

# Delta Flood Risk Management Assessment District Feasibility Study

July 21, 2016

## Status and Next Steps

Delta Protection  
Commission



# Context and Principles

- ▶ Funding for Delta levees is in transition
  - ▶ Additional funding will be needed to improve levees due to climate change
- ▶ Delta Plan and Economic Sustainability Plan policies call for an Assessment District
- ▶ CA Water Action Plan: “Increase Flood Protection”
- ▶ Long-standing interest in “Beneficiaries-pay”

# Study Objectives Have Evolved...

- ▶ There is no “silver bullet”
- ▶ “Proof of Concept” feasibility study
- ▶ Demonstrate cost allocation based on benefits received (vs. current cost share)
- ▶ Identified steps for developing a portfolio of financing mechanisms

# Relationship with Delta Levee Investment Strategy

## DLIS:

- ▶ Develops risk-based priorities for levee improvements
- ▶ Identifies investments with greatest benefits to State
- ▶ Describes benefits to different beneficiaries
  - ▶ Lumps some private beneficiaries into State Interests.

## DFRMADFS:

- ▶ How to pay for levee improvements
- ▶ Identifies beneficiaries-pay mechanisms
- ▶ Includes a broader array of beneficiaries
  - ▶ Separates public, private, upstream, and downstream

# Stakeholder Involvement

- ▶ Initial Outreach to Stakeholders (November-December 2015)
- ▶ Three Workshops for Stakeholder Working Group (March, May, June 2016)
- ▶ Final Public Workshop (September 2016)

# Stakeholder Working Group

- ▶ Workshop #1:
  - ▶ Context, history of levee funding, financial mechanisms, and legal issues
  - ▶ Introduce general approach, including use of archetypes
- ▶ Workshop #2:
  - ▶ Concepts for applying beneficiaries-pay principle
  - ▶ Approach to Screen Financial Mechanisms in the Archetypes
- ▶ Workshop #3:
  - ▶ Cost allocation principles and constraints
  - ▶ Financing mechanism screening guidance and examples

# Final Public Workshop

- ▶ Planned for September, 2016
  - ▶ Summarize study process and findings
  - ▶ Invite broader public input on next steps; discuss implementation

# Objectives and Analysis

# Study Deliverables

- ▶ Identify potential financing mechanisms and evaluate “feasibility:”
  - ▶ in legal and economic terms, and
  - ▶ in a range of circumstances (represented by Archetypes)
- ▶ Produce insights and implications for next steps to advance the most promising strategies
  - ▶ Recommend a structured process

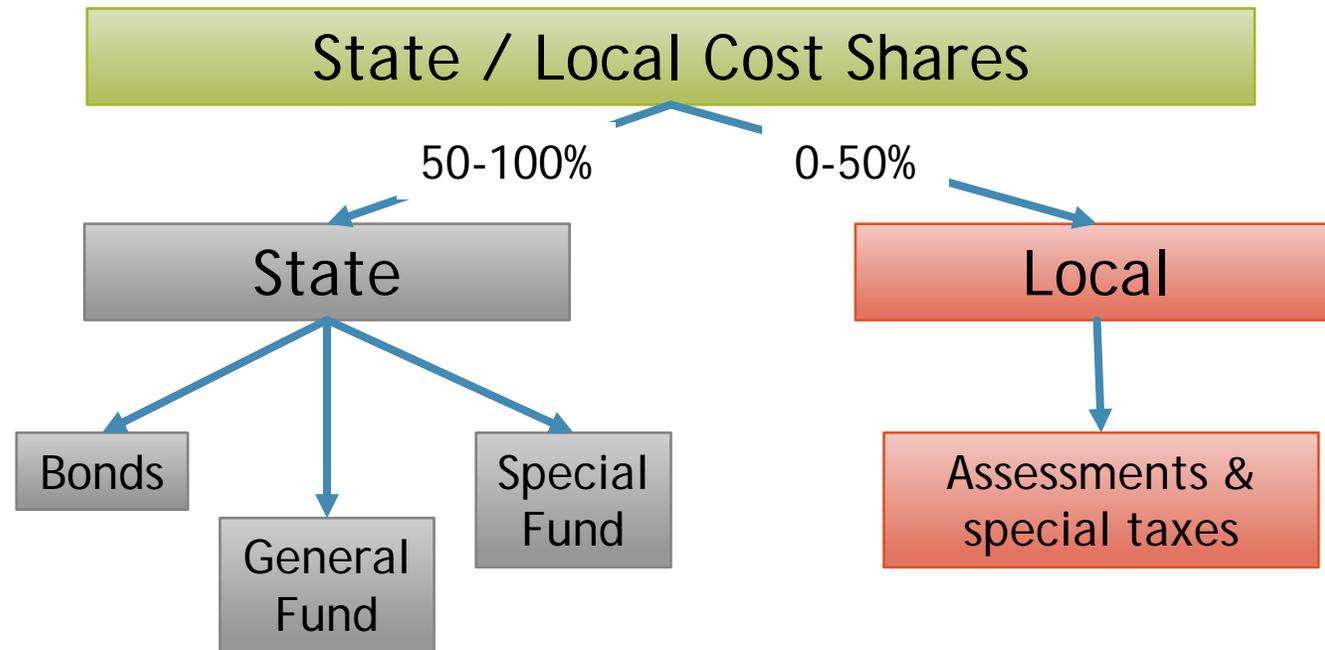
# What Are the Benefits of Delta Levees?

- ▶ Flood protection - life, property and economic activity
- ▶ Fresh water conveyance
- ▶ Ecosystem and habitat - both aquatic and terrestrial
- ▶ The unique values of the Delta as a special place
  - ▶ Recreation & tourism
  - ▶ Cultural heritage

# Who Benefits from Delta Levees?

- ▶ Agriculture - *Delta farmers, Central Valley exporters*
- ▶ Communities - *residential, commercial, public safety*
- ▶ Infrastructure - *pipelines, highways, utilities*
- ▶ Municipal Water Users - *Delta cities, exporters*
- ▶ Recreation & Tourism - *boating, fishing, sightseeing*
- ▶ Upstream Dischargers - *stormwater releases*
- ▶ General Public - *ecosystem, Delta as place*
- ▶ Government agencies - *emergency responders, general everyday functions*
- ▶ State Economy - *ripple effects through jobs and activities*
- ▶ Other Indirect - *hydropower, upstream diverters*

# How Do We Pay for Levees Now? (Non-project levees)

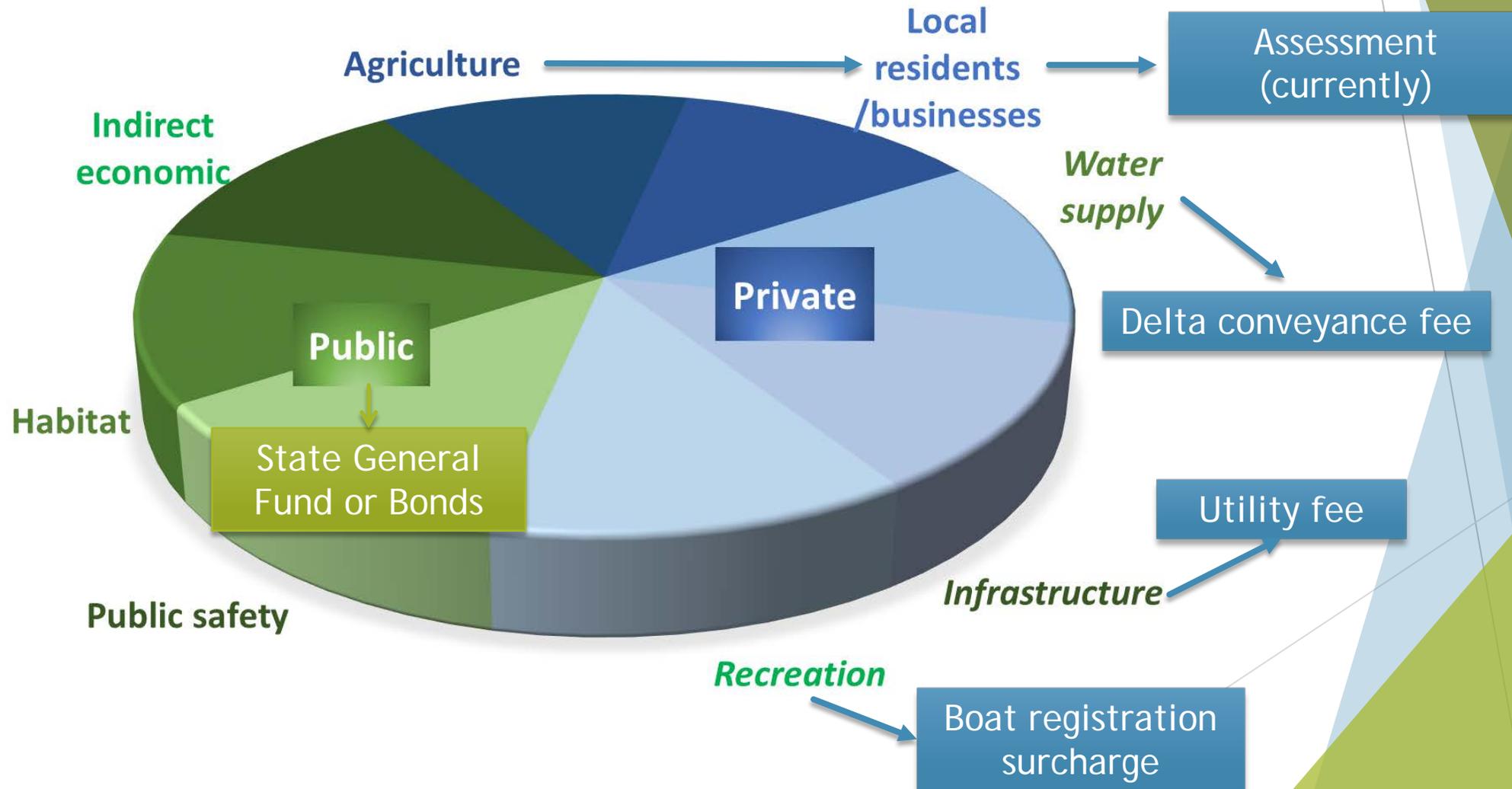


# How Could We Pay for Levees Using Beneficiaries Pay Principle?

Source of Funding	Current Approach	Beneficiaries-Pay Approach
Public financing (State / Federal)	State and/or Federal (as much as 75%)	Public safety Habitat Indirect economic
Assessments, Special taxes, User fees, Regulatory charges, etc.	Agriculture and Local residents and businesses (25% or more)	Agriculture Local residents/businesses Water supply Infrastructure Recreation

# Example of a Financing Mechanisms Portfolio

## BENEFICIARIES-PAY ALLOCATIONS



# Feasibility of Portfolios of Mechanisms

- ▶ Requirements and constraints of current law?
- ▶ Would it raise sufficient revenue?
- ▶ Is it administratively feasible?
  - ▶ Is there sufficient information and capacity?
  - ▶ What agency administers which program?
- ▶ Is it politically feasible?

# Describing a Way Forward

- ▶ If future levee funding is uncertain, new financing approaches need to be identified.
- ▶ Propose a structured way to address revenue gaps, which requires:
  - ▶ transparency,
  - ▶ expansive set of financing choices,
  - ▶ beneficiary-pays where feasible, and
  - ▶ public benefit linkage.

# Continue Working with DLIS

- ▶ Differences:
  - ▶ Cast a wider net for beneficiaries
  - ▶ Delve into legal financing constraints and cost responsibilities
- ▶ Propose recommendations to DLIS on:
  - ▶ How to capture a broader array of beneficiaries, including State interests
  - ▶ Technical advice on using Decision Tool

# Final Deliverables

- ▶ Compile previously-issued memoranda and appendices into full report
- ▶ Present expanded assessment of financing mechanisms
  - ▶ Identify possible best-fit financing options for beneficiary characteristics associated with levee improvements
  - ▶ Identify options that most likely won't work
  - ▶ Identify limits on potential for “beneficiaries pay” financing
- ▶ Present recommendations on next steps, including a structured process for further policy development and implementation

# New Solutions Are Needed

Creative portfolio of sound financing approaches and new governance arrangements.

