

Public Investment White Paper

ACWA Water Finance Task Force Meeting
October 21, 2011
CUWA Executive Director, Cindy Paulson, PhD

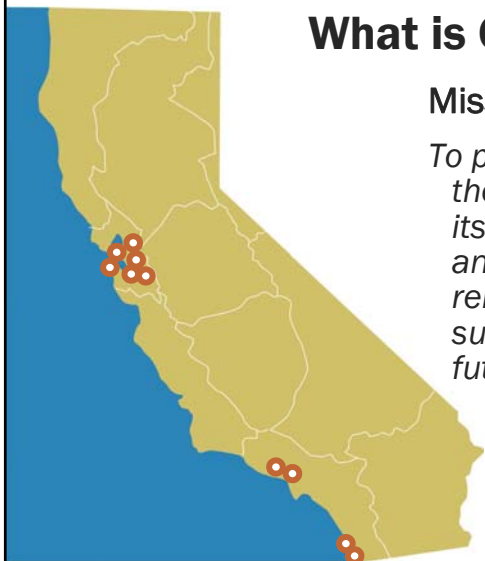
CALIFORNIA URBAN WATER AGENCIES

Introduction

What is CUWA?

Mission

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.



CALIFORNIA URBAN WATER AGENCIES

2

Introduction

Acknowledgments

CUWA Public Investment Committee Co-Leaders

Alex Coate, EBMUD

Debra Man, MWDSC

Committee Members –

- CCWD – Desiree Castello
- EBMUD – Doug Wallace*
- LADWP – David Pettijohn
- MWDSC – Kathy Cole, Brandon Goshi*
- San Diego PUD – Cathy Pieroni*
- SCVWD – Joan Maher*
- SDCWA – Jeff Volberg*
- SFPUC – Molly Petrick
- Zone 7 – Kurt Arends

*Drafting Team



EBMUD Mokelumne Aqueduct

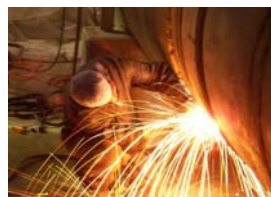
CALIFORNIA URBAN WATER AGENCIES

3

Introduction

Goals and Objectives of White Paper

- Analyze the conceptual basis for user fees
- Establish a common understanding of frequently used terms
- Articulate CUWA's concerns with a public goods charge for water
- Advance the beneficiary pays approach as a financing mechanism for statewide application



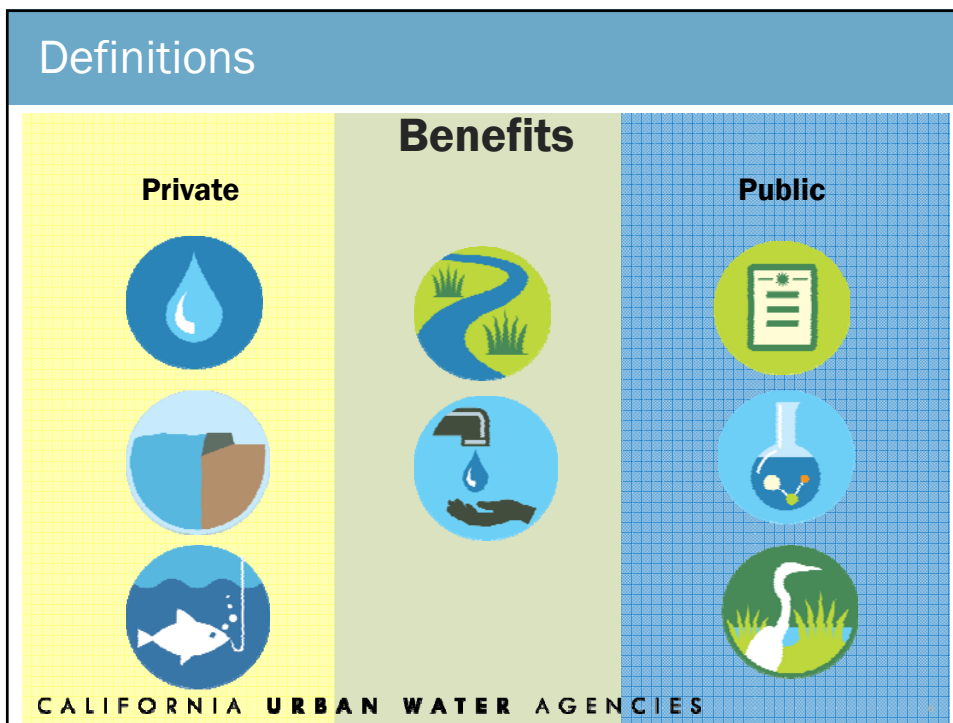
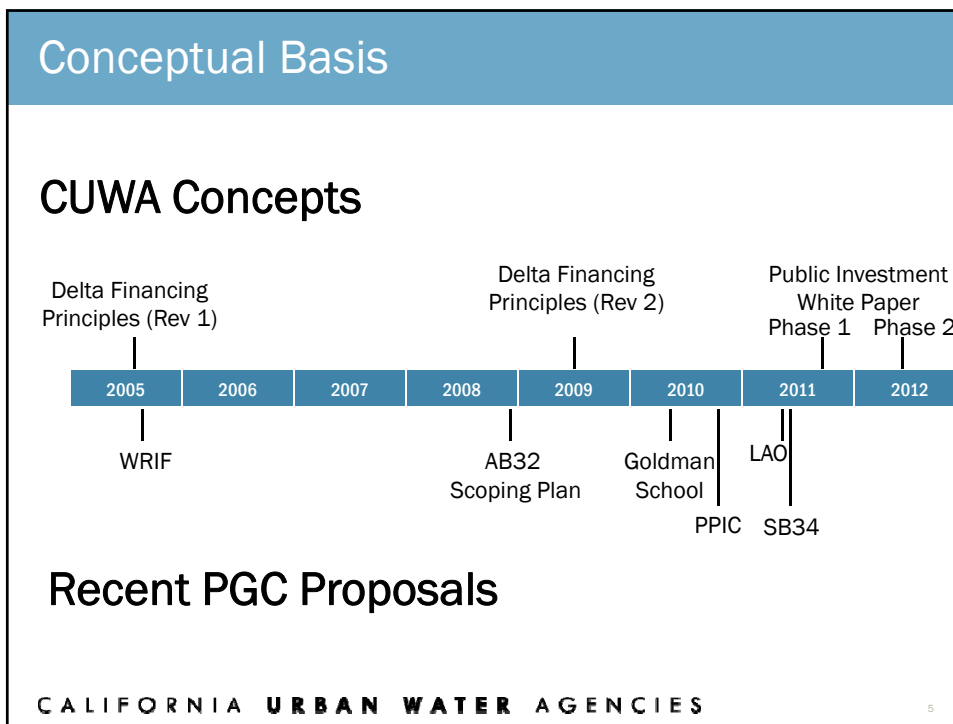
SCVWD

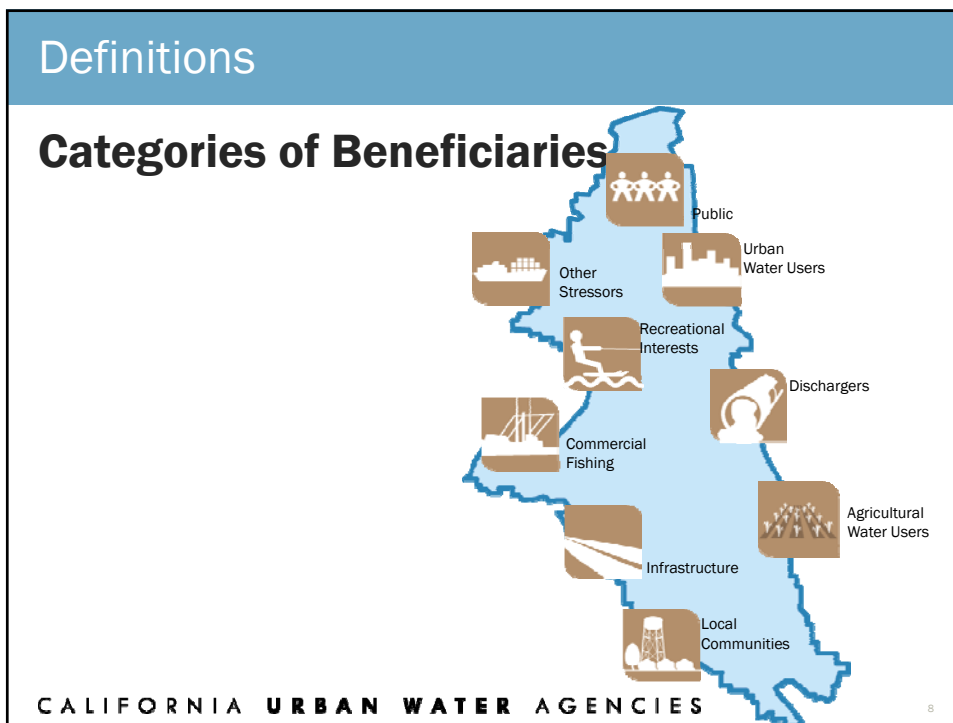
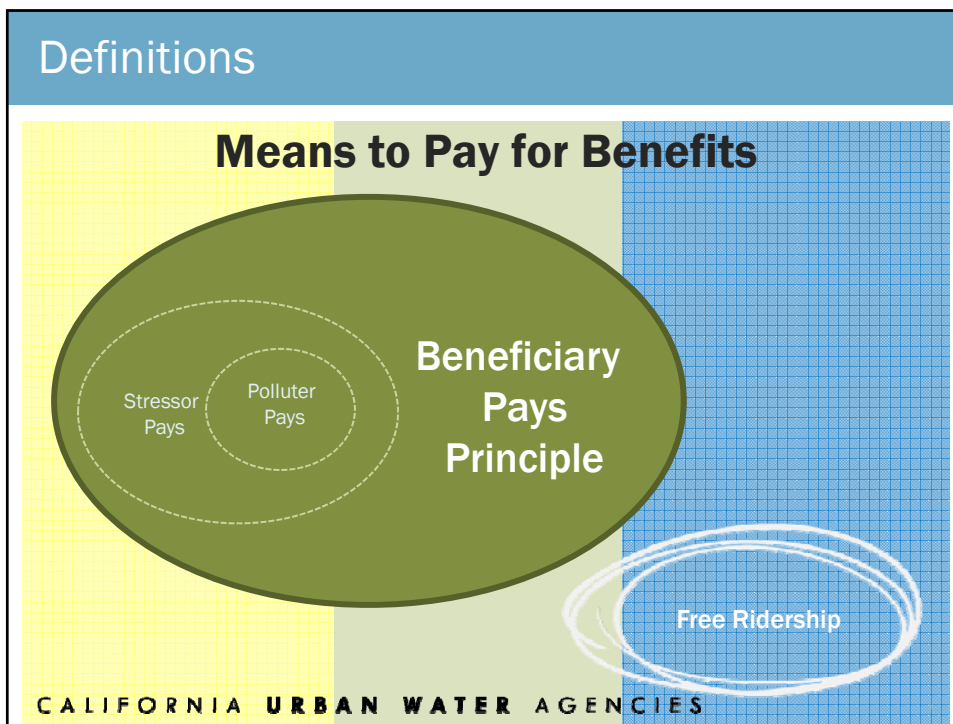


MWDSC Parker Dam

CALIFORNIA URBAN WATER AGENCIES

4





Public Goods Charge

CUWA Concerns with Current Proposals for a PGC on Water

- Lacks a nexus of benefits 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

CALIFORNIA URBAN WATER AGENCIES

9

Beneficiary Pays System

Overview

- Applies prospectively, to new projects and programs
- Identifies full range of beneficiaries, allocates benefits and provides cost recovery mechanisms
- Covers life cycle costs (i.e., planning, design, environmental documentation and mitigation, construction, operation, maintenance, and repair/replacement)



CALIFORNIA URBAN WATER AGENCIES

10

Beneficiary Pays System

CUWA Principles

- **Inclusive** of all beneficiaries
- **A clear nexus** between charges and benefits received
- **Specificity**, based on defined projects and costs
- **Transparency** of benefit and cost allocation decisions, understandable to beneficiaries funding the efforts
- **Strict dedication of funds**
- **Reasonable assurances** that benefits will be delivered



City of San Diego Otay Water Treatment Plant



SCVWD Vasona Water Meter Calibration Facility

CALIFORNIA URBAN WATER AGENCIES

11

Beneficiary Pays System

Working Examples



Diamond Valley Reservoir and Inland Feeder (MWDSC)



Freeport Regional Water Project (EBMUD and Sacramento County)



Los Vaqueros Reservoir Expansion (CCWD)



San Vicente Reservoir Expansion (SDCWA)

CALIFORNIA URBAN WATER AGENCIES

12

Beneficiary Pays System

CUWA Recommendations

- Adopt a common set of terminology on public financing of water projects
- Move away from a PGC for water to a beneficiary pays system
- Build on CUWA principles as the foundation for any new financing system
- Work together to fully formulate and implement



CCWD Middle River Intake Tunnel

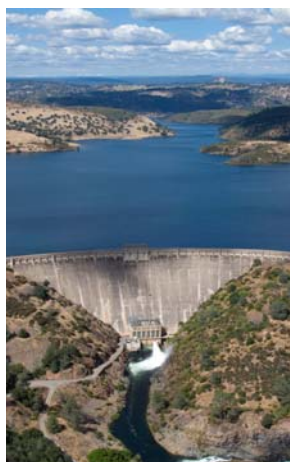
CALIFORNIA URBAN WATER AGENCIES

13

Beneficiary Pays System

Areas for Further Work

- A fair process to allocate costs among beneficiaries.
- Means to provide for public benefits
- A mechanism to effectively deal with the free rider issue
- A clear means to distinguish payments for mitigation versus enhancement
- Achievement of overall consistency with Proposition 26 requirements



EBMUD Pardee Reservoir

CALIFORNIA URBAN WATER AGENCIES

14

For more information

www.cuwa.org

Or contact Cindy Paulson,
CUWA Executive Director

cuwaexec@sbcglobal.net

925-210-2477

CALIFORNIA URBAN WATER AGENCIES