This could be viewed either negatively or positively. As a positive – DWR with a real funding source may reassert itself and become relevant. As a negative – the money may go to programs or projects that are not beneficial.

- A Water Infrastructure Fund is a hidden tax, and may be subject to Prop 218 restrictions. It may also be viewed as regressive, impacting lower income residents disproportionately.
- The Fund may be expensive and unwieldy to administer due to the high overhead at the State level. Why not just make these investments locally?
- The Fund may become a means to tax one portion of the State to pay for projects in other areas that lack the will to fund them locally.
- How would the size of the Fund and Annual Revenue Requirements be determined?
- What sort of oversight or accountability would exist for the Fund? Example: Measure M to fund Transportation in Orange County required 1) voter approval, 2) a specific list of projects 3) an oversight body, 4) has a sunset provision or will require reauthorization by voters.
- The Fund may lead to erosion of local control. Strings could be placed on funds coming back for local projects. Examples of the types of restrictions or conditions that might come with State administered funding include: Targeting conservation, but not recycling, new storage or seawater desalination; restricting the type of project delivery contracting mechanism; addition of time consuming reporting requirements.
- Future ballot initiatives could target the fund for use on projects that do not have water benefits. For example – funds derived from water customers could be diverted to pay for “clean beaches”. Ballot initiatives could also limit, increase, or otherwise mandate the assessment method, amount, and uses of the Fund.

Timeframe

Initially it seemed that development of the Fund concept would largely take place after the CALFED Finance Plan is finalized. Optimistically, this would mean most of the work on the Fund would occur in 2006. There is speculation that the Governor would like to see the Fund concept completed sooner, in conjunction with the CALFED Finance Plan.

Staff will provide updates on the Fund concept as it develops.

Resources and Energy

CALFED Bay-Delta Program

Effective management of our water resources is essential to the future of California's economy and environment. The recently released public review draft of the California Water Plan outlines a new vision for California's water resources. The Water Plan recognizes our progress and provides a framework to build upon past accomplishments. It identifies many important water management strategies throughout the state that must be developed, maintained, and financed to meet the needs of Californians into the 21st century. The Secretary for Resources has been directed to work with the Secretaries for Food and Agriculture, Environmental Protection, and the Chair of the California Bay-Delta Authority to develop a long-term strategy for stable water resource investment funding. This long-term funding strategy will ensure that we continue to improve water supply reliability, protect water quality, and restore our ecosystems to support California's needs.

The CALFED Bay-Delta Program continues to play an important role in meeting California's future water needs. CALFED must be a part of the long-term water resource investment strategy for the state. Consistent with the commitment in the Governor's Budget, a three-point plan has been developed that will allow the CALFED Program to move forward and focus on addressing the highest priority issues associated with the conflicts in the Delta:

Independent Review—Consistent with the recommendations of the California Performance Review (CPR), the May Revision calls for an independent program and fiscal review of the CALFED Program to ensure accountability, highlight accomplishments, determine program status, and guide adjustments to the Program. The May Revision proposes to increase the Resources Agency budget by \$300,000 for purposes of contracting to support this review.

Program Priorities—Re-focus the efforts of the California Bay-Delta Authority and the other CALFED state agencies on solving conflicts associated with Delta water supply, water quality, levee stability, and the environment. Program priorities will be reinforced in a ten-year action plan as described below.

Financing—The CALFED Program needs a credible budget for the coming year and it needs a clear plan for the next ten years. The Governor is calling for the development of a ten-year action plan, to be developed in coordination with stakeholders and our federal partners. This action plan must focus on solving the highest priority Delta issues, link future water user payments to specific program actions

Expenditures: **Resources and Energy**

that improve water supply reliability, balance statewide actions with regional water management, and include funding from the state, federal, and local levels consistent with the beneficiaries-pay principle. This plan will include payments from water users to the Ecosystem Restoration Program and other programs in proportion to the direct benefits derived.

While the ten-year action plan is being developed, it is essential to have a credible budget for the coming year. This budget must reflect contributions from water users. The May Revision requests an increase of up to \$30 million in reimbursement authority in the budget of the Department of Fish and Game to accommodate user contributions which may be necessary to further the recovery of at-risk native fish.

The federal government is California's partner in the implementation of the CALFED Program. Working with the California Bay-Delta Authority, the Governor plans to request an additional \$40 million in the federal fiscal year 2006 federal budget for the CALFED Program, for a total request of \$100 million.

A major benefit of the CALFED Program has been a reduction in conflict and an increase in certainty regarding program implementation and balance. Over the next two years, water user and federal contributions to support the Program will be focused on actions that support the existing Conservation Agreement as described in the CALFED Record of Decision.

Related Activities—CALFED programs must be further integrated into our resource management efforts. To further this integration, the Governor is directing the CALFED implementing agencies to work diligently on related efforts such as:

- Implementation of the Lower Yuba River Accord to improve environmental conditions for native fish species and provide the first long-term Environmental Water Account asset as directed in Proposition 50.
- Negotiation of partnerships south of the Delta, including development of long-term EWA assets, in order to produce integrated improvements for water supply reliability, water quality, and ecosystem health.
- Legacy investment of bond funds to ensure continuing measurable benefits for, and recovery of, at-risk native fish species, and creative assistance for regions as they implement integrated regional water management.

Frontier Transmission Line Project

The May Revision proposes an increase of \$2.5 million Energy Resources Programs Account for California's participation in the Frontier Transmission Line Project.

In April 2005, the governors of California, Nevada, Utah, and Wyoming signed an agreement to create a four-state partnership to develop a transmission line originating in Wyoming with terminal connections in the other three states. The agreement specified that each state would contribute initial funding to support the Coordinating Committee and hire the necessary technical and legal consultants

to begin work on the project and bring it to a point where developer(s) will take over and fund the remaining feasibility work. In the long-run, the new line will provide Northern and Southern California with additional power to meet its future energy needs.

Tidelands Oil Revenues

California receives a share of the revenues that result from the sale of oil recovered from state tidelands. The major site of recovery is Long Beach, where the state, the City of Long Beach, and a private oil company have partnered to recover oil in an environmentally safe manner. One issue that has arisen in relation to this activity is the question of how to pay for the future costs of abandoning the oil field. These costs, which will likely include the removal of several man-made islands off the coast of Long Beach, are expected to be several hundred million dollars. In order to prepare for this cost, the City of Long Beach, which manages the field, began to set aside about \$2 million per month in an Abandonment Fund. Although the state challenged this practice, and requested that the \$83 million already set aside be returned to it, the California Court of Appeal ruled that the City's action is permissible under state law. As a result, the state's Tideland Oil revenues will be \$47.3 million lower in the current year than anticipated in the 2004 Budget Act. In 2005-06, the City will set aside \$4 million per month, which will cause the state's Tideland Oil revenues to fall by \$48 million. Since these revenues would otherwise have gone to the General Fund, the City's action will result in a two-year loss of General Fund revenue totalling \$95.3 million.

Paterno Settlement

A 1986 levee break in Yuba County flooded 7,000 acres of land in the communities of Linda and Olivehurst. Residents and businesses filed suit against the Department of Water Resources, which was found responsible for the break by the California Court of Appeal even though it did not build the levee and was not responsible for its maintenance. Settlement negotiations led to an agreement that the state would pay \$464 million in three segments: \$11 million for damages to the Peach Tree Mall; \$25 million for damages to the tenants of the Peach Tree Mall; and \$428 million for damages to approximately 3,000 individuals. The plaintiffs have agreed to sell their claim for the latter amount for a lump sum to Merrill-Lynch. The first year's payment, of \$67 million, will be made during 2005-06.

Enhancing Fire Fighting Capability

After the extensive wildfires in Southern California during 2003, the Blue Ribbon Fire Commission evaluated California's ability to respond to wildfires, and recommended options for improvement. One of the highest priority actions recommended by the Commission is the replacement of 155 obsolete fire engines. The Governor's Budget included \$10.8 million to enable the Department of Forestry and Fire Protection to begin this effort by funding up to 40 fire engines. This funding will continue in future years, with a goal of eventually replacing all outmoded fire engines and ancillary fire fighting

vehicles. In order to accelerate this process, the May Revision proposes to spend \$5 million more to replace an additional 19 engines, thereby enhancing the Department's ability to respond quickly to wildfire threats. In a related action to improve California's fire protection, the May Revision restores a \$6.7 million unallocated reduction in the Department's budget, thereby assuring the maximum number of fire fighters will be available during the 2005-06 fire season.

Carl Moyer Program

The May Revision proposes an augmentation of \$12.5 million Air Pollution Control Fund for the Carl Moyer Program, which provides incentive grants to reduce emissions from heavy-duty diesel-powered vehicles and equipment. The Carl Moyer Program assists projects that produce emission reductions from diesel sources such as on-road vehicles, agricultural pumps, forklifts, marine vessels, off-road equipment, and locomotives. Including the \$86 million proposed in the Governor's Budget, a total of \$98.5 million of state funding will be available for Carl Moyer grants in 2005-06. This funding demonstrates the Administration's commitment to reducing air pollution and ensuring the state meets air quality standards.

CALFED Bay-Delta Program

Ecosystem Restoration Program --Water User Fee Options

Working Draft

Background: The Finance Plan established a \$150 million annual funding target for ERP and put forward the following cost allocation:

- State 30%
- Federal 30%
- Water User 30%
Includes CVP Restoration Fund payments (\$20mill/yr) and new water user fee from non-CVP users (\$25 mill/yr)
- Local Grant Match 10%

The basis for this cost allocation primarily comes from two sources. First, it is consistent with the percentage allocation of ERP costs discussed in the Record of Decision. Second, of the various ERP cost allocations considered during the development of the 10-Year Finance Plan, this one is closest to the proportional benefits-based cost allocation presented in the Draft Finance Options Report. It is also worth noting that an independent assessment of ERP costs and benefits to water users done by Metropolitan Water District and reviewed by other water user stakeholders also concluded that an allocation of 20-30% of ERP costs to water users would be consistent with expected water user benefits.

The water user share of \$45 million per year will be met using revenue from the CVP RF (\$20 million) and a new water user fee (\$25 million). Water users already contributing to the CVP RF would not be subject to the new fee. It would only be assessed on water users that do not currently pay into the CVP RF.

Fee Options: This paper presents several fee structures to fund the water user share of the ERP costs. Quantitative information for three fee options is presented

1. Fees based on water diversions
2. Fees based on reservoir storage capacity
3. Fees based on both water diversions and reservoir storage capacity

Each fee option is presented as an example of how such fees could be structured. However, the dollar amounts may change following a more in-depth review by Authority staff, CALFED agencies, and stakeholders.

Each fee alternative is summarized with respect to:

- Expected overall revenue
- Fee levels by water user class
- Allocation of cost by water user class

- Potential rate impact by water user class

The pros and cons of each fee alternative is summarized with regard to:

- Adherence to benefits-based approach
- Administrative feasibility and cost
- Ability to improve resource efficiency
- Social equity

Starting Assumptions: The annual revenue target for water users is \$45 million. It is assumed that revenue from the CVP RF will cover \$20 million of this. New fees paid by water users not already paying into the CVP RF will need to generate an additional \$25 million annually. Water users potentially subject to new fees include SWP contractors, CVP exchange contractors, CVP settlement contractors, and non-project water users (which includes non-CVP hydropower generators for some fee options).

Water User Classes: The analysis of fee options differentiates water users by type of use (agricultural, urban, hydropower), diversion point (Sacramento Valley, In-Delta, Delta Export, San Joaquin Valley, and Upstream of Delta), and project (SWP, CVP, Non Project). ERP fee alternatives may include all users potentially subject to new fees or may exclude some of these users from the fee structure for one reason or another.

Data Sources: Table 1 lists average annual diversions by water user class. The average reflects the frequency of dry, normal, and wet years in the hydrologic record. This data was used to compute the diversion fee level and revenue for each diversion fee option. Diversion data come from the Department of Water Resources. Table 2 lists in aggregate the storage capacities for the 33 largest reservoirs impounding waters that drain through the Delta. A table attached to the end of this paper provides the capacities for each reservoir included in the analysis. These capacities are used to compute storage-based fees. The data come from Department of Water Resources.

Fees Based on Water Diversions

Four variations of a diversion-based fee were developed:

1. Uniform per acre-foot diversion fee.
2. Differentiated by export versus non export water users
3. Differentiated by urban versus agricultural water users
4. Differentiated by export versus non-export and urban versus agricultural water users.

The fee model used the following assumptions and constraints to generate the fees and revenue estimates discussed below.

Revenue Neutrality

- Each variation of a diversion fee is designed to generate \$25 million of fee revenue.
- Revenue estimates do not account for potential demand responses to higher diversion fee costs. These potential responses are addressed in the discussion of diversion fees.

Fee Multipliers

- For variations that differentiate urban and agricultural fees, the urban fee is set to twice the agricultural fee. This follows the precedent set by CVP RF fees.
- For variations that differentiate export and non-export water uses, the fee on export uses is twice the fee on non-export uses. This assumption was a starting estimate that will require further analysis.
- For variations that differentiate by both type of use and export, the two fee multipliers determine the fee for each user class. The lowest fee is paid by non-export agricultural diversions. The fee for export agricultural diversions is twice this base amount, as is the fee for non-export urban use. The fee for export urban use is four times the base amount.

Revenue Collection

The percent of diversions for which it is assumed fees can be collected is as follows:

- 100% of CVP and SWP diversions
- 80% of non-project urban diversions
- 60% of non-project agricultural diversions

These assumptions were adopted because it is unlikely that the state will be able to successfully levy and collect fees on all diversions. Small agricultural diversions are likely to present the greatest collection challenge, followed by small urban diversions (including self-supplied residences and businesses).

CVP RF

The analysis assumes that CVP RF contributions to ERP average \$20 million per year. It is important to keep in mind, however, that CVP RF revenues fluctuate from year-to-year and the Bureau of Reclamation has discretion with regard to the amount of CVP RF dedicated to ERP purposes.

Diversion-Based Fee Estimates

Table 1 summarizes the diversion fee (\$/AF of diversion) for each variation and the fees paid by each water user class. Fees for agricultural diversions depend on type of diversion. Fees for non-export diversions range between \$1.32/AF and \$2.12/AF. Fees for export diversions range between \$1.81/AF and \$3.24/AF. Fees for urban diversions

also depend on type of diversion. For non-export urban diversions, fees range between \$1.62/AF and \$3.62/AF, while fees for export urban diversions range between \$2.12/AF and \$5.29/AF.

Figures 1 through 4 show the average impact on rates by major water user class. Baseline rates reflect the cost at the diversion point or for CVP and SWP project water and do not include the costs for treatment and distribution.¹ Tables with the detail supporting these figures are provided at the end of this paper.

Discussion of Diversion-Based Fees

- *Adherence to Benefits-Based Approach*

The cost share (30%) proposed in the Finance Plan recognizes the significant benefits expected to accrue to the water users from the ERP as well as the impacts these diversions have on the ecosystem. The benefits primarily take the form of reduced risk of future ESA-related regulatory actions that could affect the timing and amount of diversion from the Delta and its tributaries. Risk exposure is partly a function of the amount of diversion, the point of diversion, and water rights seniority.

Risk exposure generally increases with the amount of diversion. Large diverters are more likely to be closely regulated and impacted by those regulations than small diverters. A diversion fee, which allocates ERP costs in proportion to the amount diverted, would be generally consistent with a benefits-based approach to cost allocation among water users.

A second question is whether a diversion fee should be differentiated across water users. A uniform fee would be appropriate if the amount of benefit or impact per unit of diversion did not vary much across water users. This would be true if all water users were equally exposed to future ESA-related regulatory actions, which is unlikely to be the case. Junior water right holders face more risk than senior water right holders. This suggests that a disproportionate share of ERP water user benefits will accrue to water users with junior water rights. A diversion fee roughly differentiated by water rights seniority would more closely adhere to a benefits-based approach than a uniform diversion fee. Additionally, water users diverting out of the Delta may be more closely regulated than those diverting above the Delta.

Of the diversion fee options considered, Options 2 and 4, which differentiate fees between Delta exporters and non-exporters, would most closely correlate the fee to differences in benefits due to water rights seniority and point of diversion. Water rights held by CVP and SWP are generally junior to rights held by in-basin and upstream diverters. There are exceptions to this, but in general this is the case. Historically, Delta exporters have also faced the greatest amount of regulatory risk.

¹ Non-project agricultural diversions were assumed to average \$15/AF in the Sacramento Valley and Delta and \$25/AF in the San Joaquin Valley. Non-project urban diversions were assumed to average \$150/AF for up-stream (primarily EBMUD and SFPUC) diversions and \$50/AF for Delta diversions.

Options 2 and 4 apply a fee multiple of 2 to CVP and SWP export diversions. While this accounts for the potential difference in benefits received, the multiple was an estimate and would require further evaluation. The Authority currently does not have sufficient information to quantitatively determine the multiple.

- *Administrative feasibility and cost*

Administration and collection of diversion fees from the CVP and SWP would be straightforward and could be accomplished within the existing revenue collection systems for the two projects. For the CVP a new diversion fee would apply to exchange and settlement contract water only. CVP diversions subject to the CVP RF would not be assessed a new fee.

Collecting fees from non-project diverters would be more challenging. While most, if not all, medium and large agricultural and urban districts subject to fees are known to the state through their SWRCB water rights filings and measure their diversions, there are hundreds, if not thousands, of small, mostly agricultural, diverters that the state would need to collect from. Many of these small diversions may not be accurately measured. Administrative systems for collecting fees from these diverters would need to be developed. The SWRCB's recently adopted water rights fee program could be used to identify smaller water right holders subject to a diversion fee. However, this program does not measure actual diversions, so there would still be the measurement problem to address.²

The fee levels and revenue estimates in Table 1 assume the state would not be able to collect fees on all small diversions. They assume the state would successfully collect fees from 80% of non-project urban diversions and 60% of non-project agricultural diversions.

- *Ability to Improve Resource Efficiency*

It has long been argued that water costs in California understate the full social cost of water development and that this results in inefficient use of developed water resources. The overall level of consumption is inefficient because the benefits derived at the margin of use are less than the costs to provide water for these uses. If this is true society could more productively employ some of its resources dedicated to water development in alternative uses. A diversion fee would increase the marginal cost of water to users. If the fee properly reflected unaccounted for costs of water development, such as costs to the environment, it would help to eliminate inefficient use of the resource. In short, diversion fees have the potential to internalize costs of water development that historically have not been incorporated into water prices.

² Implementation of BDA's Staff Proposal on Appropriate Agricultural and Urban Water Use Measurement, adopted by BDA in April 2004, would address some of these measurement problems. Alternatively, agricultural fees for diversions that cannot be measured could be based on estimates of crop applied water or crop consumptive use of water. BDA staff is currently exploring the feasibility of this latter approach.

Other types of fees may be less effective at doing this. For example, a connection fee would not be reflected in water prices and would be largely divorced from decisions about consumption, at least at the margin. Once the connection fee is paid the fee is a sunk cost. A user's marginal cost of water is thereafter unaffected. Likewise, a fee based on the purpose and distribution of ERP projects would not affect water use decisions unless these fees were transmitted through diversion prices. If the fees were paid in lump sums, they would be largely irrelevant to consumption decisions at the margin.

However, there is no guarantee that a diversion fee would improve resource efficiency. Diversion fees are equally capable of worsening resource efficiency if they are poorly designed. Fees set too high could result in under-consumption of the resource, which, from an economic standpoint, is just as inefficient as over-consumption. For example, higher costs for surface water could cause some water users to increase groundwater pumping, which could exacerbate groundwater overdraft in some regions.³

- *Revenue Generation*

Fees prompting a substitution response will fall short of the annual revenue target of \$25 million. The extent of the shortfall will depend on the demand elasticities for water in different uses. Under normal conditions consumers demand more of a good at lower prices and less at higher prices. The elasticity of demand measures the strength of this response. Most empirical studies have found the demand for water to be very inelastic – meaning higher prices prompt some substitution response, but not much. Long-run estimates of demand elasticity for urban water uses generally range between -0.1 and -0.2, which means a 10% increase in the cost of urban water use would decrease demand by one to two percent. Likewise, estimates of demand elasticity for agricultural uses are also low. The median estimate of elasticity from a review of 53 irrigation demand studies was -0.22. In aggregate, we estimate the fees presented here would increase diversion costs by roughly 3%. With a long-run demand elasticity of -0.2, the hypothesized fees would decrease demand by 0.6%, in which case fee revenue would total \$24.85 million rather than \$25 million. This estimate probably understates the response that should be expected. This is because demand elasticities reflect changes in the use of water and not changes in the source of water. If users are able to substitute groundwater for surface water at low cost, the impact of higher diversion costs could be greater than suggested by empirical estimates of demand elasticity.

- *Social Equity*

Looking at the percentage change in water diversion cost, agricultural water users would be more sharply affected than urban users under any of the four diversion fee options. Figure 2 shows that diversion costs for agricultural users would increase by five to twenty

³ If the fee results in the marginal cost of surface water exceeding the marginal cost of groundwater, users will substitute groundwater for surface water. Substitution will continue until groundwater costs rise to the level of surface water costs. Thus users will switch to groundwater until groundwater levels drop enough drive up pumping costs to the level of surface water costs.

percent, while Figure 4 shows an increase for urban users of one to three percent. Option 4 does the best job of reducing the differential in rate impacts between agricultural and urban users, though the differential, in percentage terms, remains significant.

These differences do not necessarily point to an inequity. Primarily, they reflect the fact that diversion costs for urban users are much higher to begin with. In dollar amounts, urban users pay the same or higher fees as their agricultural counterparts under all four fee options. The differences do suggest, however, that adjustment costs would be higher in the agricultural sector. Increases in diversion costs of five to twenty percent could affect farming profits and the viability of some farming operations. Ultimately, the higher costs would impact agricultural land values to some degree and cause resources to shift out of marginal farming operations.⁴ Urban users would also face higher costs and marginal uses of the resource would also be affected. However, these impacts would be spread over many more users. In the agricultural sector, impacts will be concentrated. In the urban sector they will be diffuse.

Fees that do not follow the distribution of benefits would be more inequitable than those that do. As discussed previously, fees that differentiate between export and non-export users may better reflect the distribution of expected ERP benefits. This suggests that from the standpoint of equity Options 2 and 4 should be preferred to Options 1 and 3.

A final consideration with regard to equity is whether the fees proposed under the four options are broadly consistent with fees paid by CVP contractors into the CVP RF. CVP RF charges under CVPIA 3407(d) are approximately \$8/AF for agricultural contractors and \$16/AF for M&I contractors. The FY2005 revenue forecast from these fees is about \$46 million. If \$20 million of these revenues contribute to the ERP, then agricultural and M&I CVP contractors are paying roughly \$3.48/AF and \$6.96/AF, respectively, to support ERP projects. The total and proportional Restoration Fund rates exceed any of the rates under the four diversion fee options. The rates proposed for urban and agricultural exports under Option 4 are about 75% of the rates CVP contractors would pay to support ERP.

⁴ From an economic efficiency standpoint, this is exactly what needs to happen – in both the agricultural and urban sectors -- in order to eliminate inefficient consumption of the resource at the margin. Protecting resource users from these impacts would perpetuate these inefficiencies.

Table 1. ERP Water User Fee Options Based on Diversions

Water Users in Beneficiary Group	Estimated TAF Diversion by Water User to Estimate Fee Revenue	Diversion Fee Option (\$/AF)				Revenue by Diversion Fee Option (\$1,000)			
		1	2	3	4	1	2	3	4
Sacramento Valley Agriculture	5,159	2.12	1.62	1.81	1.32	7,748	5,917	6,604	4,829
DWR SWP Sac V	16					35	27	30	22
SWP Ag settlement contracts	1,005					2,133	1,629	1,818	1,329
CVP Ag settlement contracts Sac	1,424					3,022	2,308	2,576	1,883
Ag Nonproject *	2,009					2,558	1,954	2,181	1,595
CVP Ag contracts	704	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Delta Agriculture	1,219	2.12	1.62	1.81	1.32	1,527	1,166	1,302	952
Ag Nonproject Sac V Delta *	490					624	476	532	389
Ag Nonproject SJV Delta *	709					903	690	770	563
CVP Ag contracts	20	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Delta Export Agriculture	3,805	2.12	3.24	1.81	2.65	4,686	7,157	3,994	5,841
SWP Ag Project	1,331					2,824	4,313	2,407	3,520
CVP Ag exchange contracts	720					1,527	2,333	1,302	1,904
CVP Ag settlement contracts SJV	158					334	511	285	417
CVP Ag contracts	1,597	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Other San Joaquin Valley Agriculture	6,258	2.12	1.62	1.81	1.32	6,713	5,127	5,722	4,184
Ag Nonproject *	5,272					6,713	5,127	5,722	4,184
CVP Ag contracts	986	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Upstream Urban Diverters	824	2.12	1.62	3.62	2.65	1,154	881	1,968	1,439
CVP M&I settlement contracts Sac	30					65	49	110	80
M&I Nonproject **	642					1,090	832	1,858	1,358
CVP M&I contract Sac	152	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
CVP M&I contract Friant	44	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Urban Delta Exporters	1,519	2.12	3.24	3.62	5.29	3,050	4,658	5,200	7,603
SWP M&I Project	1,362					2,891	4,415	4,929	7,207
CVP M&I exchange contracts	71					151	231	257	376
CVP M&I settlement contracts SJV	4					8	12	14	20
CVP M&I contracts	82	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Urban In-Delta Diverters	191	2.12	1.62	3.62	2.65	123	94	210	153
Delta M&I (not CCWD) **	72					123	94	210	153
CVP M&I contract (CCWD)	118	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Total, Bay-Delta System	18,975					25,000	25,000	25,000	25,000

*Revenue estimate assumes fees collected on 60% of diversions.

**Revenue estimate assumes fees collected on 80% of diversions.

Option 1: Uniform fee Option 2: Higher fee for exports Option 3: Higher fee for urban Option 4: Higher fee for exports and urban

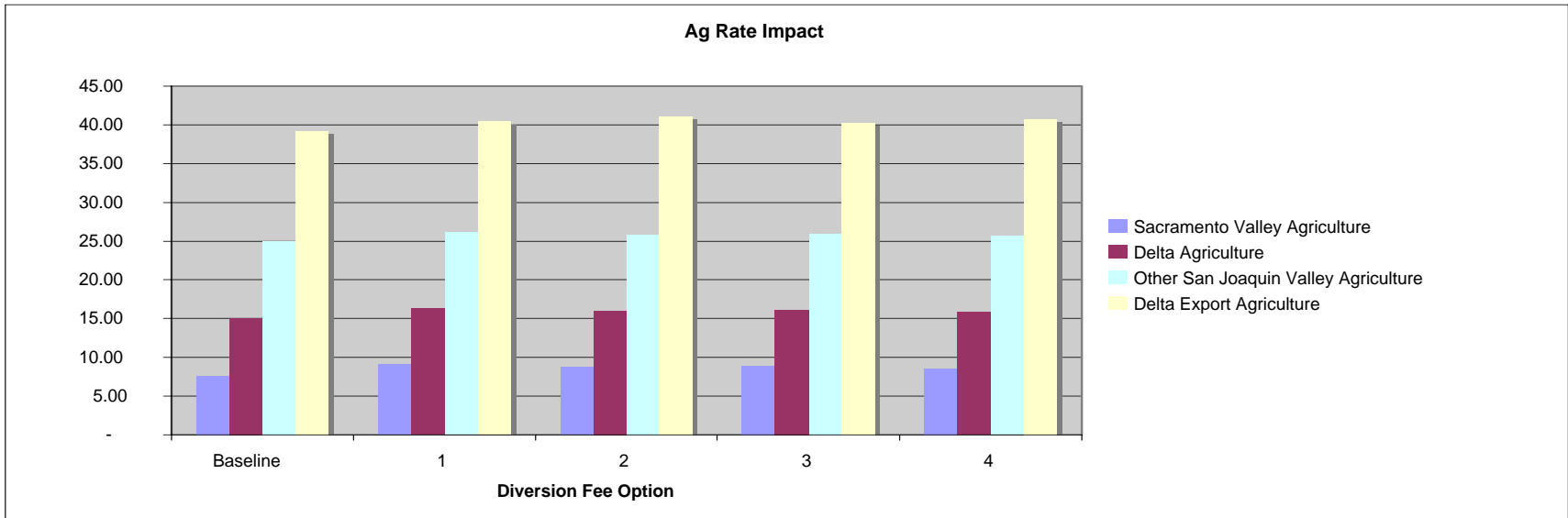


Figure 1

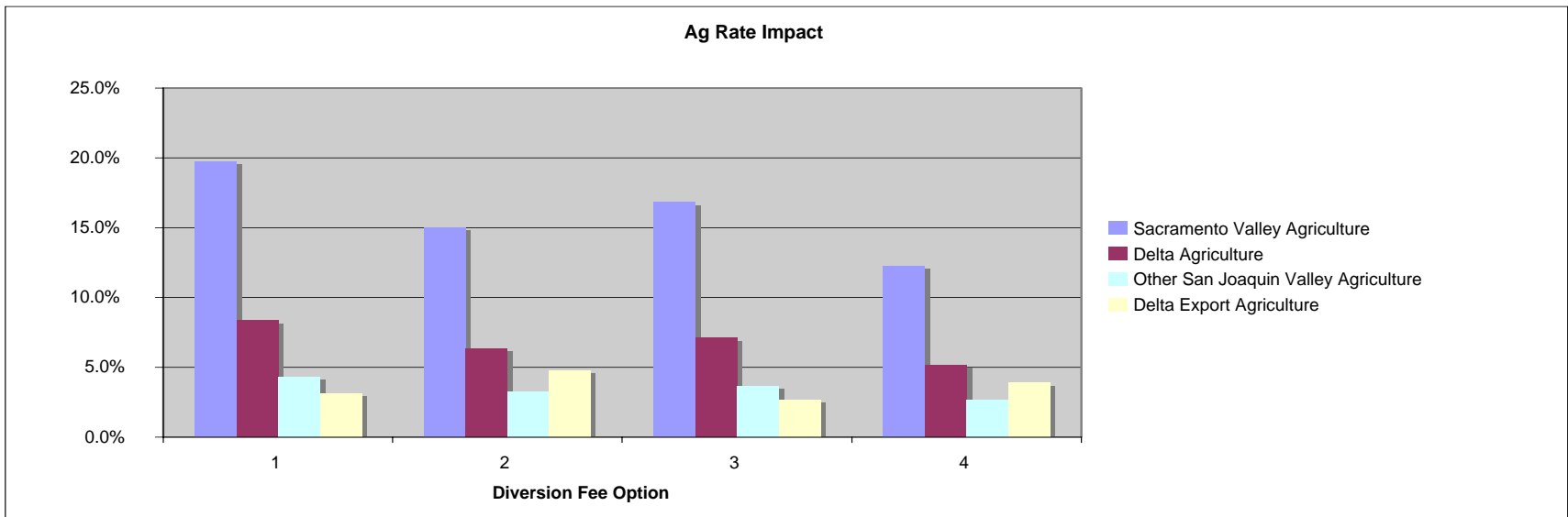


Figure 2

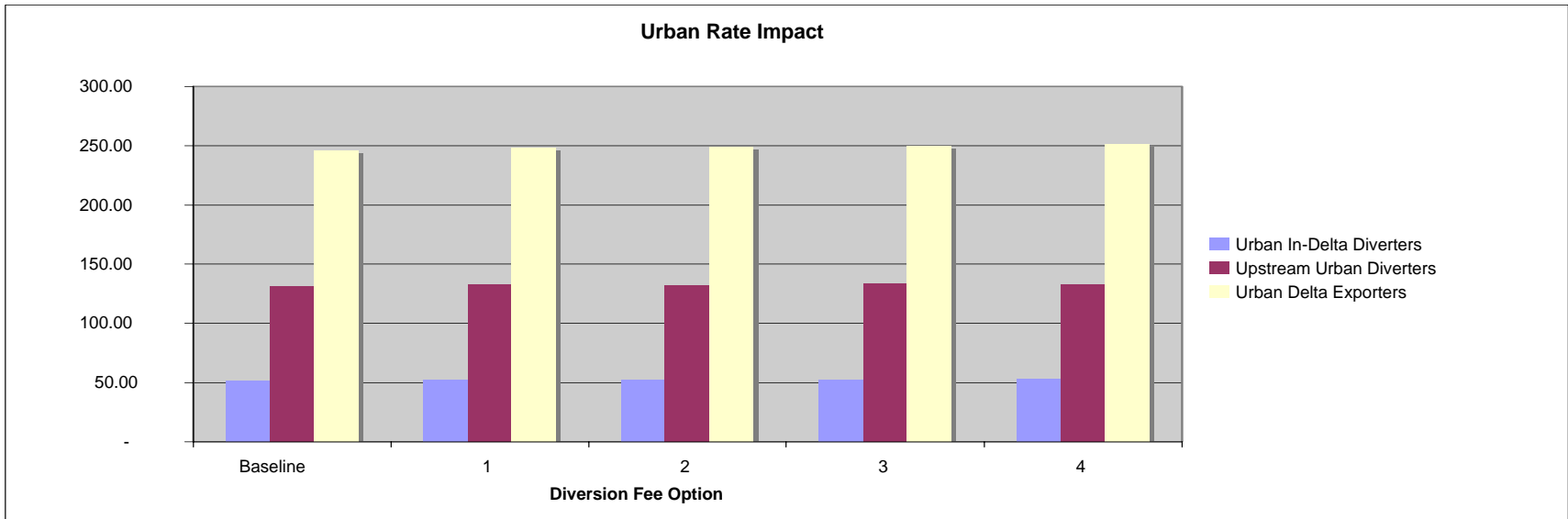


Figure 3

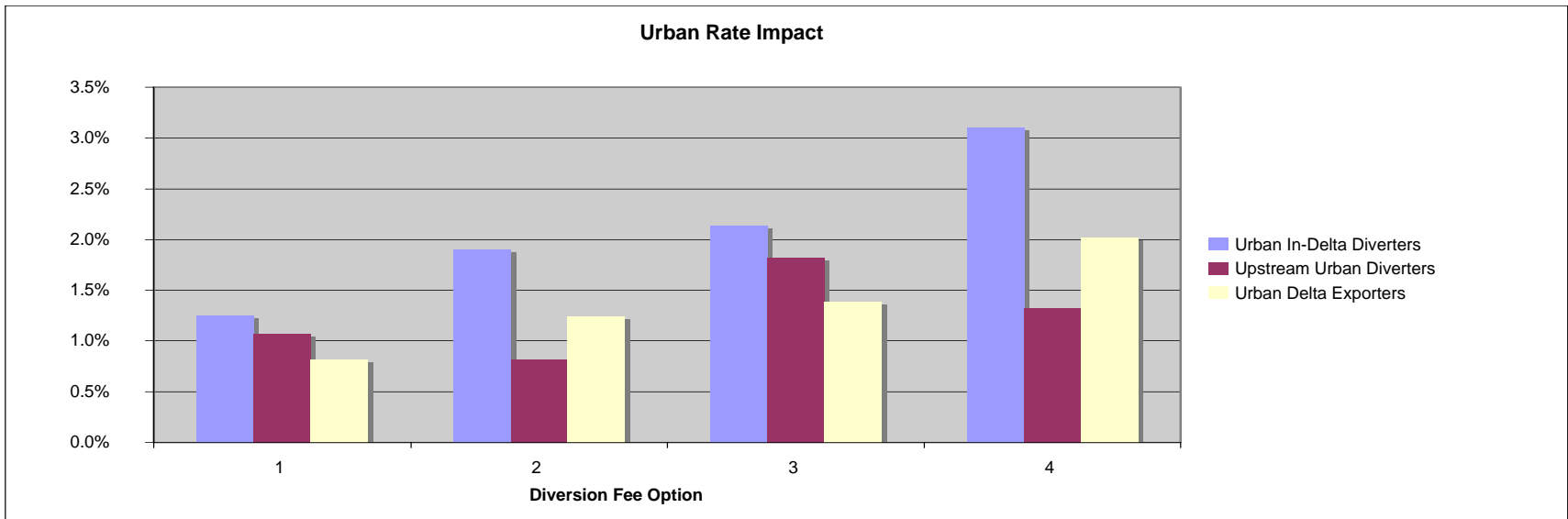


Figure 4

Fees Based on Storage Capacity

This option would charge owners of surface water storage facilities based on the amount of storage capacity. All major facilities that store water from Bay-Delta watersheds would pay the fee. This option differs from a diversion fee option in that a variety of types of users of storage space would pay. Some storage facilities are used primarily for water supply, but some facilities are operated for flood control, hydropower, recreation, and other purposes. All persons who benefit from the facilities, not just water users, would probably pay. It would be up to each storage owner to determine how fee costs would be recovered from each of the purposes.

The unit charge (\$/AF storage) could be adjusted to obtain any desired revenue, subject to ability to pay. Ability to pay, in this context, means that at sufficiently high fee levels some storage users might not be induced to pay by any reasonable incentives.

Revenues would also depend on the size of facilities covered under the fee. There are thousands of small storage facilities in the state. It would be impractical to try to collect fees from a large number of small storage facilities, and a decision regarding the cut-off point for facilities covered by the fee would be required.

Metropolitan Water District of Southern California developed an example where only large storage facilities are included. Storage capacities for 33 major reservoirs are used. Two alternative actions are evaluated. In one, \$45 million is raised and all storage capacity pays the same fee. In the second, CVP facilities must contribute \$20 million and non-CVP facilities contribute \$25 million per year.

Results are summarized in Table 2 below. In either action, the CVP pays about \$20 million per year, the SWP pays about \$7 million, and the “Other-Local” category pays about \$14.5 million per year. Table 3 lists the storage facilities included in “Other-Local.” The fees amount to \$1.94/AF of storage capacity.

Table 2. Results of Metropolitan's Analyses, Fees Allocated According to Share of Storage Space

Storage Operator	# of Reservoirs	MAF Capacity	CVP pays \$20 Mil, All Others Pays \$25 Mil		All Storage Pays the Same Fee	
			\$ millions	\$/AF	\$ millions	\$/AF
SWP	2	3.64	\$7.1	\$1.95	\$7.0	\$1.93
USBR/CVP	8	10.46	\$20.0	\$1.91	\$20.2	\$1.93
USCE	5	1.68	\$3.3	\$1.95	\$3.3	\$1.93
OTHER-LOCAL	18	7.48	\$14.6	\$1.95	\$14.5	\$1.93
TOTAL	33	23.27	\$45.0	\$1.93	\$45.0	\$1.93

Table 3. Other-Local Storage Facilities Included in Metropolitan's Analyses, Fees Allocated According to Share of Storage Space

Reservoir	Owner	Stream	Capacity (AF)	Share of Capacity
Almanor	PG&E	North Fork Feather	1,308,000	17.5%
Bucks Lake	PG&E	Bucks Creek	103,000	1.4%
Salt Springs	PG&E	N. F. Mokelumne	141,900	1.9%
Little Grass Valley	SFWPA	South Fork Feather	93,010	1.2%
French Meadows	PCWA	M. F. American	136,000	1.8%
Hell Hole	PCWA	Rubicon River	208,400	2.8%
Loon Lake	SMUD	Gerle Creek	76,500	1.0%
Union Valley	SMUD	Silver Creek	230,000	3.1%
Indian Valley	YCFCWCD	N. F. Cache Crk	300,000	4.0%
Clear Lake	YCFCWCD	Cache Creek	313,000	4.2%
Pardee	EBMUD	Mokelumne River	210,000	2.8%
Camanche	EBMUD	Mokelumne River	412,120	5.5%
Lake Lloyd (Cherry)	SF	Cherry Ck/Tuolumne	274,300	3.7%
Hetch Hetchy	SF	Tuolumne River	360,000	4.8%
New Don Pedro	TID	Tuolumne River	2,030,000	27.1%
Lake McClure	Merced Co	Merced River	1,024,600	13.7%
Edison	SCE	Mono Creek	125,000	1.7%
Shaver	SCE	Stevenson Creek	135,400	1.8%
		TOTAL	7,481,230	100.0%

The breakdown indicates that, in this example, relatively large shares of the \$14.5 million would be paid by TID (27.1%), P&E (20.8%), and Merced County (13.7%). Note that inclusion of hydropower facilities causes the distribution of costs within the “other” category to differ significantly from diversion-based fees.

Fee levels by water user class

The amount of fee paid by water user class cannot be determined, even for the example, because many storage facilities are used for multiple purposes. It would be up to each owner/operator to determine how fee costs would be recovered from each of the purposes. This also means that rate impacts cannot be evaluated without a better understanding of how storage operators might allocate these fees. However, some general findings for each water user class are possible.

- *Sacramento Valley Agriculture*

Most water users under this water user class do not own surface water storage. There are some small facilities such as Black Butte Lake and Stony Gorge that might contribute. Lake Berryessa, if included, would be an important contributor. CVP project agriculture, primarily in the Tehama Colusa service area, would continue to contribute through the CVP RF. Therefore the new contribution by this group would probably be small. Many water users would pay no fee.

- *Delta Agriculture*

This group owns no significant surface storage, so their fee level would be zero to minimal.

- *Delta Export Agriculture*

The share of new fees paid by Delta Export Agriculture would depend on how much of the storage fee is allocated to agricultural water use, municipal water use, and other storage purposes. SWP Ag Project users would contribute based primarily on storage capacity at Oroville. The total SWP contribution of \$7 million would be split between municipal and agricultural water and other SWP users. CVP Ag contracts would continue to contribute through the CVP RF. CVP settlement and exchange users would probably not contribute.

- *Other SJV Agriculture*

This group would contribute substantially in proportion to surface water storage facilities on the Eastside San Joaquin, but shares paid by hydropower, municipal and other storage users might limit their dollar contribution. CVP agriculture served by the Friant and Madera units already contributes through fees required by the CVPIA. Many water users do not use storage and therefore would pay no fee.

- *Upstream Urban Diverters*

This group would contribute substantial new funds through eastside reservoirs owned by EBMUD and the City and County of San Francisco. Metropolitan's analysis suggests that these two users would contribute 16.8% of the "Other-local" category or \$2.4 million per

year. This share could vary depending on the amount of total storage capacity included as a basis for the fee.

- *Urban Delta Exporters*

This group would contribute primarily through reservoir space owned by the SWP. The total SWP contribution of \$7 million would be split between municipal, agricultural and other SWP users.

Some CVP urban use would be included. This group already contributes through the CVP RF. The analysis by Metropolitan and precedent suggest that, even if the restoration fund were replaced by a storage-based fee, the amount of cost paid by the CVP would not change substantially.

- *CVP M&I CCWD*

Any adjustment to current restoration payments would probably be small.

Discussion of Storage-Based Fees

- *Adherence to benefits-based approach*

The water user cost share (30%) proposed in the Finance Plan recognizes the significant benefits expected to accrue to the water users from the ERP as well as the impacts diversions or storage have on the ecosystem. This option is based on a theory that storage users benefit from the ERP and impact the ecosystem, and should pay based on the capacity of water storage. Water storage is presumed to be a proxy for benefits and impacts. The benefits might be avoided costs of complying with environmental laws involving amount of water stored, water yield of the watershed blocked by dams, and for habitat blocked or inundated. This approach embodies the idea that all persons who capture surface water in surface storage facilities should contribute regardless of how they use the water. Storage space for flood control, hydropower, emergency storage and all other uses would pay.

Implicit in this option is the idea that persons who divert and use natural flows – water that has not been stored – do not benefit or impact from the ERP. Therefore, they do not pay. For this option to be consistent with a benefits-based approach there must be consensus that these water users do not contribute to Bay-Delta problems, or they are not responsible for them, or they have already contributed their fair share.

- *Administrative feasibility and cost*

This option would be highly feasible in terms of simplicity of administration. Storage capacities are known with a relative high degree of certainty. The costs of administration would increase with the number of smaller storage facilities included in the fee basis. At

some point, the incremental costs of collecting from small facilities would exceed the incremental fee revenue, and such small facilities should not be included in the fee basis.

There are some issues about the feasibility of this option in relation to many other environmental laws and permitting for storage facilities. In particular, FERC typically requires many environmental improvements as part of their storage licensing. Possibly, the storage fees would have to be included as part of future license requirements.

- *Ability to improve resource efficiency*

This option would do little to nothing to improve resource efficiency because there is no additional, variable fee imposed on resource use. This finding presumes that resource prices are already too low, so some additional price would improve efficiency. Possibly, the new fee would discourage construction of new storage facilities.

- *Revenue Generation*

This option would provide a constant source of revenue. Unlike a diversion fee, price substitution effects and variations in annual water use caused by weather or the economy would not affect revenue generated by this fee structure.

- *Social equity*

The distribution of costs of fees over income groups cannot be determined because each storage owner would determine the allocation of costs among storage users.

This option could be viewed as more equitable in that all users of water storage facilities, not just water users, must contribute. On the other hand, persons who divert Bay-Delta water but do not store would not contribute.

- *Key Uncertainties*

A key uncertainty involves interactions with other regulatory requirements for storage facilities – notably FERC relicensing of storage facilities producing hydropower.

Fees Based on Diversions & Storage Capacity

The last option presented combines the first two approaches. Half of the revenue requirement is recovered with a diversion fee and half with a storage fee. The resulting diversion and storage fees are shown in Tables 4 and 5, respectively. Because of the assumption that each fee would generate half of the \$25 million revenue requirement, the fee levels are simply 50% of those shown in Tables 1 and 2. As with the other options, water users already paying into the CVP RF would not be subject to these fees.

Discussion of Combined Diversion & Storage Fee

- *Adherence to Benefits-Based Approach*

This option adopts the position that both diverters and storage users potentially benefit from the ERP and impact the ecosystem. The benefits would primarily be avoidance of more stringent regulation of storage and diversions to protect at-risk species and habitat and therefore more reliable and lower cost water supply and power generation than would be the case without the ERP. Water diverters with access to storage are presumed to benefit most and therefore would pay higher fees than water users that divert without storage (e.g. much of Sacramento Valley agriculture) or store water but don't divert offstream (e.g. hydropower, flood protection, and reservoir recreation). Whether the pattern of ERP benefits actually follows this implied distribution requires further analysis.

- *Administrative feasibility and cost*

Storage fees would be relatively easy to administer. Administration of diversion fees would face the same challenges discussed earlier. This example adopts the same revenue collection assumptions as before: namely, that revenue would be collected on 80% of non-project urban diversions and 60% of non-project agricultural diversions.

- *Ability to Improve Resource Efficiency*

If one accepts the premise that current diversion prices do not fully reflect the social costs of surface water development, then increasing diversion costs with a diversion fee could improve resource efficiency. This option would be less effective in this regard than relying only on a diversion fee but would be more effective than only relying on a storage fee.

- *Revenue Generation*

Revenue under this option would be more stable and predictable than under a diversion fee only, but less reliable than under a storage fee only. It provides a middle case between the storage fee and diversion fee options. Revenue risks caused by price substitution effects and variations in diversions caused by economic and weather variables would be lessened but not eliminated.

- *Social Equity*

This option identifies all water users impacting the Bay-Delta watershed as potential beneficiaries of the ERP. Unlike the diversion-fee-only option, which excludes hydropower, flood protection, and recreation, or the storage-fee-only option, which excludes diverters without storage, this option allocates ERP costs to all these users. If one accepts the premise that all of these users potentially gain from ERP actions, this option could be viewed as the most equitable of the three provided a consensus forms

around the division of water user costs among these various user groups. One of the challenges of this option with regard to fairness is the fact that some users will be subject to both fees while others will be subject to only one fee. If fee amounts do not adequately reflect at least in a general way the benefits accruing to these different groups, particularly those paying both fees could see this approach as inequitable.

Table 4. ERP Diversion Fee With \$12.5 Million Revenue Requirement

Water Users in Beneficiary Group	Estimated TAF Diversion by Water User to Estimate Fee Revenue	Diversion Fee Option (\$/AF)				Revenue by Diversion Fee Option (\$1,000)			
		1	2	3	4	1	2	3	4
Sacramento Valley Agriculture	5,159	1.06	0.81	0.90	0.66	3,874	2,958	3,302	2,414
DWR SWP Sac V	16					17	13	15	11
SWP Ag settlement contracts	1,005					1,066	814	909	665
CVP Ag settlement contracts Sac	1,424					1,511	1,154	1,288	942
Ag Nonproject *	2,009					1,279	977	1,090	797
CVP Ag contracts	704	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Delta Agriculture	1,219	1.06	0.81	0.90	0.66	763	583	651	476
Ag Nonproject Sac V Delta *	490					312	238	266	194
Ag Nonproject SJV Delta *	709					452	345	385	281
CVP Ag contracts	20	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Delta Export Agriculture	3,805	1.06	1.62	0.90	1.32	2,343	3,578	1,997	2,920
SWP Ag Project	1,331					1,412	2,157	1,204	1,760
CVP Ag exchange contracts	720					764	1,166	651	952
CVP Ag settlement contracts SJV	158					167	255	142	208
CVP Ag contracts	1,597	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Other San Joaquin Valley Agriculture	6,258	1.06	0.81	0.90	0.66	3,356	2,563	2,861	2,092
Ag Nonproject *	5,272					3,356	2,563	2,861	2,092
CVP Ag contracts	986	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Upstream Urban Diverters	824	1.06	0.81	1.81	1.32	577	441	984	719
CVP M&I settlement contracts Sac	30					32	25	55	40
M&I Nonproject **	642					545	416	929	679
CVP M&I contract Sac	152	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
CVP M&I contract Friant	44	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Urban Delta Exporters	1,519	1.06	1.62	1.81	2.65	1,525	2,329	2,600	3,802
SWP M&I Project	1,362					1,445	2,208	2,464	3,603
CVP M&I exchange contracts	71					75	115	129	188
CVP M&I settlement contracts SJV	4					4	6	7	10
CVP M&I contracts	82	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Urban In-Delta Diverters	191	1.06	0.81	1.81	1.32	62	47	105	77
Delta M&I (not CCWD) **	72					62	47	105	77
CVP M&I contract (CCWD)	118	CVP RF	CVP RF	CVP RF	CVP RF	-	-	-	-
Total, Bay-Delta System	18,975					12,500	12,500	12,500	12,500

*Revenue estimate assumes fees collected on 60% of diversions.
 **Revenue estimate assumes fees collected on 80% of diversions.

Option 1: Uniform fee	Option 2: Higher fee for exports	Option 3: Higher fee for urban	Option 4: Higher fee for exports and urban
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Table 5. Storage Fee With a \$12.5 Million Revenue Requirement

Storage Fee	\$1,000/Yr	Capacity	\$/AF
SWP	3,555	3,642	0.98
TID	1,981	2,030	0.98
USCE	1,643	1,683	0.98
PG&E	1,516	1,553	0.98
Merced County	1,000	1,025	0.98
SF	619	634	0.98
EBMUD	607	622	0.98
YCFCWCD	598	613	0.98
PCWA	336	344	0.98
SMUD	299	307	0.98
SCE	254	260	0.98
SFWPA	91	93	0.98
USBR/CVP	-	10,459	-
Revenue Generated (\$1,000)	12,500	23,266	

Summary of Allocated Costs Under Each Fee Option

Table 6 summarizes how ERP costs allocated to water users would be divided among SWP, CVP, and non-project water users under each of the three fee options. ERP costs assigned to non-project water users are highest under the storage fee option and lowest under the diversion fee option. For the SWP, the situation is reversed. Fees are highest under the diversion fee option and lowest under the storage fee option. It is also important to remember that the mix of non-project water users is not the same between these two options. In the case of a diversion fee, non-project water users include diverters without storage, but exclude storage without diversions (e.g. hydropower, flood protection, and recreation). In the case of a storage fee, the opposite is the case. Only in the case of the combined storage and diversion fees does the non-project water user category include both diverters without storage and storage without diversions.

Table 6. Summary of Division of Water User Costs

Diversion Fee Only (\$ millions)				
<i>Diversion Fee Variation</i>				
Water User	1	2	3	4
SWP	7.9	10.4	9.2	12.1
CVP	20.0	20.0	20.0	20.0
CVP Settle/Exch	5.1	5.4	4.5	4.7
Non Project	12.0	9.2	11.3	8.2
Total	45.0	45.0	45.0	45.0
Storage Fee Only (\$ millions)				
Water User				
SWP	7.1			
CVP	20.0			
CVP Settle/Exch				
Non Project	17.9			
Total	45.0			
Storage & Diversion Combined Fees (\$millions)				
<i>Diversion Fee Variation</i>				
Water User	1	2	3	4
SWP	7.5	8.7	8.1	9.6
CVP	20.0	20.0	20.0	20.0
CVP Settle/Exch	2.6	2.7	2.3	2.3
Non Project	15.0	13.5	14.6	13.1
Total	45.0	45.0	45.0	45.0

Data Tables Used to Compute Diversion and Storage Fees

Water Users in Beneficiary Group	Estimated TAF Diversion by Water User to Estimate Fee Revenue	Baseline Unit Cost (\$/AF)	Baseline Diversion Cost (\$1,000)
Sacramento Valley Agriculture	5,159	7.61	39,240
DWR SWP Sac V	16	26.84	442
SWP Ag settlement contracts	1,005	0.46	466
CVP Ag settlement contracts Sac	1,424	-	-
Ag Nonproject *	2,009	15.00	30,139
CVP Ag contracts 1/	704	11.63	8,193
Delta Agriculture	1,219	15.03	18,328
Ag Nonproject Sac V Delta *	490	15.00	7,349
Ag Nonproject SJV Delta *	709	15.00	10,639
CVP Ag contracts	20	17.13	339
Delta Export Agriculture	3,805	39.22	149,245
SWP Ag Project	1,331	75.16	100,018
CVP Ag exchange contracts	720	-	-
CVP Ag settlement contracts SJV	158	-	-
CVP Ag contracts 3/	1,597	30.82	49,226
Other San Joaquin Valley Agriculture	6,258	25.05	156,728
Ag Nonproject *	5,272	25.00	131,804
CVP Ag contracts 4/	986	25.29	24,924
Upstream Urban Diversifiers	824	131.01	107,930
CVP M&I settlement contracts Sac	30	-	-
M&I Nonproject *	642	150.00	96,275
CVP M&I contract Sac 6/	152	76.88	11,656
CVP M&I contract Friant 5/	44	50.55	2,223
Urban Delta Exporters	1,519	246.27	374,156
SWP M&I Project 2/	1,362	271.62	370,004
CVP M&I exchange contracts	71	-	-
CVP M&I settlement contracts SJV	4	-	-
CVP M&I contracts 7/	82	50.55	4,153
Urban In-Delta Diversifiers	191	51.56	9,827
Delta M&I (not CCWD) *	72	50.00	3,623
CVP M&I contract (CCWD) 8/	118	52.52	6,204
Total, Bay-Delta System	18,975	45.08	855,455

1/ Baseline unit cost includes Restoration Payment

2/ Baseline unit cost is for So. Cal.

3/ Baseline unit cost is for Delta-Mendota and includes Restoration Payment

4/ Baseline unit cost is for Friant-Kern and includes Restoration Payment

5/ Baseline unit cost is for Friant-Kern and includes Restoration Payment

6/ Baseline unit cost is for Folsom-South Canal and includes Restoration Payment

7/ Baseline unit cost is for Friant-Kern Canal and includes Restoration Payment

8/ Includes Restoration Payment

* Baseline unit costs for ag/urban non project are regional estimates.

Reservoir	Dam	Owner	Stream	Reservoir Area (Acres)	Capacity (AF)
State Water Project Reservoirs					
Oroville	Oroville Dam	DWR	Feather River	15,800	3,537,600
Camp Far West	Camp Far West	DWR	Bear River	2,050	104,500
SUBTOTAL				17,850	3,642,100
USBR/CVP Reservoirs					
Shasta	Shasta Dam	USBR	Sacramento River	29,500	4,552,000
Whiskeytown Dam	Whiskeytown	USBR	Clear Creek	3,200	241,000
Folsom Lake	Folsom Dam	USBR	American River	11,450	977,000
New Melones	New Melones	USBR	Stanislaus River	12,500	2,400,000
Berryessa	Montecello	USBR	Putah Creek	20,700	1,602,000
Beardsley *	Beardsley	USBR	Stanislaus River	650	77,600
Huntington *	Huntington	USBR	South Fork San Joaquin	1,440	89,800
Millerton	Friant	USBR	San Joaquin	4,900	520,000
SUBTOTAL				84,340	10,459,400
USCE Reservoirs					
Black Butte	Black Butte	USCE	Stony Creek	4,560	160,000
New Bullards Bar	New Bullards Bar	USCE	North Yuba River	4,810	966,103
New Hogan	New Hogan	USCE	Calaveras River	4,410	317,100
Eastman Lake	Buchanan	USCE	Chowchilla River	1,780	150,000
Hensley Lake	Hidden Dam	USCE	Fresno River	1,570	90,000
SUBTOTAL				17,130	1,683,203
Other/Local Reservoirs					
Pardee *	Pardee	EBMUD	Mokelumne River	2,134	210,000
Camanche	Camanche	EBMUD	Mokelumne River	7,700	412,120
Lake McClure	New Exchequer	Merced County	Merced River	7,130	1,024,600
French Meadows *	French Meadows	PCWA	Middle Fork American	1,420	136,000
Hell Hole *	Lower Hell Hole	PCWA	Rubicon River	1,250	208,400
Almanor	Canyon	PG&E	North Fork Feather	28,257	1,308,000
Bucks Lake *	Bucks Storage	PG&E	Bucks Creek	1,827	103,000
Salt Springs *	Salt Springs	PG&E	North Fork Mokelumne	975	141,900
Edison *	Vemilion Valley	SCE	Mono Creek	1,890	125,000
Shaver *	Shaver Lake	SCE	Stevenson Creek	2,177	135,400
Lake Lloyd (Cherry Lk) *	Cherry Valley Dam	SF	Cherry Crk/Tuolumne R	1,760	274,300
Hetch Hetchy *	O'Shaughnessy	SF	Tuolumne River	1,972	360,000
Little Grass Valley	Little Grass Valley	SFWPA	South Fork Feather	1,433	93,010
Loon Lake *	Loon Lake	SMUD	Gerle Creek	1,450	76,500
Union Valley *	Union Valley	SMUD	Silver Creek	2,575	230,000
New Don Pedro	Don Pedro	TID	Tuolumne River	12,960	2,030,000
Indian Valley	Indian Valley	YCFCWCD	North Fork Cache Crk	4,000	300,000
Clear Lake	Clear Lake Imp	YCFCWCD	Cache Creek	43,000	313,000
SUBTOTAL				123,910	7,481,230
TOTAL				243,230	23.3 MAF

Data from DWR Website: <http://cdec.water.ca.gov/misc/resinfo.html>;

Legend: PCWA: Placer County Water Agency
SCE: Southern California Edison
EBMUD: East Bay Municipal Utility District
YCFC&WCD: Yolo County Flood Control & Water Conservation District
SFWPA: South Feather Water and Power Agency
SMUD: Sacramento Municipal Utility District
COE: United States Army Corps of Engineers
TID: Turlock Irrigation District