



IRVINE RANCH WATER DISTRICT

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August 15, 2013

The Honorable Anthony Rendon
Chairman, Assembly Water Bond Working Group
State Capitol, Room 2136
Sacramento, California 95814

RE: FRAMEWORK FOR A WATER BOND: IRWD POLICY PRINCIPLES

Dear Chairman Rendon:

On behalf of the Irvine Ranch Water District, I want to thank the Assembly Water Bond Working Group for its efforts to reformulate the Safe, Clean and Reliable Drinking Water Supply Act of 2014, and develop a revised water bond for consideration by California's voters.

The State has an important role to play in financing water infrastructure and innovation in water supply reliability that demonstrates statewide benefit. The District believes that the 2014 water bond should include financial support for projects that enhance and optimize statewide water quality and supply, and that support ecosystem restoration in the Delta.

IRWD believes that a water bond comprised of integrated solutions is needed to secure and enhance the quality of life for all Californians. Recently, the IRWD Board of Directors adopted a set of policy principles on water resource financing that is enclosed for the Working Group's consideration as it continues working on the 2014 bond.

As you may know, IRWD was very involved in the 2009 legislation that led to the water bond, and strongly supported the allocation for water recycling. We see water recycling as a key element in supporting not only water supply reliability, but also in reducing reliance on the Delta, which in turn helps achieve Delta ecosystem goals. As we indicate in our principles, the delicate balance that was achieved in the 2009 bond package should be maintained to the degree it can, and the allocation of bond proceeds should be equitable, balanced and recognize where bond funds can best be leveraged.

Thank you for taking IRWD's comments and adopted policy principles into consideration as the Assembly Working Group reformulates the 2014 bond. Please do not hesitate to contact me at (949) 453-5590 or our Sacramento Advocate, Maureen O'Haren, at (916) 498-1900 if we can be of assistance to you and your staff.

Sincerely,

A handwritten signature in blue ink, appearing to read "Paul Cook".

Paul Cook
General Manager

Enclosure:

cc: The Honorable Members, Assembly Water Bond Working Group
The Honorable Members, Assembly Water, Parks & Wildlife Committee
Alf Brandt, Office of Assemblyman Anthony Rendon
Tina Cannon-Leahy, Consultant, Assembly Water, Parks & Wildlife Committee
John Kennedy, Assembly Republican Caucus
Martha Guzman-Aceves, Office of the Governor

IRWD WATER RESOURCES FUNDING POLICY PRINCIPLES

AUGUST 1, 2013

ISSUE SUMMARY:

The California Legislature is discussing the reformulating of the Safe, Clean and Reliable Drinking Water Supply Act of 2014. As a state and federal leader in water resources public policy and governance, the Irvine Ranch Water District (IRWD) has worked tirelessly to promote policy initiatives that allow the District, along with other water purveyors in California, to enhance the quality and reliability of water supplies throughout the state. As a means of providing input into the discussions surrounding the water bond, and in order to guide the District's advocacy efforts related to California infrastructure funding, the following policy principles have been adopted by the IRWD Board of Directors.

POLICY PRINCIPLES:

Any water resource bond or infrastructure funding measure adopted by the Legislature or put before California voters should be guided by the following principles:

- 1) **The State has a role in financing water infrastructure.** The state should play a role in the financing of water infrastructure that is of demonstrated statewide significance and benefit including:
 - Projects that enhance and optimize statewide water supply reliability and quality.
 - Projects that support ecosystem restoration in the Delta.
- 2) **Infrastructure financing measures must be fiscally responsible.** Any proposed water bond or water infrastructure funding measure should be fiscally responsible and politically viable. Transparency and accountability should be built into all bond or funding measures.
- 3) **Balance of the 2009 Delta/Water Package must be maintained.** The Safe, Clean and Reliable Drinking Water Supply Act was carefully crafted as part of the 2009 Delta/Water Package. Reformulating the bond risks unraveling the careful balance that allowed that package to be completed. Special care must be taken to maintain the balance and goals behind the 2009 package.
- 4) **Water bond must support co-equal goals.** A reformulated bond must continue to support the co-equal goals of water supply reliability and ecosystem restoration. The bond should:
 - Maintain funding for the Delta ecosystem restoration.
 - Appropriate adequate funds for statewide storage and drought relief projects both north and south of the Delta.
 - Fund local resource development to reduce dependence on the Delta. Funding for regional projects should be distributed through Integrated Regional Water Management Planning programs while funding decisions on projects of statewide significance should be made at the state level.
 - Support water supply reliability enhancement through the funding of water recycling, conservation, and groundwater protection and quality improvement projects. These projects should increase local supply reliability and reduce reliance on the Delta.

- 5) **Water bond should support pursuit of a safe and secure water supply.** To support a safe and secure water supply, the bond must include a long term Delta solution that addresses enhanced conveyance and environmental protection consistent with the Bay Delta Conservation Plan and the Delta Plan development process. The bond should be limited to funding large-scale water storage and conveyance projects that best enhance and optimize water supply reliability, reduce reliance on the Delta, and substantially improve water quality.
- 6) **Distribution of funds should be equitable, balanced and reasonable.** A water bond or water infrastructure funding measure must strengthen water supply reliability and water quality for all Californians. Bond proceeds should be distributed to beneficial projects throughout the entire state in an equitable, balanced and reasonable manner.
- 7) **Funded project must demonstrate cost effectiveness and benefit.** Any proposed water bond or water infrastructure financing measure should include specific criteria which must be met before a project obtains funding. The specific criteria should include cost-effectiveness, a project proponent's ability to implement the project, specific timelines for project implementation, and a high level of measurable benefit.
- 8) **Bond proceeds should be leveraged to the maximum extent possible.** Bond proceeds should be leveraged to the maximum extent possible utilizing local or federal matching funds. Projects funded with a higher percentage of non-state funds should be given priority. Additionally, funds should be allocated in the most cost-effective manner possible. Innovative funding mechanisms such as design-build and public-private partnerships should be encouraged to the greatest extent practicable.
- 9) **Administrative costs should be minimized.** The allocation of bond funds should be handled within existing state resources to minimized bond administration cost. Bond authority should be implemented and allocated in a comprehensive and cohesive manner through either the budget process or legislative consensus. Bond funds should not be allocated through a series of piecemeal legislative efforts.
- 10) **A statewide user fee should not be imposed.** A "user fee" or "beneficiary pays" program should never be a statewide program. If such a fee is necessary, it should only be regionally administered, collected and distributed. Any such fee should be equitably and proportionally based on the project benefits derived by those who are subject to the fee, and "beneficiary" must be clearly defined to ensure a clear legal nexus between financial responsibility and benefits.
 - If a statewide water fee or public goods charge is established, it should include an exemption for water providers that have implemented a rate structure that provides a method for collecting revenue dedicated to water conservation projects such as IRWD's allocation-based conservation rate structure.
 - If a statewide fee is established, the challenges local water providers face in setting rates, including Proposition 218 requirements, should be taken into account.