



Section K FINANCING

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Section K Summary – The RWMG agencies funded development of this Plan, and are committing additional funding to facilitate development of a long-term IRWM institutional structure for the Region. Many groups will benefit from implementation of the Plan, including residential, business, industrial, and agricultural water customers; recreation participants; residents along floodways; and groundwater users. Primary means of financing IRWM capital projects will be through government agency Capital Improvement Program (CIP) budgets. State of California grant funds are also an important potential source of funding for capital projects. IRWM projects for environmental enhancement projects may be funded directly by agencies, by grant funds, or by non-government endowments or contributions.

K.1 Plan Financing

Agencies that comprise the RWMG (Water Authority, City of San Diego and County) funded preparation of this IRWM Plan. Each RWMG agency contributed significant staff time and resources to the IRWM Plan development and stakeholder outreach efforts. Additionally, the agencies contributed \$300,000 (\$100,000 per agency) to fund outside consultants to assist RWMG staff in stakeholder outreach, Plan preparation, and Proposition 50 funding applications.

The RWMG agencies are committed to funding Plan implementation. To this end, the RWMG agencies are contributing an additional \$600,000 for grant application preparation, public outreach, facilitator, and other consulting services to assist in:

- increasing public and stakeholder IRWM outreach efforts,
- supporting and facilitating RAC meetings,
- coordinating with IRWM efforts of adjoining regions,
- assessing institutional structure options,

- facilitating agency and stakeholder development input and consensus on the long-term Plan institutional structure, and
- implementing the long-term IRWM institutional structure.

Once the Region's IRWM institutional structure is finalized, it is anticipated that agencies/organizations participating in the institutional structure will share in funding of IRWM management/oversight operations.

K.2 Beneficiaries of Water Management Projects

Implementing Tier I water management projects will benefit almost the entire population of San Diego. Table K-1 (page K-3) summarizes beneficiaries of the Plan water management strategies.

Residential Water Customers. Residential customers throughout the Water Authority service area (including customers in disadvantaged communities) will benefit from enhanced water supply reliability. Significant benefits will accrue to customers within service areas of water agencies that are currently 100 percent dependent on imported supply. Such areas can face water cutbacks if treated imported supplies are interrupted for as little as a few days.

Business and Industry. Business and industry water customers throughout the Water Authority service area will benefit from enhanced water supply reliability. As noted in Section G.3, water supply interruptions result in significant adverse economic impact to local businesses that are dependent on water. These reliability benefits will be particularly important to businesses within service areas of water agencies that are currently 100 percent dependent on the treated imported supply.

Two business/industry segments, in particular will see significant benefit. Tourism is a significant component of the San Diego economy (see Section B.2), and tourism-related businesses will benefit from enhanced recreational opportunities within the Region. Businesses and industries dependent on landscaping (e.g. nurseries, construction, landscapers, landscape maintenance, etc.) will also greatly benefit from improvement in reliability of the Region's water supply, as landscape irrigation water is one of the first uses restricted during times of reduced water availability.

Table K-1
Beneficiaries of Proposed Tier I Projects and Associated Water Management Strategies

Strategy No.	Water Management Strategy Implemented by the Tier I Projects	Benefited Group or Population ¹								
		Residential Water Users	Business and Tourism	Industry	U.S. Military	Irrigated Agriculture	Water Based Recreation Participants	Floodway Residents	Viewshed Residents and Commuters	Groundwater Users
2	Agricultural lands stewardship				●	●	●	●	●	
3	Agricultural water use efficiency	●	●	●	●	●	●			●
4	Groundwater management	●	●	●	●	●	●			●
	Conjunctive use	●	●	●	●	●	●			●
5	Conveyance	●	●	●	●	●				
6	Seawater desalination	●	●	●	●	●				
7	Potable water treatment and distribution	●	●	●	●	●				
8	Economic incentives	●	●	●	●	●	●	●	●	●
9	Ecosystem restoration		●		●		●		●	●
	Ecosystem preservation		●		●		●		●	●
	Env. and habitat protection and improvement		●		●		●		●	●
	Wetlands enhancement and creation		●		●		●		●	●
10	Floodplain management		●	●	●	●		●		
11	Groundwater aquifer remediation	●	●	●	●	●				●
12	Matching quality to use	●	●	●	●	●				
13	Pollution prevention		●				●	●	●	●
	Water quality protection and improvement		●				●	●	●	●
	Wastewater treatment		●				●	●	●	●
15	Recharge area protection	●	●	●	●	●	●			●
16	Recycled water	●	●	●	●	●				
18	Regional surface storage	●	●	●	●	●	●	●		
19	Reoperation and reservoir management	●	●	●	●	●	●	●		
20	Urban land use management	●	●	●	●	●	●	●	●	●
21	Urban runoff management		●				●	●	●	●
22	Urban water use efficiency	●	●	●	●	●				
23	Water transfers	●	●	●	●	●				
24	Water-dependent recreation and public access			●		●	●		●	
25	Watershed management and planning	●	●	●	●	●	●	●	●	●
Other	Stakeholder/Community Involvement	●	●	●	●	●	●	●	●	●
	Water resources data collection and mgt.	●	●	●	●	●	●	●	●	●
	Enhance scientific and technical knowledge	●	●	●	●	●	●	●	●	●

¹ Groups that benefit from implementation of the water management strategies associated with Tier I projects. (See Appendix 5 for a list of primary and secondary water management strategies implemented by each individual Tier I project.) See text in Section K.2 for a description of each group that benefits from the Tier I projects.

U.S. Military. The U.S. Military has a significant presence within the Region, with more than a dozen major bases or support facilities. Military installations dependent on imported supplies will benefit from the Region's enhanced water supply reliability. Local groundwater supplies from the San Juan HU and Santa Margarita River Watershed form the supply for the U.S. Marine Corps Base Camp Pendleton. Camp Pendleton, along with base residents, will benefit from Tier I projects that enhance the quality, availability, and reliability of groundwater supplies in the Santa Margarita River Watershed.

Irrigated Agriculture. Irrigated agriculture is an important component of the Region's economy, contributing \$1.53 billion during 2005. During times of water shortage, agriculture is one of the first water use components to be limited. Agriculture that is dependent on water supply from the Region's water delivery network will reap significant benefits from improvement in water supply reliability. A portion of the Region's agriculture is dependent on groundwater as a source of supply. Tier I groundwater projects proposed within the Santa Margarita, San Luis Rey, San Dieguito, San Diego, Sweetwater, and Tijuana HUs could benefit agriculture through proposed recharge or groundwater quality improvement projects.

Recreation Participants. Recreation is an important component of the Region's lifestyle, and is an important draw for tourists. Recreational participants that will benefit from water quality improvement and habitat protection projects include those participating in water contact recreation sports such as swimming, surfing, diving, body boarding, water-skiing, wading, and tide pooling. Also benefiting will be those participating in such non-contact recreation as boating, sailing, and fishing. Habitat protection, land conservation, and recreation projects will benefit a diverse array of recreational uses, including: hiking, bird or nature watching, mountain biking, horseback riding, rock climbing, camping, picnicking, and photography. Additionally, professional and amateur astronomers will enjoy dark sky benefits associated with conserved lands.

Floodplain Residents/Businesses. Residents or businesses in flood-prone areas would benefit from flood control improvements. Commuters that use roads in flood-prone areas will also benefit from flood control improvements.

Viewshed Populations. Residents within viewsheds of conserved lands will benefit from improved aesthetics, and property owners in these areas should benefit from enhanced property values. Commuters and travelers within the affected viewsheds will also benefit from aesthetics associated with conserved lands.

Groundwater Users. Tier I groundwater projects proposed within the Santa Margarita, San Luis Rey, San Dieguito, San Diego, Sweetwater, and Tijuana could benefit local groundwater users through proposed recharge or groundwater quality improvement projects. Groundwater users in the Campo area will also benefit from proposed IRWM projects that enhance groundwater.

K.3 Potential Funding Mechanisms for Project Implementation

As summarized in Section G and Appendix 10, securing project funding represents a key implementation issue for most proposed IRWM projects. Accordingly, implementation efforts of the IRWM regional management group will, in part, focus on:

- refining project cost estimates,
- further evaluating potential impacts and benefits of the projects, and ensuring the participation of and benefits to disadvantaged communities,
- addressing the cost-effectiveness and regional affordability of proposed projects,
- prioritizing projects, and
- and ensuring adequate funding for IRWM Plan and project implementation.

Appendix 10 summarizes funding needs and the funding status for Tier I projects. For each Tier I project, Appendix 10 presents project proponent estimates for outside funding assistance (e.g grants or other outside sources), amount of matching funding available, type of matching funding, and whether the matching funding has yet been secured.

Capital Improvements Program Funding. As documented in Appendix 10, a significant majority of the regional water management project costs are for water supply reliability infrastructure, including:

- treated and raw water conveyance facilities,
- water treatment facilities, including upgrade and expansion,
- water storage facilities, including upgrade and expansion,
- groundwater supply projects, including brackish groundwater demineralization, and
- recycled water treatment, storage, and distribution projects.

All but a few of the large infrastructure Tier I projects addressed within this Plan are addressed in Capital Improvement Program (CIP) budgets prepared and adopted by implementing agencies. The CIPs address project costs, project implementation schedules,

and funding sources for implementing budgeted projects. Large-scale water and wastewater agency CIP projects are typically funded through debt (revenue bonds or general obligation bonds) serviced by water and sewer rates, capacity charges, standby charges, or agency shares of property taxes or assessments. Smaller scale water and wastewater CIP projects may be funded by the agencies with cash on hand, short-term lines of credit, or directly from water or sewer rates. CIP projects may also be funded, in part, by outside grants or financial assistance.

Additional Tier I infrastructure projects include flood control. Flood control agency CIPs also address project costs, implementation, and funding. Flood control CIPs may be funded through debt service (bonds) backed by agency general funds.

Funding Programs to Assist Government Agencies. Several financial assistance programs are available to support local contributions by implementing governmental agencies within the Region. Together, the programs offer funding assistance for all project phases, from initial planning and design to construction and operation.

Funding programs pursuant to State of California ballot propositions include:

State of California Propositions 40 and 50. Proposition 40 and 50 established funding programs to (1) improve water quality and ensure clean drinking water by protecting rivers, lakes and streams, (2) protect beaches and coastal areas threatened by pollution, (3) improve air quality, (4) preserve open space and farmland threatened by unplanned development, (5) protect wildlife habitat, (6) restore historical and cultural resources, and (7) repair and improve safety in state and neighborhood parks. DWR and the State Board administer funding programs established under Propositions 40 and 50, including:

- Clean Beaches Initiative,
- Agricultural Water Quality Grant Program,
- Small Community Wastewater Grant Program,
- Integration Regional Water Management Program,
- 2005 Consolidated Watershed/Non Point Source Pollution Control Grant Programs,
- 2005 Small Community Groundwater Grant Program,
- 2005 Dairy Water Quality Grant Program.

Proposition 84. Proposition 84 was approved by California voters in November 2006, and will provide funding for integrated regional water management, flood management,

water conservation, and storm runoff programs. DWR and the State Board will administer Proposition 84 funding programs, but funding guidelines have not yet been issued.

Proposition 1E. Proposition 1E was approved by California voters in November 2006, and will provide funding for stormwater flood management projects that are consistent with the IRWM plans. Proposition 1E will also provide funding for the protection, creation, and enhancement of flood protection corridors. DWR will administer Proposition 1E funding programs. Funding guidelines have not yet been issued, but are expected in Fall 2007.

California Infrastructure and Economic Development Bank. The Infrastructure State Revolving Fund (ISRF) Program through the California Infrastructure and Economic Development Bank program provides low-cost financing to public agencies for qualifying infrastructure projects. ISRF Program funding is available in amounts ranging from \$250,000 to \$10,000,000 with loan terms of up to 30 years. Interest rates are set on a monthly basis. Eligible project categories include drainage, water supply and flood control, environmental mitigation measures, parks, and recreational facilities, sewage collection and treatment, and water treatment and distribution.

Additional agency financial assistance for implementing water supply, recycled water, and groundwater projects include:

Local Investigations and Studies Assistance (LISA) Program. The Water Authority's goal for this program is to provide matching grant funds to local groundwater, seawater desalination, and water recycling studies and investigations that could lead to local water supply projects that provide new annual core (baseload) supplies or increased dry-year water supplies. Eligible studies and/or investigations will include early project development activities, such as desktop feasibility studies, and subsequent project development activities up to and including preparation of environmental impact documents for a full-scale project. A matching fund cap of \$750,000 per agency (for the initial funding cycle) will be applied. The Request for Proposal for the initial funding cycle was released on March 1, 2007. Program funding for subsequent funding cycles will be dependent upon future participation and available program funding.

Local Water Supply Development (LWSD) Program. The Water Authority's LWSD Program provides member agencies with financial incentives of up to \$200 per acre-foot for the development of recycled water and groundwater projects capable of relieving imported demands on Water Authority facilities. This incentive contribution offsets

projects costs, especially in the early years of project start-up. In order to continue to qualify for these incentives, project expenses must exceed project revenues. Incentives are available for up to 25 years based on continued financial need.

Local Resources Program (LRP). The LRP program features financial incentives from the Metropolitan Water District of Southern California for recycled water and groundwater development projects that offset demands for imported water. The LRP is designed to ensure the financial feasibility of local projects during the initial years of operation. The LRP provides incentives of up to \$250 per acre-foot for up to 25 years for qualifying recycled water and groundwater development projects.

State Revolving Fund. The State Revolving Fund provide agencies with low interest construction loans for water recycling and groundwater development projects. These loans carry an interest rate equal to half of the State's general obligation bond interest rate. This below market interest rate can result in substantial savings on debt service.

Water Recycling Loan Program. The Water Recycling Loan Program provides agencies with low interest construction loans for water recycling and groundwater development projects. These loans carry an interest rate equal to half of the State's general obligation bond interest rate.

Water Recycling Grants. Water Recycling Grants, subject to availability, provide up to 25% of eligible construction costs with a maximum \$5 million cap per agency. Planning grants of up to \$75,000 maximum are also provided for eligible facilities planning and feasibility study costs.

Reclamation Wastewater and Groundwater Study and Facilities Act - Title XVI. The Reclamation Wastewater and Groundwater Study and Facilities Act (Title XVI, Public Law 102-575) authorizes the federal government (via USBR) to fund up to 25 percent of the capital cost of authorized recycling projects, including the San Diego Area Water Reclamation Program (a series of water recycling projects serving the Metro System service area).

State and Federal Legislation. Special legislative funding for IRWM projects can be authorized through direct federal appropriation of funds (line-item “earmarks”) or by special state or federal legislation.

Beyond traditional funding sources and mechanisms, less conventional strategies could also be used to harness the advantages created through certain forms of water resource partnerships. A few examples of partnering arrangements recommended in the *California*

Water Plan Update 2005 include Infrastructure-for-Water Transfers and JPA Bond Pool Arrangements.

Additionally, in areas where a Groundwater Management Program is established per requirements of the State of California Groundwater Management Act (AB 3030), the implementing agency may fund groundwater improvement projects through assessments levied against groundwater users (provided that voter approval of such assessments is granted).

Funding Programs to Assist Non-Government Organizations. Four primary sources of funding exist for non-governmental organizations that implement IRWM projects, including: (1) organization funding, (2) partnerships with government agencies, (3) state or federal grants, or (4) private grants.

Non-government organization funds may be derived from endowments, contributions, fundraisers, or membership dues, or other similar sources. Larger projects generally require funding from outside sources. Partnerships with government agencies (e.g. water, wastewater, land use, flood control agencies) may be used for pooling resources to achieve common goals, or to build coalitions to increase the potential for eligibility for state or federal grant funds.

Public grant sources that are available for non-governmental organization environmental projects include:

- **State of California Propositions 40, 50, 84, and 1E.** Proposition 40, 50, 84, and 1E funding is available both to governmental agencies and non-governmental agencies. The propositions (see previous discussion) fund a wide range of environmental, water quality improvement, and land conservation projects.
- **California Coastal Conservancy.** Funding for protection, public access, and restoration, and enhancement of coastal resources are available through the California Coastal Conservancy.
- **Environmental Protection Agency Section 319 Grants.** The U.S. Environmental Protection Agency administers federal funding (pursuant to Section 319 of the Clean Water Act) for implementation of non-point source management measures. Potentially funded measures include TMDL implementation, technology transfers, demonstration

projects, pollution prevention, technical assistance, restoration, citizen monitoring, public education and outreach.

- **Legislative Funding.** Special legislative funding for non-government agency IRWM projects can be authorized through direct federal appropriation of funds (line-item “earmarks”) or by special state or federal legislation.

In addition to government grants, hundreds of private grant funding foundations or businesses provide support for environmental projects through private grants. Such grants are available primarily to non-profit organizations, educational institutions, and individuals. Example private grant sources, in part, include the San Diego Foundation (After the Fire Fund, Community Impact Grants), Bank of America (regional and local programs), and Ford Motor Company Fund (Conservation and Environmental Grants).

K.4 Potential Funding Mechanisms for Operation/Maintenance

Operation and maintenance of implemented water management facilities/projects will be the responsibility of implementing agencies. Estimated O&M costs for the Tier I projects are presented in Appendix 10.

As shown in Appendix 10, O&M costs are not anticipated for all projects, as some projects exclusively involve preparing studies or plans. Additionally, several project proponents report no anticipated project operating costs, as existing staffing levels within the organizations are adequate to manage the proposed projects without additional costs.

For water supply, recycled water, groundwater, wastewater, and stormwater projects proposed by government agencies, maintenance budgets will primarily be funded through annual agency operating funds. Such maintenance/operating expenses may be funded by

- water or sewer rates,
- flow or capacity charges,
- standby charges,
- user fees, or
- agency shares of tax assessments.

In addition to being used to finance capital debt for implementation, financial incentive programs (LWSD and LRP, as previously described) may be used to offset maintenance and operation costs.

Additional means of financing operation and maintenance include:

- special property assessments (flood control projects),
- groundwater assessments (groundwater management districts established per the State of California Groundwater Management Act),
- partnerships with in-kind services used to offset partner agency costs,
- private funding or endowments (conservation, habitat, or environmental projects), or
- membership fees (non-government agency projects).

Section K References

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