

Reliable Water Financing – CUWA’s Public Investment White Paper

Contra Costa Council Water Task Force
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CALIFORNIA **URBAN WATER** AGENCIES

CUWA’s Mission



EBMUD Mokelumne Aqueduct

To provide a forum for combining the expertise and resources of its member agencies to study and promote the need for a reliable, high-quality water supply for the State's current and future urban water needs.

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Introduction

Acknowledgments


CUWA Public Investment Committee Co-Leaders

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- CCWD – Desiree Castello
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EBMUD Mokelumne Aqueduct

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Introduction

Goals and Objectives of White Paper

- Provide technical basis to inform any new approaches for public water financing
- Articulate concerns with a public goods charge (PGC) for water
- Advance the beneficiary pays approach as a financing mechanism for statewide application



SCVWD



MWDSC Parker Dam

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5

Public Goods Charge

CUWA Concerns with Current Proposals for a PGC on Water

- Lacks a nexus to beneficiaries.
- Represents a *de facto* new tax.
- Not sufficiently inclusive of beneficiaries.
- Ignores existing fund-raising authority that water agencies already exercise effectively.
- Would be less efficient than locally based systems.



SDCWA


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6

Technical Basis

Beneficiary Pays Principle

- Requires those receiving a benefit from a given project or program to pay a **proportional** share of the cost
- Applies **prospectively**, to new projects and programs
- Identifies **full range of beneficiaries**, allocates benefits and provides cost recovery mechanisms
- Covers life cycle costs





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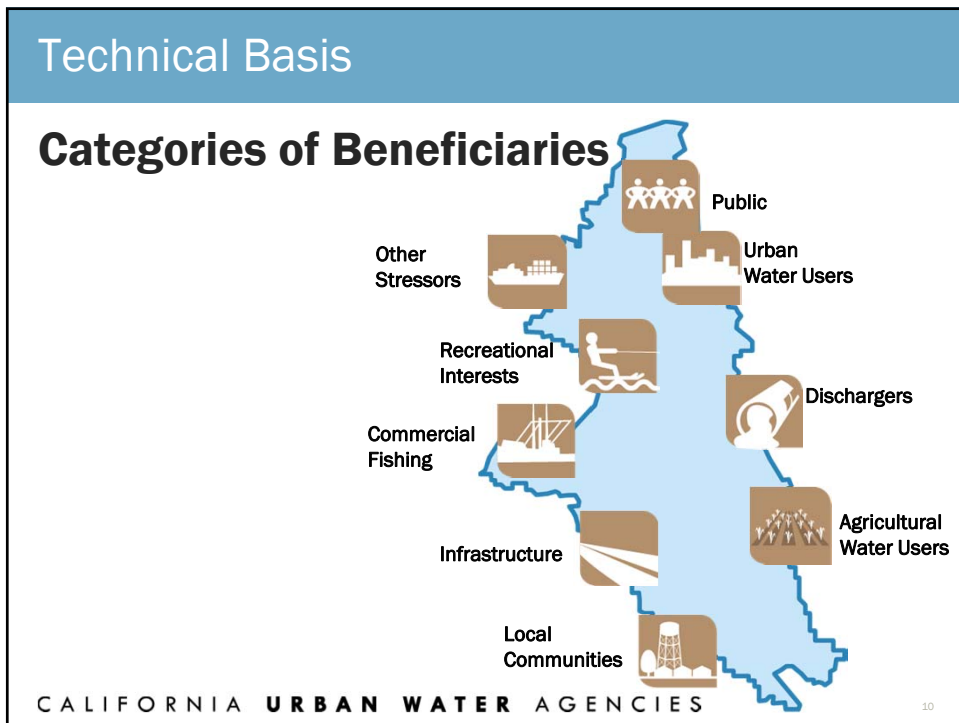
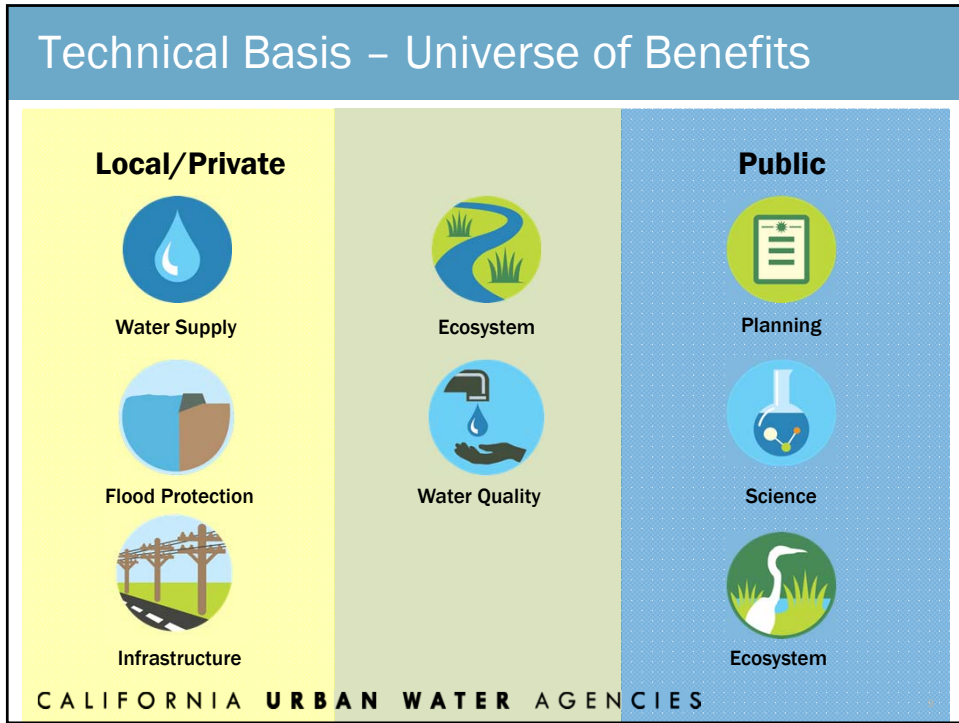
Technical Basis

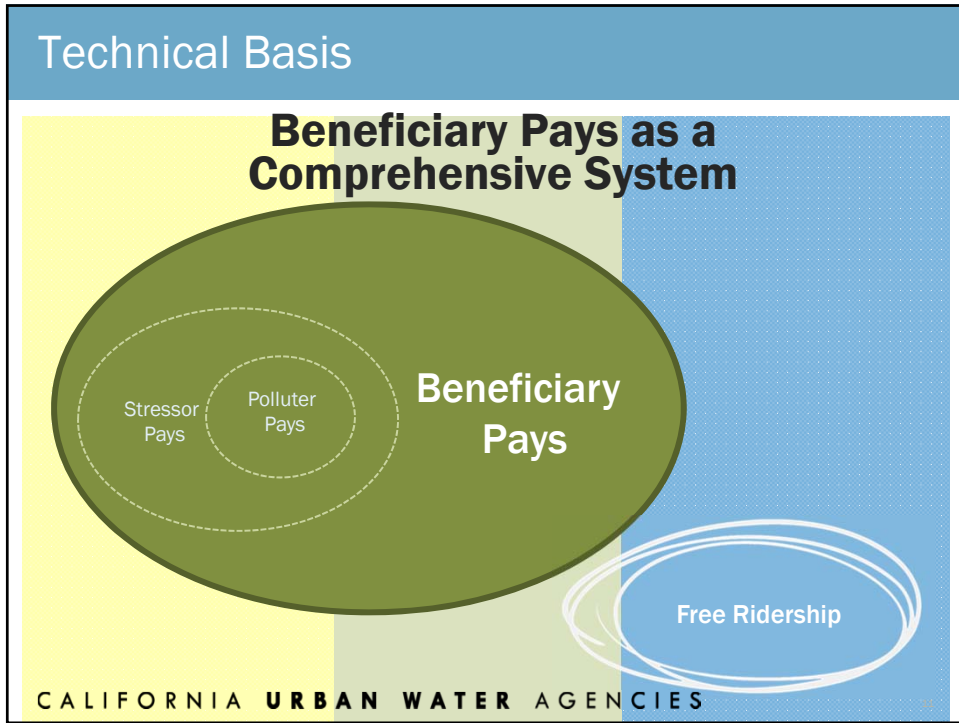
Key Definitions

- **Local/Private Benefits** -
Measureable improvements from a project or program that benefit a community or other entity
- **Public Benefits** -
Goods and services that are broadly available to the general public



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Implementation

Allocation of Benefits and Costs

- Existing Methods
 - Separable Costs-Remaining Benefits
 - Allocates costs proportional to benefits remaining after separable costs are removed
 - SWP and CVP as examples

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Implementation

Allocation of Benefits and Costs

- New Tools to be Developed
 - Administrative or regulatory process
 - Cost allocation and finance plan
 - Enforceable mechanism to ensure cost recovery
 - Authorized entity to implement

Implementation

Cost Recovery

- Private Benefits
 - Water Rates
 - Licenses and Fees
- Public Benefits
 - General Obligation Bonds
 - General Fund
 - Federal Appropriations, Grants, Loans

Examples of Beneficiary Pays Projects



CCWD Los Vaqueros Reservoir Expansion



MWDSC Diamond Valley Lake



EBMUD Freeport Regional Water Project



San Diego Regional San Vicente Reservoir

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Water Agencies are Investing Effectively

CUWA INVESTMENTS IN WATER SUPPLY RELIABILITY OVER THE PAST **20** YEARS



*Not including CUWA wholesale customer investments, or full infrastructure renewal and replacement costs.

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16

A Functional Beneficiary Pays System Would...

- **Identify** all beneficiaries and limit “free riders”
- Establish a **clear nexus** between charges and benefits received
- Provide **specificity**, such that charges are based on defined projects with defined costs
- Provide for a **joint powers forum** in which beneficiaries collaborate



City of San Diego Otay Water Treatment Plant

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17

A Functional Beneficiary Pays System Would... (2)

- Be **transparent** in cost allocation and investment decisions
- **Dedicate funds** strictly to water-related projects and programs
- **Reasonably assure** that benefits will be proportional to charges assessed
- Allow for **special situations** in which a beneficiary might not pay in proportion



SCVWD Vasona Water Meter Calibration Facility

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18

Take Home Messages...



- Be inclusive in defining beneficiaries, or those responsible to cover project costs
- Narrowly define public benefits, minimizing the need for public funding

Next Steps



- Ongoing Conversation
 - California Water Plan – Finance Planning Framework (Finance Caucus)
 - ACWA Finance Task Force
- “Getting on the Public’s Radar”

For more information

www.cuwa.org

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