

California Bay-Delta Authority Committee
Drinking Water Subcommittee
Draft Minutes
Meeting of August 27, 2004

The Drinking Water Subcommittee met on August 27 from 9:30 am to 12:30 pm at the CALFED offices in Sacramento. Co-chair Greg Gartrell welcomed the group and Lisa Holm to her new position of Drinking Water Program Manager. Meeting participants introduced themselves. A list of attendees from the voluntary sign-in follows the meeting summary.

Meeting Summary

Notes from July 23

The draft notes from the July 23 meeting were approved with minor grammatical edits.

Agenda Revision

The agenda was revised so that discussion of the Strategic Plan and the Finance Options Report would dominate the meeting time followed by short updates.

Strategic Plan Update

Lisa Holm addressed the group and explained the history of the pre-meeting materials. She distributed a matrix showing the priority factors that the Strategic Plan working group had used to rank activities, along with a revised sheet that summarized the action categorization that incorporated DWS input from the last Subcommittee meeting. Lisa asked the group to discuss the revisions and prioritized actions.

Bob Neufeld repeated his concern that the only category which appears to continue to have low priorities is Source Improvement. He said that as a water provider, he feels that there should not be any project in source improvement that has a low priority. Bob strongly recommended elevating low-ranking actions to medium priorities. The group agreed to move action 5.1 (Groundwater Quality) from low to medium priority.

Tim Quinn commented that assisting in the creation of Regional ELPH Plans should be given the highest priority before examining other actions. He felt that the DWQP Strategic Plan should serve as instruction for developing regional plans. Lisa Holm responded that this Strategic Plan could serve as a document that also outlines some short-term goals which may be accomplished before the various regions complete their regional plans. Tom Zuckerman added that Strategic and Regional Planning is gaining popularity, with groups such as ACWA initiating the effort.

Marguerite Young commented on the difficulty in prioritizing when considering the different perspectives within the subcommittee. The group agreed that the Plan is meant to be periodically reviewed and updated, which may result in priorities changing. Marguerite asked if they should be working under the assumption that this is a short-term action plan as opposed to a long-term Strategic Plan. Lisa responded that the Strategic Plan will be a long-term document recommending actions with different timeframes.

The Subcommittee asked if the actions in the “High Priority” section meant that CALFED *staff* would be focused on those priorities, or if the “High Priority” actions meant that *funding* would

be allocated for those projects sooner. Tim Quinn spoke on behalf of the Subcommittee when he stated that if the “High Priority” actions would receive the most CALFED staff attention, then the Subcommittee agrees with the prioritization; however, if that classification means that funding and money will mainly go to those “High Priority” projects, then the DWS does not support the recommendations. Tom Gohring responded that it means both; CALFED staff will focus on procuring funding for projects which have been identified as high priority by the Subcommittee. Tom reminded the DWS it is not their purpose to prioritize CALFED staff time. Greg Gartrell suggested re-arranging the table which explains the reasoning behind the priorities, so that it emphasizes the need to assist in regional plan creation, and designates sources (and amounts) for funding, as well as CALFED staff time.

Aaron Ferguson asked about the timing of the Strategic Plan’s development in coordination with the regional ELPH plans. Lisa responded that each region is gradually developing their regional plans independently of the DWQP Strategic Plan. Aaron commented that the project which is receiving money for a “regional” Sacramento Valley plan does not seem to cover the entire region and its problems. Lisa explained that those grants are mainly to fund smaller pilot studies.

Pankaj Parekh expressed his concern over not leaving investments stranded, and asked how willing CALFED was to embrace regional planning. Pankaj suggested associating timeframes with the development of regional plans and other DWQP actions. One participant suggested that the Strategic Planning process be delayed until the regional ELPH plans are developed. Tim Quinn commented that the Board of MWD would not be willing to wait before initiating their regional ELPH plan for So Cal. Reporting on the progress of other regional ELPH strategies, the Bay Area’s plan is close to being finished, according to Walt Wadlow. It was noted that other ELPH plans may take longer to develop.

Greg Gartrell responded by stating that the Subcommittee could address projects and programs that can be implemented in the short-term in the Strategic Plan while waiting for additional funding. He reminded the group that there are funding sources such as Prop 50 that will move some projects forward regardless of CALFED.

The group discussed the notion of prioritizing actions under the headings of short, medium, and long-term, as opposed to high, medium, and low. It was agreed that the high, medium, and low rankings would remain but perhaps be re-evaluated.

At the last DWS meeting, it was recommended that the DWS should focus on water quality projects, not storage or other program element projects, and that actions under the charge of other program elements be moved to a separate column titled “actions to be tracked” by the DWS. Tim Quinn expressed his concern over actions being “un-prioritized” because they are in another program. He worries that these projects, such as those involving Delta Conveyance, would fall off the DWS’ radar if they are not tracked. Tom Gohring suggested that they revisit that issue and others during the Ten Year Finance discussion.

Martha Davis expressed concern that people outside of the DWQP might not understand the reasoning behind these prioritized actions and the Fact Sheets, which seem to imply that developing regional ELPH plans is not a high priority. This is not the feeling of the DWS. Regional ELPH plans are key and should be the focus of staff’s energy and funding resources.

Leah Wills commented that tracking water quality benefits from the various projects and regional plans is also very important. Kevin Wattier added that it would be difficult to determine the benefits since a public health index has yet to be defined; a public health index is of great

importance since it appears that the ROD targets are hard to reach. Lisa reminded the group that related to that issue, DWQP Performance Measures need to be developed so that project proponents can measure their success against a baseline target.

Action Item: It was agreed that the most important priority actions for the DWQP are to:

- 1. Assist with the development of Regional ELPH plans,***
- 2. Establish a public health index to measure benefits, and***
- 3. Track water quality benefits from the different regional plans/actions.***

Tom Gohring asked about the source of funding imagined for the development of regional ELPH plans. DWR's Chapter 8 seems to be the most likely source. Tom encouraged DWS members to be present at the guideline/criteria workshops being held by DWR and provide input. Dave Tompkins responded that DWR doesn't discuss regional ELPH plans at their guideline meetings. Tom responded that DWR does require regional plans for Chapter 8 funding, but the ELPH nomenclature has yet to be introduced to them. Tom also stressed the importance of DWS input into the Regional Board's grant criteria development.

Martha Davis stressed the linkages between the DWQP and the Watersheds Program, where local source protection is key to watershed planning. She added that the DWS should provide comments to DWR, particularly regarding the "definitions" of the criteria for grant funding. She suggested coordinating comments with the Watersheds program.

Action Item: Co-chairs will write a letter regarding the importance of regional ELPH plans (and coordinate, if possible, with the Watersheds Subcommittee) by September 9 for BDPAC support then forward to DWR/SWRCB by September 30.

Finance Options Report and Ten Year Finance Plan

Kate Hansel, CBDA, reminded the subcommittee of the draft CBDA Finance Options Report and Ten Year Finance Plan that she has discussed at past DWS meetings. Kate reported that the Draft Finance Options Report is complete. The focus is now on the Ten Year Finance Plan. The Ten Year Plan is a foundational report that details CBDA targets, available funding, and remaining unmet funding needs. Final comments on this Plan are due by September 15th. It is expected to go final and be approved by the CBDA in October. The Plan will identify funding targets for each program element. Kate announced that the August 30th workshop to discuss the Ten Year Report has been delayed to September 9th BDPAC meeting, where all of the Program's Finance Reports would be presented and open for discussion.

Lisa Holm and Kate developed a White Paper explaining the background and issues of the Drinking Water Quality Program to explain the numbers supporting the projected costs initially in the Draft Ten Year Finance Plan. This issues paper was distributed to the Subcommittee prior to this meeting and copies were provided to meeting attendees. Kate asked the Subcommittee to comment on areas of agreement and disagreement with details in the Issues Paper and the tables associated with it.

Reviewing the first issue, *funding target*, Pankaj explained that the DWS has taken a new tact to reach the targets in the ROD—developing regional ELPH plans. He expressed concern over the use of "placeholders" when actual numbers or clearer footnotes could be used. Kate answered that the tables will be modified to include additional text and footnotes. She re-assured the DWS that there will milestones and check-in dates to revise the target numbers, if necessary.

Tim Quinn commented that the introductory background paragraph should have a description of the ELPH concept, and that the DWQP is achieving ELPH through regional plans; thus the focus of CALFED should be to help develop regional plans.

Kate asked the group to comment on the target number of \$178 million to run the Program over ten years. What should be the assumptions associated with that number? Should that include a local cost share? The group discussed the various definitions of beneficiary, local cost share, and match, and how those differ between the programs/projects. Kate explained that a water user could contribute in a variety of ways, and that there are numerous finance tools for different beneficiaries. She confirmed that there is a concept of “polluter pays” to which Tim Quinn responded that the “responsible party” should pay, not the “beneficiary.” Tim requested that these concepts and measures should be as clear as possible, not abstract. He stated that most of the money will come from rate-payers, with Kate and Tom Gohring agreeing that the state is tired of using bonds to pay for the funding slack. Greg commented that the budget chart does not include local funding.

Reviewing the program components and their related budgets, the DWS agreed that *regional ELPH planning* should have more money than \$13 million allocated in the beginning years. When asked if this amount of funding is equivalent to what is being spent thus far by those creating regional plans, Tim Quinn responded that this number is more than adequate. However, since the DWS has stressed the importance of regional ELPHs and assisting in their development, the Subcommittee feels this program component should be front-loaded with funds. To finance it over time, public funding could be requested, the beneficiary could pay, or there could be broad public support with a match (perhaps 50:50). Jennifer Clary reminded the group that the match could be harder in regions with fewer people. She stated that the cost share percentage should vary according to region. Leah Wills later commented that a great deal of land in rural areas is federally owned; these areas have their own unique problems (fire fuel, lack of match funding, etc).

Karen Schwinn commented that while the federal government does not appear to have funding available, an argument could be made within the document to encourage federal funding. Tom Zuckerman responded that directly involving the federal government could cause delays and impact timeframes of projects. Instead, he recommended creating incentives, some of which would fit into the criterion of the Clean Water Act and other federal policies. Tim Quinn offered that perhaps money could come from funding allocations. The group pondered other opportunities for funding.

The program element, *source improvement*, which is divided into three categories—directed actions, grants, and conveyance—the Subcommittee again expressed concern over the blanks and sufficient placeholder language in the Finance table. Action 2 in directed actions was changed to read “SWP Aqueduct Actions.” Tim Quinn recommended moving the Frank’s Tract part of the element from conveyance to something more connected to the water quality program.

Tom Gohring clarified that the money for “grant funding and coordination” would NOT be for new staff positions at the implementing agencies. Greg Gartrell commented, and Sam Harader agreed, that \$10 million/year is a low a number for source improvement grants. The group speculated that as regional ELPHs are developed, more funding for this will be needed. Marguerite Young suggested to front-load the regional ELPH planning, start the source improvement grants low (\$10 million/year is okay), and then increase the source grants number over time. Martha Davis reminded the group that there should be check-in points every few years to verify the “good faith” grant investments of the DWQP. The group discussed putting in

placeholder language that describes the assumptions related to the source improvement grants. Aaron Ferguson was informed that DWS' involvement with agriculture water quality grants is connected to the criteria development and review of the grants.

Kate asked what the break-down of funding between public, federal, or state should be for grants. She warned that basing those numbers on past projects' cost-share might not be prudent, and suggested that each project should be reviewed separately to determine the real need. Aaron Ferguson commented that incentives should be provided to improve water quality, particularly if a project is addressing additional constituents resulting in broader benefits. Greg and Tim expressed concern over the use of "user fees" and asked why local water providers should put more funding into a bigger pot.

Steve Macaulay commented that the DWQP needs to plan for adaptive management, adding that this is a great opportunity for contribution to the annual balance evaluation in CALFED. Julie Maclay noted that there are examples in other programs and asked if there was a mechanism to check into that.

Reviewing the program component of *treatment*, it was noted that ongoing research will occur, and the proposed DWQP Science Panel would be focused on water quality. Pankaj commented that funding may be needed for actual treatment. Is this implied in the "rolling grants" line item? Tom Gohring suggested adding a fourth line to the Potential Capital Projects section for treatment. Kevin Wattier stated that local providers will (and do currently) provide treatment. Additional placeholder language was suggested—including a new column entitled "focused treatment systems" instead of adding text to the large Capital Programs section. Kevin disagreed with this suggestion, and it was recommended to have items be placeholders for future discussion.

Marguerite Young expressed concern over impacts to rural areas and environmental justice communities. Kate asked what the cost-share should be for treatment. Tom Gohring responded that it will be a local share that will depend on the program. Twenty percent was recommended for local cost share for research. Fifty percent was recommended when a provider is performing or developing actual treatment work. It was noted that the federal government must provide fifty percent of a share if the treatment is necessary.

Reviewing the program component of *science*, the group agreed that a feed-back loop is essential, making performance measures instrumental. Lisa Holm explained the staff and resources associated with the tasks in the section. It was recommended to add a line item requesting the development of a public health index. It was suggested that the EPA should fund this type of action. Others agreed that the state and the federal government should pay for a health index.

Lisa reviewed the items in the *program management* component. She explained that funding in this section is for staff to manage the program. The DWS thought this number was adequate.

It was noted that the *potential capital projects* section may be eliminated. If not, then a fourth line for treatment technology may be added, per Pankaj's request.

The group remained divided on water user fees. Some felt that a broad-based user fee was acceptable, while others did not. Kate asked what the public, state, or federal share should be. She reminded the group that the fee must tie directly to a benefit, otherwise it could be considered a tax. The group discussed the differences between taxes, fees, and bonds. Bob Neufeld stated that broad-based user fees are objectionable, in his opinion. Tim Quinn stated that his agency would be opposed to having their urban rate-payers become tax-payers; if there is no nexus to

water quality benefits or a public health benefit, then MWD would not approve. He stated that the public has paid for water bonds before, and he feels they will again.

Science Panel

Due to limitations in time, Karen Schwinn agreed to distribute to the Subcommittee information they need regarding the Science Panel.

Action Item: Karen Schwinn will e-mail information regarding the Science Panel to the DWS for comments.

Grant Programs

The final criteria for DHS Chapter 6 Prop 50 grants were distributed to the group. Comments are due by September 8th. Pre-applications will be released in early October. Terry Macaulay reported that private, PUC-regulated, water agencies will be allowed to apply for grants.

Chapter 8 State Water Board grants are up for a three-year review. The Subcommittee was asked if they would like to have some narrative regarding drinking water in the criteria. This subject will be discussed at the next DWS meeting after coordinating with the Board and receiving input.

Public Comment

There was no comment from the public.

Next Meeting

The next meeting of the DWS will be on September 24th. An agenda will be developed shortly.

Partial List of Attendees for the DWS Meeting 8-27-04

The following Subcommittee members participated the meeting:

1. Martha Davis
2. Aaron Ferguson
3. Greg Gartrell
4. Robert Neufeld
5. Pankaj Parekh
6. Tim Quinn
7. Dave Tompkins
8. Walt Wadlow
9. Kevin Wattier
10. Leah Wills
11. Marguerite Young
12. Tom Zuckerman

Other meeting participants:

13. Jennifer Clary
14. Bill Crooks
15. Dave Forkel
16. Paul Gilbert-Synder
17. Tom Gohring
18. Sam Harader
19. Lisa Holm
20. Karen Larsen
21. Steve Macaulay
22. Terry Macaulay
23. Julie Maclay
24. Lee Mao
25. Heidi Rooks
26. Karen Schwinn
27. Lynda Smith