Public Investment White Paper

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

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.
Introduction

Acknowledgments
CUWA Public Investment Committee Co-Leaders
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Committee Members –
• CCWD – Desiree Castello
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• 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

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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
Conceptual Basis

CUWA Concepts

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Recent PGC Proposals

Definitions

Private Benefits Public

Califomia Urban Water Agencies
Means to Pay for Benefits

- Beneficiary Pays
- Polluter Pays
- Stressor Pays

Free Ridership

Categories of Beneficiaries

- Public
- Urban Water Users
- Recreational Interests
- Dischargers
- Agricultural Water Users
- Infrastructure
- Local Communities
- Other Stressors
- Commercial Fishing
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.

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**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)
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

Beneficiary Pays System

Working Examples

- Diamond Valley Reservoir and Inland Feeder (MWOSC)
- Freeport Regional Water Project (EBMUD and Sacramento County)
- Los Vaqueros Reservoir Expansion (CCWD)
- San Vicente Reservoir Expansion (SDCWA)
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

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
For more information
www.cuwa.org

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