CALFED Bay-Delta Program

Transparency. Accountability. Performance.

10-Year Action Plan

April 2006

Arnold Schwarzenegger, Governor

Mike Chrisman, Secretary for Resources

P. Joseph Grindstaff, California Bay-Delta Authority Director

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"Water is critically important to the State of California. The Delta is critically important to water. If we together can't work to resolve the issues that are facing us in the spirit of cooperation, and with a goal of solving problems, the generations that are yet to come are going to look back and say we missed an opportunity."

Gary Hunt, Chair
Bay-Delta Public Advisory Committee
California Bay-Delta Authority

Executive Summary

The Sacramento-San Joaquin Bay-Delta is vitally important to California's environment and economy. A decade ago, after a persistent drought and collapsing fisheries escalated into a full scale water war, state and federal leaders called a truce which became a pivotal turning point leading to the creation of the CALFED Bay-Delta Program. Without the Bay-Delta, California would not be the national and international economic powerhouse it is today. Without CALFED, the Bay-Delta would not have the protections and management it has today and the promise it has for tomorrow. The promise of CALFED is great: state, federal and local agencies working together with stakeholders in an open and accountable way to resolve long-standing differences over the Delta as both the major source of the state's water supply and an ecological treasure.

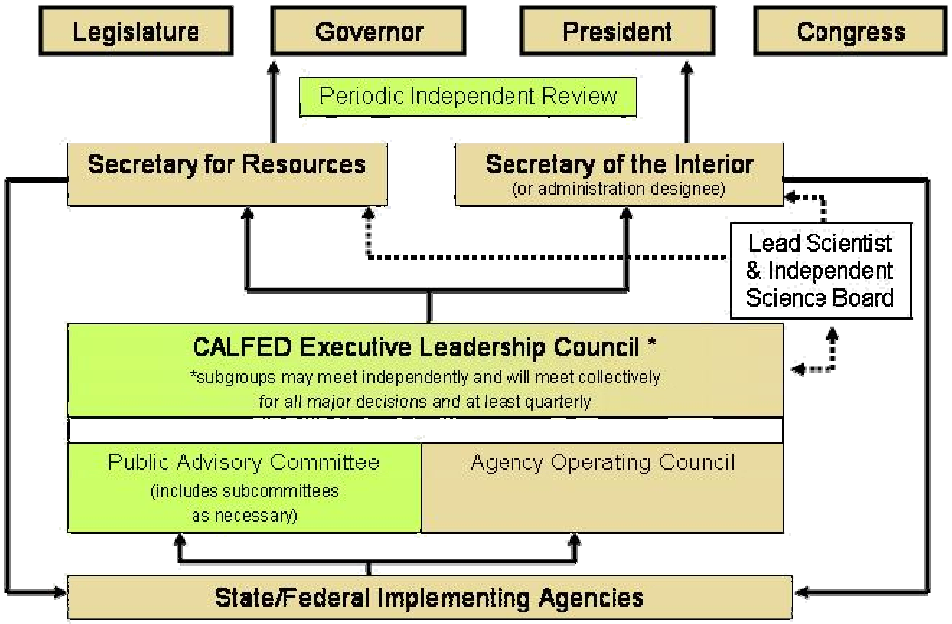
The recently-released 2005 California Water Plan Update sets the stage for comprehensive water management in California and provides a roadmap for meeting the state's future water management needs. Within the California Water Plan's broader context lies a subset of critical actions that summarizes those of the CALFED Bay-Delta Program. The CALFED Bay-Delta Program focuses on the Delta, but recognizes that solutions to its problems often cannot be achieved without going far upstream into the tributaries and watersheds that flow into the Delta, as well as into the service areas of projects that deliver water supplies from the Bay-Delta system to regions of the state that are hundreds of miles away.

Governor Arnold Schwarzenegger, as part of his May 2005-06 Budget Revision message, requested three actions to allow the CALFED Program to move forward and focus on addressing the highest priority issues associated with conflicts in the Delta:

- An independent fiscal and management review,
- A refocusing of the efforts of the California Bay-Delta Authority and the other CALFED state agencies on solving conflicts associated with Delta water supply, water quality, levee stability and the environment, and
- A plan that focuses on solving the highest priority Delta issues, links future water user payments to specific program actions and includes funding from the state, federal and local levels consistent with the beneficiaries-pay principle.

The following five pages summarize the key components included in this 10-Year Action Plan.

Proposed CALFED Structure



Governance

As a result of the independent review of governance conducted by the Little Hoover Commission, this Action Plan proposes several key changes:

- The CALFED Leadership Council**.** This new state/federal group is modeled after the former CALFED Policy Group. It will be established through a state/federal Memorandum of Understanding and comprised of the directors of seven state and seven federal implementing and regulatory agencies. In addition, unlike the former Policy Group, this version will include stakeholder representatives as decision-makers. The Council will be co-chaired on the state side by the Secretary for Resources and on the federal side by a designee of the Secretary of the Interior.

- Independent Oversight. A hallmark of the CALFED Program has been an open and transparent decision-making process. Both the executive and legislative branches of the state and federal governments exercise oversight over CALFED. In addition, this Action Plan recommends that the California Bay-Delta Authority Board be eliminated and an independent fiscal, management, and governance review similar to the 2005 review be conducted at least every seven years.

- State Public Advisory Committee. A Public Advisory Committee will provide the broadest possible opportunity for stakeholder recommendations to the CALFED Leadership Council and be the conduit through which the public interest and input is channeled to Program decision makers. This advisory committee will operate under state law and is intended to replace the current federally-chartered Bay-Delta Public Advisory Committee. It will meet in public on a regular basis. This committee will have up to 30 members who will be appointed by the Governor in consultation with the Secretary of the Interior.

Program and Fiscal Management

Recommendations based on reviews of the CALFED Bay-Delta Program by the state Department of Finance, the Little Hoover Commission and an independent consultant, KPMG , will be used to strengthen and improve strategic planning, fiscal management and reporting, program management performance and tracking, interagency coordination and science. Specific changes include:

- Reorganize the California Bay-Delta Authority staff,
- Complete the transition of the Ecosystem Restoration Program (ERP) to the Department of Fish and Game,
- Improve strategic planning and develop a comprehensive communications plan,
- Implement performance-based program management and strengthen fiscal and Program tracking, and
- Integrate science and adaptive management into all Program activities.

Refocused CALFED Program and Program Priorities

The CALFED Record of Decision, signed in August 2000, identified nearly 300 separate actions to be completed during Stage 1 (first seven years). Responding to the Governor's directive to "refocus" the Program, the CALFED Bay-Delta Program's implementing agencies identified a subset of the actions that will be managed more intensively through the CALFED process. These actions generally include those that have a direct link to problems and solutions in the Delta. Actions that have an indirect link to problems and solutions in the Delta, but contribute to a successful CALFED Bay-Delta Program, will be coordinated with those that have a direct link to the Delta.

Major Actions. A sample of the key actions to be implemented over the next three to four years includes:

- Implement ERP actions to protect and restore pelagic organisms and other Delta dependent at-risk species,
- Install operable gates in the Delta,
- Continue Delta levee subventions and complete Delta Risk Management Study, together with an implementation plan and schedule for Delta levees,
- Implement Delta Improvements Plan (DIP) actions,
- Implement San Joaquin River salinity management, and
- Complete studies and investigations under way to provide resources that will inform future end of Stage 1 decisions, including: surface storage investigations, regional water quality plans to achieve equivalent levels of public health (ELPH), Franks Tract Pilot feasibility and design, Delta regional ecosystem planning, water quality modeling and conveyance feasibility studies.

Creating a 100-Year Delta Vision. Numerous activities and investments are under way to protect and restore the Delta, including protection of Delta levees, restoration of the Delta ecosystem and scientific research to better understand how the Delta works. As we move

forward, investments in the Delta must be more strategic. Water planning must be integrated with that of agriculture, transportation, energy and land use. Key to ensuring protection of Delta resources into the future is the development of an integrated and sustainable long-term vision for the Delta, which will set its course for the next 100 years.

The Administration will develop an open, collaborative public process involving local government and stakeholders to create a 100-year vision for the Delta, including land use and transportation. Work on the Delta Vision process began in January 2006, with a framework to be completed by December 2006 and a completed Delta Vision by December 2007.

Develop a Voluntary Planning Agreement and HCP/NCCP(s) for Delta and Anadromous Species. Through a voluntary process, several Bay-Delta system water users who must comply with the California and Federal Endangered Species acts regarding on-going operations of their water projects are working cooperatively to explore preparation of one or more Habitat Conservation Plans under Section 10 of the Federal Endangered Species Act and Natural Communities Conservation Plans under the California Endangered Species Act (HCP/NCCP).

The first step in this process is negotiation of a Planning Agreement. This Agreement will identify which water users are interested in securing coverage and which activities they want covered. The Agreement will also describe covered species and a geographic scope that would include the range of the covered species. The Agreement is targeted for completion in 2007.

Finance Plan

The CALFED Bay-Delta Program is in its sixth year of implementation. To provide funding for California's critical water infrastructure needs, the Governor has proposed a financing plan over the next 10 years for water. This financing plan will significantly benefit the CALFED Bay-Delta Program, as well as many other water and ecosystem programs in the state. The Governor's plan includes new general obligation bonds and a new revenue source – the Water Resources Investment Fund (WRIF).

Until the Governor's new funding sources become available, this 10-Year Action Plan identifies existing funding for the next three years (Years 6-8) to support implementation of the Program's highest priorities. For the remaining seven years, the 10-Year Action Plan lays out possible future directions and funding ranges for the Program that are based on various critical decisions that must be made.

Years 6-8 Near-Term Funding Plan. In this funding plan, additional funds (General Fund or new water user contributions) are proposed for only a few of the most critical actions that are needed, either for policymakers to have adequate information to make decisions about the future of the Program, or to maintain an interim minimum level of effort to keep a balanced Program. Of the approximately $1 billion needed for the absolute minimum level of near-term investment, roughly 75 percent of this funding is already in place.

However, new funding proposed by the Governor through a new state bond and increased fee revenues, has the potential to allow additional important Program priorities to be addressed

even in the near-term, including an expanded Science Program, water quality initiatives and additional Delta levee improvements.

Until the Governor's new funding sources become available, actions need to be taken to obtain the remaining 25 percent of the minimum necessary funding. Specifically, budget proposals:

- Are included in the Governor's FY 2006-07 Budget,
- Need to be included in the President's future budgets and supported by Congress, and
- Need to include additional water user contributions for key actions.

The following lists the additional minimum funding needed:

- **Additional State Funding ($76 million)**
  - $42 million in remaining bond funds for water quality improvements
  - $34 million in new General Fund requests for Delta levee maintenance and improvements; the Delta Risk Management Study (DRMS) and strategic planning, including the 100-Year Delta Vision in Year 7; and possible new environmental documentation in Year 8

- **Additional Federal Funding ($99 million)**
  Includes reasonable estimates of federal appropriations in Years 7 and 8, including the full federal share of surface storage planning and other estimates based on FY 2006 budget amounts.

- **Local Match ($18 million)**
  Includes local matching funds for San Joaquin River Salinity Management under the Water Quality Program and funding from local reclamation districts for levee maintenance.

- **Additional Water User Contributions ($30 million)**
  Total agreement is for $60 million in water user contributions, which includes $30 million in existing ERP funding through the Central Valley Project Improvement Act (CVPIA) and the Four Pumps Agreement, plus $30 million in new water user contributions for the preparation of HCP/NCCP(s), a Species Recovery Capital Fund, Delta Vision and Pelagic Organism Decline (POD) studies. This does not include the value of the commitments for the Environmental Water Account (EWA). The breakdown for the new funding described above is as follows:
  - Delta Vision - $2 million/year for two years.
  - HCP/NCCP(s) - $3 million/year for two years to cover agency staff costs during preparation of the HCP/NCCP(s).
  - Species Recovery Fund - $6 million/year for two years for restoration projects capital.
  - Pelagic Organism Decline Studies - $ 4 million/year for two years.
  - Environmental Water Account – The State Water Project and Central Valley Project would ensure that the EWA has adequate annual resources this year. Agencies agree to seek full public funding in Year 7.

California's Water Future. Over the next 10 years, a $35 billion statewide investment is necessary to maintain and improve our levee and flood control system and provide for safe, reliable water supplies. Of that, $21 billion is expected from existing federal, state and local funding sources; $9 billion from general obligation bonds; and $5 billion from the WRIF, a new revenue source proposed by the Governor that will generate almost $5 billion over 10 years.

The WRIF is designed to provide a stable source of revenue for integrated regional water management to achieve clean, reliable and sustainable water supplies in conjunction with local expenditures. To launch his water financing initiative, the Governor has proposed legislation to establish the WRIF and enact two general obligation bonds, one in 2006 for $3 billion and one in 2010 for $6 billion. Future funding for the CALFED Bay-Delta Program will vary, depending on future decisions, but the WRIF and new water bonds are expected to provide significant funding for CALFED programs and priorities.

Summary of "Flood Protection and Clean, Safe, Reliable Water Supply Bond and Financing Acts" of 2006, 2010

(Dollars in thousands)

Program, Project, or Bond Provision	Total Investment	2006 Bond Amt.	2010 Bond Amt.	Federal Funds	Other State Funds	Local Funds
Levee System and Flood Protection	$6,000,000	$1,000,000	$1,500,000	$3,000,000	$ -	$500,000
Project Levee and Facilities Repair		$210,000	$300,000			
Flood Control and Levee System Improvements		$200,000	$200,000			
Delta levee Subventions and Special Projects		$210,000	$700,000			
Flood Control Subventions		$250,000	$200,000			
Floodplain Mapping		$90,000	$ -			
Floodway Corridor Program		$40,000	$100,000			
Integrated Regional Water Management	$29,000,000	$2,000,000	$4,500,000	$2,000,000	$5,000,000	$15,500,000
Regional Water Management Grants (e.g. water conservation, water recycling, desalination, conjunctive management, watershed management, pollution prevention, etc.)		$1,000,000	$2,000,000			
Statewide Water Management						
Water Quality Improvements		$250,000	$500,000			
State Support for Development of New Storage		$250,000	$1,000,000			
Science and Technology (including desalination technology)		$300,000	$500,000			
Resource Stewardship		$200,000	$500,000			
TOTAL	***$35,000,000***	***$3,000,000***	***$6,000,000***	***$5,000,000***	***$5,000,000***	***$16,000,000***

Footnotes:
(1) The federal share of projects reflects historic cost share arrangements. However, precise cost-shares vary by type of project.
2) Establishment of a Water Resources Investment Fund for additional sustained water management efforts. Resources to this fund will include non-General Fund-based revenue sources and will be used for projects of regional and statewide benefit (approximately $5 billion).

PREFACE

The CALFED Bay-Delta Program is structured to be implemented in stages that allow for assessment and revision of the Program as it moves forward. When the Programmatic Environmental Impact Statement/Report (EIS/EIR) was prepared and the Record of Decision (ROD) signed, the preferred alternative selected for the CALFED Bay-Delta Program was based on "through Delta conveyance," which is the movement of water through the Delta instead of around it. When the ROD was signed, decision makers were aware that a "through Delta" approach would possibly not be adequate to achieve the water quality and environmental improvements necessary to meet CALFED objectives. Thus, they provided provisions for considering other options and alternatives in the future. In its sixth year of implementation, the agencies responsible for the CALFED Bay-Delta Program are preparing for the end of Stage 1 and the important decisions that are called for in the ROD, including the decision on Delta conveyance.

As policymakers are considering the end of Stage 1 decisions for CALFED implementation, new information is becoming available and other significant changes are either occurring or proposed for the Delta in the following areas:

- **Delta Sustainability**. Scientific information collected and research that is currently under way indicates that the current physical configuration of the Delta is not sustainable. Increasing risk of a significant seismic event in the Delta, coupled with sea level rise associated with global warming, puts Delta levees at high risk.

- **Decline of Pelagic Organisms in the Delta**. Population levels for pelagic organisms in the Delta, including important food web species and the listed delta smelt, are at record low levels and declining.

- **Delay in Meeting Water Quality Objectives**. The water quality objectives set out in the ROD have not been met and implementation of significant portions of the CALFED Bay-Delta Program water quality actions have been delayed.

- **Court of Appeals D-1641 Water Rights Decision**. The California Court of Appeals has ruled against the State Water Resources Control Board (SWRCB) on portions of its D-1641 water rights decision. The judgment indicates that the SWRCB did not have the authority to implement the Vernalis Adaptive Management Plan because it was not included in the basin plan for the Delta. In addition, the SWRCB has issued a cease and desist order to the Department of Water Resources and the U.S. Bureau of Reclamation for failing to meet Delta salinity standards.

- **Potential Increases in Environmental Water Account Costs**. Improved modeling has provided new information about the environmental water account (EWA), which indicates more fish actions are needed to achieve the level of protection required. This is likely to result in significant cost increases, with the annual cost of EWA at between $40-50 million.

- **Delta Vision Process**. The Resources and Business, Transportation and Housing agencies are preparing to launch a public process to develop a 100-year vision for the Delta. The concept described in Section 4.5 of this 10-Year Action Plan would result in an open, collaborative public process involving local government and stakeholders to create a strategic plan for all Delta activities, including land use and transportation.

- **HCP/NCCP**. As part of negotiations on the 10-Year Action Plan, water users, environmental groups and regulatory agencies sought a new approach for managing environmental regulatory requirements for the Delta. Through a voluntary process, water users who must comply with the California and Federal Endangered Species acts regarding on-going operations of their water projects, are working cooperatively to explore preparation of one or more Habitat Conservation Plans under Section 10 of the Federal Endangered Species Act and Natural Communities Conservation Plans under the California Endangered Species Act (HCP/NCCP). It is anticipated that an HCP/NCCP for the Delta would serve as a strategic plan for guiding restoration efforts in the Delta. This concept is discussed in Section 4.6 of this Plan.

Each of these factors will influence the Delta and its role in the state's economic future. The critical and complex challenge before us once again requires the delicate balancing of environmental and water supply needs. Any opportunity for success will require careful integration of the information and activities described above and flexibility to adapt to changing conditions in the future. This 10-Year Action Plan is based on the best information available at the time of its writing. Each year, the CALFED Bay-Delta Program will need to reassess its progress and challenges and set a course that moves implementation forward, while balancing the diverse needs of the Program.

MOVING FORWARD

This 10-Year Action Plan was presented to the Bay Delta Public Advisory Committee and the California Bay-Delta Authority Board for their recommendations at their December 2005 meetings. These entities forwarded a set of recommendations based on a Framework of this plan to the Secretary for Resources with a request that they be forwarded to the Governor. The administration has considered these recommendations in developing this Plan.

Section 1 - INTRODUCTION

The Sacramento-San Joaquin Bay-Delta is vitally important to California's environment and economy. A decade ago, after a persistent drought and collapsing fisheries escalated into a full scale water war, state and federal leaders called a truce, which became a pivotal turning point that led to the creation of the CALFED Bay-Delta Program. Without the resources of the Bay and Delta, California would not be the national and international economic powerhouse it is today. Without CALFED, the Bay-Delta would not have the protections and management it has today and the promise it has for tomorrow. The promise of CALFED is great: state, federal and local agencies working together with stakeholders in an open and accountable way to resolve longstanding differences over the Delta, as both the major source of the state's water supply and an ecological treasure.

CALFED has been successful. In its sixth year of implementation, the CALFED Bay-Delta Program has achieved numerous accomplishments because state and federal agencies were able to overcome their institutional barriers and acknowledge the goals and responsibilities of other agencies, as well as their own. Many of these accomplishments would not have been possible without the coordinated and collaborative approach embodied in the CALFED Bay-Delta Program. In the last five years the Delta levee system has been preserved and improved, the state's overall water supply has been increased, fish and wildlife habitat has been restored in the Delta and its tributaries, water quality actions have been funded, agriculture has achieved record production and sound science has played a more prominent role in management and regulatory decisions.

Despite its many accomplishments, the CALFED Bay-Delta Program has not realized the progress or desired outcomes originally expected in each of its four Program objectives: levee system integrity, ecosystem restoration, water quality and water supply reliability. To date, many of the schedules established by the ROD have been substantially delayed. Some were unreasonable from the outset, while others were not met due to unforeseen circumstances that arose since the adoption of the ROD, including: inadequate funding; lack of funding flexibility; lack of funding authority; POD; contracting issues; hiring freezes and budget cuts.

Delta History

The Bay and Delta formed by the confluence of the state's two largest rivers – the Sacramento flowing south and the San Joaquin flowing north – form one of California's most valuable and unique resources. As both the hub of the state's water-supply system and the largest estuary on the West Coast, the Delta represents both the heart and soul of this economically powerful and ecologically diverse state.

Today's Delta is largely a human invention – a complex maze of 57 major islands. The Delta's land surface is as much as 30 feet below sea level, intersected by a network of shallow channels and sloughs. In short, it looks nothing like its last known natural state prior to the discovery of gold in the mid-1800s – a vast tule swamp. At the height of the Gold Rush, miners used huge water canons to literally wash away hillsides in their quest for the precious metal. As they blasted away, they unwittingly sent millions of tons of sediment into valley streams, literally changing their course and filling in many of the Delta's embayments.

As the Gold Rush dwindled, miners turned to agriculture and began the transformation of the Delta's marshes into farmland. Encouraged by government-sponsored swampland reclamation programs, large farming tracts were "reclaimed" using the back-breaking work of Chinese laborers to build levees, dry-out and burn tule reeds and farm the rich peat soils. Although very productive, these soils oxidize when dry at the rate of about two inches per year. The result over many years has been a steady sinking of Delta tracts, with some of them now up to 30 feet below sea level. It is only the existence of Delta levees that prevents the land from flooding.

The Delta also has been altered by man's quest for water to quench the state's growing thirst. In addition to hundreds of small local diversions from the Delta and its tributaries, major urban and agricultural centers in both Northern and Southern California have turned to the Delta for water.

In 1929, the East Bay began diverting water from the Mokelumne River. Six years later, the city of San Francisco diverted Tuolumne River water through its Hetch Hetchy system. In the early 1940s, the federal government took over a state flood control plan and created one of the world's largest water projects – the Central Valley Project (CVP). Today, the CVP delivers more than seven million acre-feet of water from the Delta and its tributaries, primarily to irrigate farmlands in the Sacramento and San Joaquin valleys. Finally, the State Water Project (SWP) was completed in the early 1970s to irrigate farmland in the San Joaquin Valley and provide water for Southern California and the South Bay.

Reaching Crisis

Over time, the Delta has been changed both by nature and man, so much so that by the early 1990s, it was no longer a reliable source of water supply and was failing as an ecosystem to support many of the species that called it home. The winter-run Chinook salmon was listed as an endangered species in 1989 and the delta smelt was listed as threatened in 1993.

Stakeholders with interests in the Delta often pursued "all-or-nothing" strategies in regulatory, legislative and legal battles to protect their interests. Regulators and policymakers, unable to agree on a clear course of action, were stalemated.

In 1991, the SWRCB adopted a water quality plan for the Bay-Delta, but it was disapproved by the U.S. Environmental Protection Agency (USEPA) acting under the authority of the federal Clean Water Act. The SWRCB issued an interim set of water quality standards for the Delta in 1992, but withdrew them in 1993, the same year that environmental groups sued the USEPA for failing to issue federal water quality standards for the Delta.

A turning point was reached in early 1994, when then-Governor Pete Wilson criticized what he called piecemeal efforts by federal agencies to resolve Delta issues. By June of that year, state and federal agencies had come together to sign a framework agreement through which they agreed to adopt mutually acceptable state water quality standards and develop long-term strategies to address fish and wildlife, water supply reliability, levee stability and water quality issues.

That framework provided a truce in hostilities, allowing a broad spectrum of water interests to reach a more definitive Bay-Delta Accord six months later. The Accord included water quality standards that most stakeholders found at least tolerable and they formed the basis for a 1995 water quality control plan adopted by the SWRCB and approved by USEPA.

Creating CALFED

Governor Wilson's criticism – and the responses of other state and federal leaders – gave birth to the collaborative, non-regulatory approach to problem solving that became the CALFED Bay-Delta Program.

In addition to reaching agreement on water quality standards, the Accord set in motion an effort by state and federal agencies and stakeholders to develop a 30-year CALFED Bay-Delta Program to restore the ecosystem of the Delta and improve its water supply reliability, water quality and levee system integrity.

The plan was formed through five years of an extensive collaborative process among top state and federal agency officials; public advisory committees (Bay-Delta Oversight Council and the Bay-Delta Advisory Committee); and with stakeholders and the general public across the state. The process reached its conclusion when then-Governor Gray Davis issued a specific set of actions combined with a vision of how the actions fit into a balanced long-term solution. Known as "California's Water Future: A Framework For Action," the document also provided details for the first seven years of the CALFED Bay-Delta Program implementation, known as Stage 1 of the overall 30-year plan.

CALFED Program Elements

Water Management
Storage
Conveyance
Water Use Efficiency
Water Transfers
Environmental Water Account
Water Quality
Watersheds
Levee System Integrity
Ecosystem Restoration
Science

One month later, CALFED participants published the final EIS/EIR, and on August 28, 2000, the historic ROD was adopted formally as a joint state-federal guiding document.

The ROD was designed to provide a blueprint to address the needs of major stakeholders and identified four core program goals: water supply reliability, ecosystem restoration, water quality and levee system integrity. In addition, the ROD established 11 program elements, including a science program to improve and increase the scientific basis for decision-making.

In 2003, the Legislature created the California Bay-Delta Authority (CBDA) to coordinate and oversee planning and implementation of the CALFED Bay-Delta Program among its 25 participating state and federal agencies. CBDA tracks the progress of CALFED projects and activities, assesses the overall achievement of the goals and objectives, and is authorized to modify timelines and activities, when necessary, to meet those goals and objectives.

Implementing CALFED

As the CALFED Bay-Delta Program transitioned from planning to implementation, it faced challenges. Although the Program was supported in the early years by state bond funding, more recent state and federal budget shortfalls have put the Program on uncertain footing. Staff reductions in 2003 and 2004 hampered both implementing agencies and the start-up CBDA. As a governing structure, CBDA also faced uncertain footing between its assigned roles of coordinating among the agencies and overseeing their efforts in implementing the Program. Perceived as having responsibility for managing the CALFED Program, CBDA faced the reality that decision-making authority continued to rest with implementing agencies. In short, the Authority had no authority.

Despite these issues, the CALFED Program has had numerous successes. In the last five years, the state's overall water supply has increased, fish and wildlife habitat have been restored in the Delta and its tributaries, levees were preserved and improved, water quality actions were funded, agriculture achieved record production and sound science played a more prominent role in management and regulatory decisions.

Nevertheless, as delays and the number of meetings mounted, critics came to say that the "CALFED Bay-Delta Program seemed to value process over progress." There was growing concern among agencies and stakeholders that disagreements about the CALFED Bay-Delta Program's mission and vision, and the role of CBDA were jeopardizing a critical effort to meet California's water needs and restore the Bay-Delta estuary.

The 10-Year Action Plan

A firm belief in the promise of the CALFED Bay-Delta Program and concern over its criticism prompted Governor Arnold Schwarzenegger to lay out a three-point plan to "allow the CALFED Program to move forward and focus on addressing the highest priority issues associated with the conflicts in the Delta" as part of his May Revision message in the 2005-06 state Budget. The three points include:

- **Independent Review.** Consistent with the recommendations of the California Performance Review, the May Revision calls for "an independent program and fiscal review of the CALFED Program to ensure accountability, highlight accomplishments, determine program status and guide adjustments to the Program."

- **Program Priorities. "**Refocus the efforts of the California Bay-Delta Authority and the other CALFED Program state agencies on solving conflicts associated with Delta water supply, water quality, levee stability and the environment."

- **Financing. "**The CALFED Program needs a credible budget for the coming year and it needs a clear plan for the next 10 years. The Governor is calling for the development of a 10-year action plan, to be developed in coordination with stakeholders and our federal partners. This action plan must focus on solving the highest priority Delta issues; link future water user payments to specific program actions that improve water supply

reliability; balance statewide actions with regional water management; and include funding from the state, federal and local levels consistent with the beneficiaries-pay principle. This plan will include payments from water users to the Ecosystem Restoration Program and other programs in proportion to the direct benefits derived."

This 10-Year Action Plan has been prepared in response to the Governor's direction after extensive consultations with state and federal CALFED Program agencies and interested stakeholders. This Plan is the response to the findings of the state Department of Finance's (DOF) fiscal and programmatic review and the Little Hoover Commission's independent review of the CALFED Bay-Delta Program's governance. Complete copies of these reports are attached as appendices to this Plan. The Administration will work with the Legislature, stakeholders and its federal agency partners to implement the organizational changes and programmatic priorities outlined in this Plan.

The Plan further defines specific implementation actions over the next three years and lays out possible future directions based on various critical decisions to be made. The CALFED agencies acknowledge that many of these specific implementation actions may need to complete the process of environmental and regulatory reviews, as determined by the appropriate agencies on a case-by-case basis. They further acknowledge that changes may be made to the proposed actions, or they may not be approved as a result of these future reviews. This Plan also revises the schedules and milestones identified in the ROD and near-term priority actions for the CALFED Bay-Delta Program that address the four primary program objectives the ROD calls for. In this regard, the CALFED agencies acknowledge the programmatic nature of the ROD and that the ROD provides for revising specific projects, programs and schedules to account for new information or changed circumstances. The CALFED agencies believe that the actions called for in this Plan are consistent with the ROD. Further, it is not intended that this Plan replace or change the implementation commitments in the ROD.

In addition, the Little Hoover Commission and independent management consultant KPMG have made recommendations to improve program and fiscal management for the implementing agencies and CBDA, which are included in this Plan.

The CALFED Bay-Delta Program was not created to eliminate all problems and all conflicts in the Delta. It was created to provide a mechanism for interagency coordination and stakeholder involvement that is grounded in science to allow participants to resolve problems and reduce conflicts as quickly as possible. As the CALFED Bay-Delta Program moves forward, state and federal water and resource leaders will need to make difficult choices. Serious decisions about the future direction of the Program lie ahead. The Plan acknowledges that future decisions, such as whether Through-Delta conveyance will continue to work, may significantly alter future actions of the Program. The Plan is not intended to limit the agencies in carrying out their independent statutory and regulatory responsibilities, but rather to present a long-term framework to facilitate continued cooperation and advice among the agencies and allow the difficult choices to be made in a collaborative manner consistent with the ROD.

Section 2 – GOVERNANCE

From its inception, the CALFED Bay-Delta Program has attempted to break down traditional agency and stakeholder self-interests and develop a common, coordinated and accountable approach to problem solving.

Agency, stakeholder and legislative interest in CALFED Program governance has a long history. Prior to the creation of CBDA, the CALFED Program was governed by the Policy Group comprised of the directors of the CALFED agencies, with the Secretary for Resources and the Secretary of the Interior as its two leaders and decision makers.

Governance was one of many major policy issues addressed in the ROD, and legislative attention culminated in the adoption of SB 1653 (Costa) in 2002, establishing CBDA. CBDA was up and running by mid-2003 and has two-and-a-half years of operational experience as a separate state agency.

Section 4.4 of the ROD Implementation Plan states: "In the process of evaluating options for a CALFED Program governance structure to implement the CALFED Program, CALFED Program agencies reviewed the following governance functions/responsibilities necessary for implementation to determine whether the existing structure could successfully serve those functions or whether a change would be needed:

- Oversight of program implementation
- Program assessment
- Review and approve priorities and budgets
- Coordinate related programs
- Conflict resolution
- Public outreach and communication
- Legislative communication"

The ROD further states that "The CALFED Program agencies have determined that the existing structure is not adequate to serve as the long-term governing structure for CALFED for the following reasons:

- Dispersed authority…
- Lack of accountability …
- Lacks durability …"

Creation of CBDA as a separate state agency and governing board was intended to address these inadequacies stated in the ROD. As a governing board comprised of both public and agency members, CBDA would be able to blend and, if needed, arbitrate among the competing interests. As staff to CALFED, CBDA would be able to coordinate among the agencies and serve as an independent voice for the Program.

This ideal has not often been the practice, leading agencies and stakeholders to once again search for better alternatives. Indeed, the Little Hoover Commission report on the CALFED

Program echoes the ROD, remarking that the current Authority structure "does not focus on responsibility and authority."

The Little Hoover Commission's report also raises the concern that "leadership is disconnected from the traditional agency hierarchy." According to this view, CBDA's independence is more curse than blessing because it has been unable to navigate within the traditional hierarchy of government power structures.

The California Bay-Delta Authority Act of 2003 that established CBDA was not clear about which agency or agencies would be accountable for the CALFED Program. The Act directed CBDA to oversee program implementation and progress. CBDA was viewed by many as the agency ultimately accountable for program success or failure, but the Act gives no authority to CBDA to follow through on this mandate. The Act gives responsibility for program implementation to the agencies. However, determining which agencies are responsible for what parts of the program is not clearly defined.

Given the size and complexity of the Program and the number of agencies responsible for implementation, it appears to make sense for public accountability to clearly rest with the agencies, given their authority for implementation.

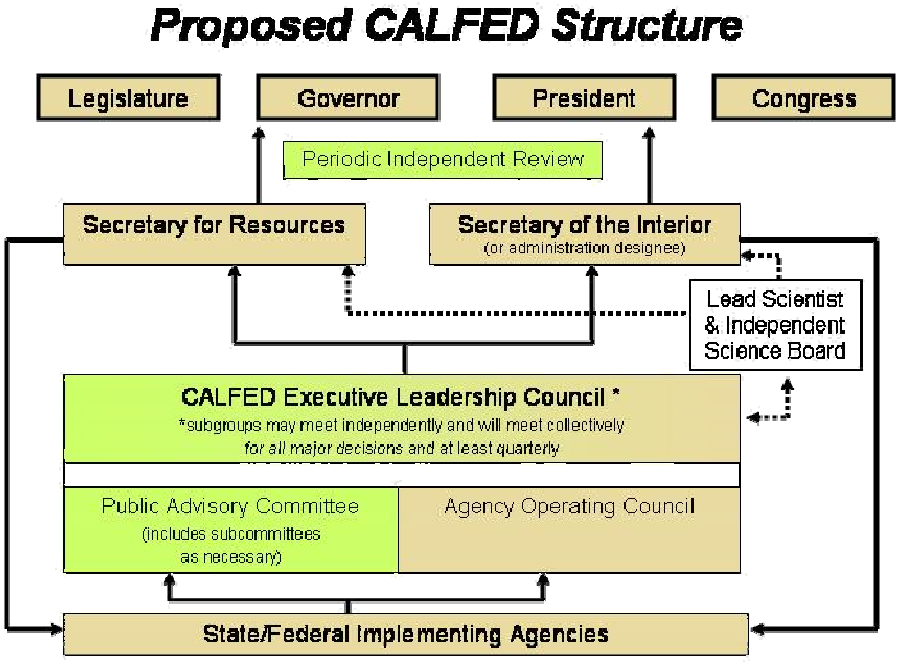
2.1 Agency Integration – Establish the CALFED Leadership Council

A key component of CALFED Bay-Delta Program governance is interagency coordination. The CBDA structure has been criticized for placing the perceived responsibility for CALFED Program implementation with CBDA and for giving the fledgling governing board and agency little or no real authority to make decisions.

This plan proposes that the Governor designate a state lead – the Secretary for Resources -- and requests that the Secretary of the Interior identify a federal lead. It also proposes that the state and federal agencies establish a new state-federal council modeled after the former Policy Group to coordinate implementation of the CALFED Program. This new group will be called the CALFED Leadership Council and will be comprised of the directors of seven state and seven federal implementing and regulatory agencies of the CALFED Program, as well as stakeholder representatives. This council will be responsible for implementation of CALFED projects and programs. Major decisions affecting the implementation of the CALFED Program would be made by the CALFED Leadership Council in public meetings after receiving advice from a Public Advisory Committee.

The CALFED Leadership Council would be:

- Formed to coordinate implementation and oversee strategic planning, performance and fiscal tracking of the CALFED Program;
- Coordinated among its respective branches by one state agency lead and one federal agency lead; and
- Required to meet in public several times a year and prior to making major policy or major funding decisions.



The CALFED Leadership Council will help improve overall Program accountability by making implementing agencies more directly accountable for decisions and performance. It is anticipated that the CALFED Leadership Council would meet in public several times annually and before making major decisions. A Public Advisory Committee will provide public involvement and recommendations to the CALFED Leadership Council. In addition, CALFED Leadership Council staff will be charged with developing an aggressive communications program to ensure a high-degree of public awareness and transparent decision-making.

The CALFED Lead Scientist will meet and participate with the CALFED Leadership Council as an advisor to ensure that both the Lead Scientist and the CALFED Science Program remain independent from policy and decision-making.

The CALFED Program has achieved many of its successes because state and federal agencies were able to remove their institutional barriers and acknowledge the goals and responsibilities of other agencies, as well as their own. This coordination needs to continue at multiple levels to resolve conflicts and make vital policy, budget and technical decisions. Part of this coordination includes the need to jointly develop and implement strategic plans, develop and track performance measures and identify program priorities.

ACTION – IDENTIFY STATE AND FEDERAL LEADS. *This plan proposes that the Governor identify the Secretary for Resources as the state lead responsible for overseeing and implementing the CALFED Program. The Secretary for Resources will represent the Governor in matters related to implementation of the CALFED Program. It also proposes that the Governor request that the Secretary of the Interior identify a federal lead for the CALFED Program. It is anticipated that the Secretary for Resources and the federal lead would co-chair the CALFED Leadership Council.*

ACTION – ESTABLISH THE CALFED LEADERSHIP COUNCIL. *The state and federal agencies will establish the Council, modeled after the former Policy Group, through a state/federal Memorandum of Understanding. The Council will be comprised of seven state and seven federal agencies, and stakeholder representatives as decision-makers.*

2.2 Independent Oversight

Over the last three years, the intent has been that the California Bay-Delta Authority would provide independent oversight of the CALFED Program. However, both the Little Hoover Commission and stakeholders have indicated that the Authority board faced conflict because it included both public and agency members. This posed the possible perception that it could not adequately provide independent third-party review. In addition, while intended to provide independent oversight, the Authority board has no true authority to influence the direction of the Program. It is comprised primarily of government officials, who are best organized as a management group to implement the CALFED Program, and should not be expected to oversee itself and provide independent review of program progress. The Little Hoover Commission recommended eliminating the Authority.

The Little Hoover Commission also highlighted the need for independent third-party review as an important ongoing function for the CALFED Program. As described by the Little Hoover Commission, a board comprised mostly of government officials cannot oversee itself. It certainly cannot provide the independent review that the public and policy-makers need to maintain confidence in CALFED. In addition, by requiring the interagency coordination to be done in public, much of the cooperative problem-solving has been lost. Management can provide internal oversight, but the public and policy-makers need a mechanism that can provide expert and independent review of the Program to maintain progress and ensure the program stays faithful to all shared goals. Several strategies could provide policy-makers with the expert guidance they need to improve oversight and create incentives for progress.

Rather than create yet another new entity to provide this independent review, this Plan proposes using the same type of review the program has just undergone. This review, called for by Gov. Schwarzenegger in his May 2005 Budget Revise message, was an approach that examined governance, and fiscal and program management issues within the CALFED Bay-Delta Program. In the most recently-completed review, the Little Hoover Commission focused on governance issues, the state Department of Finance on fiscal and program issues and independent consultant KPMG on management issues. The proposed CALFED structure (see previous page) allows for oversight by independent review to be called for by either the Governor or the Legislature on behalf of the state, and the President or Congress on behalf of the federal government. These independent reviews should be conducted every seven years, or as requested, to allow for Program adjustments to be fully implemented between reviews.

ACTION – ELIMINATE THE AUTHORITY BOARD AND REPLACE IT WITH THE AN INDEPENDENT REVIEW AND OVERSIGHT MODELED AFTER THE 2005 INDEPENDENT REVIEW. *This Plan recommends that the Authority board be eliminated, and that ongoing independent review and oversight over the CALFED Bay-Delta Program be modeled after the 2005 process*

2.3 Public Advisory Committee

The CALFED Bay-Delta Program will continue to exist only as long as a broad range of stakeholders see it as the best way to achieve their goals. The last 10 years have been remarkably free of lawsuits related to management of the Bay-Delta system. This is because stakeholder groups have viewed collaboration as more constructive and proactive than litigation.

To ensure continued cooperation, it is critical that the CALFED Program receive stakeholder and public input prior to major policy decisions being made. A Public Advisory Committee that reflects a broad diversity of technical and demographic interests is a key forum for two-way communication and allows CALFED implementing agencies to reach out to the public and for the public to provide recommendations and advice back to the CALFED implementing agencies. This Public Advisory Committee will continue to include members representing tribal and environmental justice interests and provide advice to CALFED agencies on effective implementation of environmental justice actions and tribal relations at the project level. It is expected that the Public Advisory Committee will develop subcommittees, as needed.

The Little Hoover Commission report found that the existing Bay-Delta Public Advisory Committee (BDPAC) is hampered by federal rules that prohibited it from directly advising both state and federal agencies. In addition, the Commission raised concerns that BDPAC does not adequately represent the broad array of public interests that should be aware of, and involved with, the CALFED Program.

ACTION – ESTABLISH A STATE PUBLIC ADVISORY COMMITTEE. *This plan recommends that the state establish a Public Advisory Committee to advise and make recommendations about general policy and strategic implementation of the CALFED Bay-Delta Program through the CALFED Leadership Council and to any parties charged with conducting an independent of the Program. This state Public Advisory Committee would have up to 30 members appointed by the Governor in consultation with the Secretary of the Interior. It would replace the current federally-chartered Bay-Delta Public Advisory Committee, and will reflect the broad diversity of both the state's population and stakeholder groups involved with implementation of the CALFED Bay-Delta Program, including tribal and environmental justice representatives.*

2.4 Role of California Bay-Delta Authority Staff

The Little Hoover Commission acknowledges that "staff capacities of CBDA are essential to orchestrating the CALFED Program effort" and recommended that staff be assigned to the CALFED Leadership Council under the direction of the Secretary for Resources.

It is critical to continue to have CALFED Program staff that can facilitate the interagency coordination. CBDA staff is uniquely qualified to serve the functions of program integration and coordination, strategic planning, program tracking and support to the Leadership Council and Public Advisory Committee.

A hallmark of the CALFED Bay-Delta Program has been its development of sound scientific information to guide policymakers at state and federal agencies as they make water

management and environmental restoration decisions. CBDA science staff are uniquely positioned to channel funding to research projects and provide analysis and support for the Program's Lead Scientist and members of the Independent Science Board.

Finally, the CALFED Program must place a high priority on developing a performance-based management system. Such a system is detailed at length in another section of this report, but its development and continued practice must be a priority for the CALFED Leadership Council, the individual CALFED implementing agencies and CBDA staff.

Consistent with the focus of this plan, it is proposed that CBDA undergo an internal reorganization. The proposed reorganization will change the existing CBDA organizational structure from individual program elements to a focus on cross program functions, including: strategic planning, program performance, communications and science.

ACTION - REASSIGN CBDA STAFF. *Move the staff of CBDA to the Resources Agency to operate under the direction of the state lead in support of the CALFED Leadership Council.*

Section 3 – PROGRAM AND FISCAL MANAGEMENT

The Little Hoover Commission, state Department of Finance and management consultant KPMG conducted extensive interviews and solicited comments from stakeholders and the public. Based on interviews, surveys and testimony, agency managers, officials and stakeholders have identified numerous challenges facing the implementation of the CALFED Bay-Delta Program. This section is focused on those issues related to Program and fiscal management.

3.1 Independent Review Findings and Observations

The Little Hoover Commission identified two important attributes related to Program and fiscal management that are necessary for a successful CALFED Bay-Delta Program:

Efficiency. Public efforts innately include various requirements that diminish efficiency, including personnel and contracting rules, public disclosure, comment and appeal procedures. To be successful, government must be responsive to dynamic natural, social and economic systems that require swift and definitive action. The CALFED Program is both praised and criticized for its allegiance to process. In the future, CALFED Program leaders will need to develop procedures that are transparent and inclusive, improve decision-making and reduce conflicts, and accomplish this in ways that take less time and fewer resources.

Effectiveness. A premise of the CALFED Bay-Delta Program is that the implementing agencies can accomplish more by working together than they can individually. In some instances, effectiveness is improved by reducing conflicts, such as those between regulatory and service-providing agencies. By sharing priorities, different agencies also can align their efforts, leverage additional benefits and achieve goals quicker. Agencies also have the potential to integrate efforts strategically using assets and authorities to accomplish something they cannot do alone.

KPMG, an independent management consultant charged with providing considerations for improving the overall implementation of the CALFED Program, has identified several common themes as a result of its interview and survey results:

- Specific methods for defining balance, and measuring and evaluating outcomes and accomplishments by Program element should be defined. This definition should include science and the measurement of change within a "system."

- A very detailed communication plan is needed. It should be developed in coordination with all CALFED agencies and define to whom, what, how, when and where communication should occur.

- A common program or project management system needs to be defined, agreed to and implemented across all CALFED implementing agencies. This management system will define how projects are to be managed, documented, reported on and what performance measures will be produced to track progress.

The DOF performed a review of Program status and performance, expenditures to date, fiscal procedures and reporting. DOF made many observations that indicated the need for better program and fiscal management. DOF's observations included:

- Program goals and objectives need to be clear and communicated across the CALFED Bay-Delta Program implementing agencies and stakeholders.

- Performance measures need to be developed for all levels of the Program to assess progress and performance in achieving the CALFED Program goals and objectives. Performance measures need to be effective at multiple levels to measure the status of project implementation, program element and the overall Program accomplishments.

- Coordination effectiveness varies across the CALFED Program elements.

- Programs should focus on the highest priority actions and projects that contribute toward meeting the CALFED Program objectives and contribute to end of Stage 1 decisions.

- A common database needs to be employed for maintaining programmatic and fiscal information.

- A formalized process needs to be developed for identifying expenditures and consistent cost allocation plans need to be developed.

- The CALFED Program should establish better internal financial communication, coordination and reconciliation procedures and formal procedures for reporting and tracking local expenditures.

- CALFED Program annual reporting needs improved procedures for collection and verification of fiscal data.

In response to the findings and observations of the Little Hoover Commission, DOF and KPMG, the CALFED Program is committed to making appropriate changes to improve Program performance and accountability.

3.2 Reorganize CBDA

CBDA will be reorganized and assume roles and responsibilities appropriate to support the proposed CALFED Leadership Council. As it is currently defined, CBDA's roles include Program oversight and coordination and implementation of the Science Program. In addition, since creation of CBDA, implementation of the Ecosystem Restoration Program (ERP) has continued to be performed primarily by CBDA staff. However, this responsibility is being transitioned to the California Department of Fish and Game (DFG).

In performing its roles, CBDA has lacked the authority to resolve conflicts or reconcile CALFED Bay-Delta Program activities from the priorities of individual agencies.. Moreover, continued implementation of ERP has mixed CBDA's focus on oversight and coordination with project

implementation. With CBDA's new role to support the CALFED Leadership Council, CBDA will assume strategic management functions to help the CALFED Leadership Council successfully lead the CALFED Program.

CBDA will be reorganized to provide functions that support the CALFED Leadership Council's Program leadership, and will continue implementation of the Science Program to ensure that independent and sound scientific analysis is consistently incorporated into decision-making through adaptive management. The new roles and responsibilities of CBDA will be implemented through five divisions that include:

- CALFED Strategic Planning
- CALFED Program and Fiscal Tracking
- CALFED Communications
- CALFED Science Program
- CALFED Administration

The transition of ERP management to DFG will be completed. DFG is the state implementing agency for the CALFED Ecosystem Restoration Program. Some activities related to ERP strategic planning, program tracking and communications will remain at CBDA consistent with its new roles and responsibilities.

ACTION – REORGANIZE CBDA TO SUPPORT THE CALFED LEADERSHIP COUNCIL. *CBDA will be reorganized to provide program management support to the CALFED Leadership Council. The new functions of CBDA will be strategic planning, program and fiscal tracking, communications, science and administration. The Ecosystem Restoration Program implementation will be fully transferred to the Department of Fish and Game. KPMG will assist in creating the new organizational structure and business processes to support CBDA's new functions.*

3.3 Strengthen Strategic Planning

Strategic planning is an important function that the CALFED Leadership Council must lead to achieve successful CALFED Program outcomes. The CALFED Leadership Council and CBDA must have a systematic road map for achieving the long-range CALFED Program objectives of levee system integrity, water supply reliability, water quality and ecosystem restoration. Successful strategic planning requires regular reviews and updates to ensure that CALFED agency plans remain relevant. Strategic planning must chart the course for the Program by working with implementing agencies to determining short- and long-term goals, developing strategies to achieve those goals and, finally, to create tactics that can be implemented toward achievement of those goals. Strategic planning must also provide leadership within CALFED to ensure that progress toward goals are objectively measured and ongoing adjustments to planning occurs to adapt to change.

CALFED strategic planning must also be coordinated with statewide water planning and integrated regional planning efforts to ensure a comprehensive and sustainable water policy for California.

ACTION – STRENGTHEN STRATEGIC PLANNING. *In response to the need to communicate clear goals and objectives across the Program, strategic planning will be centralized within CBDA. CBDA will work with the implementing agencies to improve Program planning and annual reporting. Each implementing agency should report periodically on progress and provide updated strategic plans that clearly indicate how to address deficiencies, enhance efficiencies and improve outcomes. In addition, project and program information should be updated frequently and readily available to stakeholders and the public. CBDA strategic planning will provide guidance for regional planning efforts, focus on program integration across CALFED objectives and program elements, coordinate with statewide water resource planning and provide a forum for engaging the public on strategic planning issues.*

3.4 Implement Performance-Based Program Management

The CALFED implementing agencies and stakeholders have long recognized the importance of tracking implementation progress and establishing performance measures to assess progress in meeting program objectives. Many factors have frustrated past efforts at program tracking and development of performance measures. Different implementing agencies use different schedules and formats to track implementation, which means that CALFED-wide unified tracking is difficult to compile. Development of performance measures has been even more difficult because CALFED programs are complex and interrelated; simple metrics are insufficient.

Nevertheless, performance-based management is important to long-term program success. Performance-based management consists of pre-determining desired organizational outcomes, identifying ways to quantify those outcomes and then monitoring implemented actions that can be measured against the pre-determined quantifiable outcomes. This type of management will allow for tracking of progress toward outcome by Program action.

Successful management of a program as large as CALFED may benefit from using standardized project management protocols and methods. CBDA will work with the implementing agencies to create program and project management processes and reporting standards. These standards will clarify roles and responsibilities of the implementing agencies, improve the ability to track and report on Program status and incorporate lessons learned into on-going strategic planning.

By requiring clear goals and performance measures, implementing agency managers will be able to measure the effect of their program actions to determine if they are achieving program element goals and the overall CALFED objectives. The CALFED implementing agencies will measure and report on Program performance for:

- The four overall CALFED objectives
- Specific program element goals, and
- Individual project actions.

Performance measurement will provide important information for the CALFED Leadership Council to use in directing strategic planning.

Measuring and tracking Program performance requires identifying measures and collecting, tracking and evaluating appropriate Program and project level information. Implementing

agencies that are responsible for Program and project level implementation will coordinate with CBDA to identify, collect and report appropriate information for measuring project and Program performance and to assess the success in fulfilling the Program's mission and goals. Some key actions to improve CALFED Program performance-based management could include:

- **Establish results-oriented performance measures.** The implementing agencies will be responsible for developing performance measures, monitoring and reporting under the guidance of the CALFED Science Program. The Science Program will facilitate cross-program integration and independent science review of performance measures, data and reporting. Performance measures will be used to assess progress toward Program goals and to inform adaptive management of the system. The implementing agencies and Science Program will work together to develop a unified plan for development of performance measures, communication products and appropriate budget needed to fulfill monitoring and reporting for performance measures. The development and implementation of performance measures is resource intensive and will require the cooperation of local agencies who may be engaged in implementing some of the CALFED actions. New funding sources must be identified to make significant progress in developing and implementing quantifiable performance measures.

- **Establish accountability throughout the organization.** Administrators, managers and employees are responsible for not just activities and programs, but for results.

- **Collect, analyze and use data.** Real-time data is essential to make real-time decisions. The information collection process should be part of Program staffing and budgets and include not only performance data, but also feedback from outside stakeholders to assure any concerns they may have are addressed. Collecting and analyzing data is only valuable if the resulting information is ultimately used to make decisions. Data collection and analysis is important, but the goal is to use the information to gauge progress, change the course of action, when appropriate, and improve Program results.

- **Prepare an annual report.** The CALFED Leadership Council should report annually to the general public, the Governor, the state Legislature and the U.S. Congress on the status and accomplishments of the Program and the adequacy of science-based adaptive management in guiding the CALFED Program.

- **Continuously review business processes.** An effective business process review program that is most likely to generate ongoing performance improvements should be an integral part of the operation of each program or department. Front-line staff should be encouraged to identify areas for improvement because they best know the strengths and weaknesses of existing systems. Staff should understand that participation in process reviews is a normal part of their work and should be rewarded for initiative and innovation.

ACTION - IMPLEMENT COMMON PROGRAM MANAGEMENT STANDARDS, PERFORMANCE-BASED MANAGEMENT TOOLS AND PERFORMANCE TRACKING SYSTEMS. *CBDA will work with the implementing agencies to define project management standards,*

use performance-based management tools and develop information and data reporting standards for measuring and assessing project and Program performance. Program management and performance tracking methods will be based on industry standards. Implementing agencies will provide periodic status reports for all projects and programs within the direct CALFED focus. Projects and programs in coordinated CALFED areas will provide annual updates on status of activities.

ACTION – DEVELOP AN IMPLEMENTATION PLAN FOR PERFORMANCE-BASED PROGRAM MANAGEMENT. *CBDA, in cooperation with CALFED implementing agencies, will develop a plan for implementing performance-based program management. The implementation plan will be completed by June 2006 and will include a schedule for implementing program management tools and performance tracking systems. The implementation plan will describe:*

- *Objectives that need to be met,*
- *Actions that need to be taken to meet those objectives and the agency responsible for each action and/or objective,*
- *Schedules and milestones for achieving the objectives, and*
- *Additional costs and staffing associated with implementation of program management tools and performance tracking systems and a strategy or source for funding these actions.*

The implementation plan for performance-based program management will be coordinated with the communications plan described below.

ACTION – REQUIRE NEW FUNDING TO INCLUDE SUPPORT FOR PERFORMANCE-BASED PROGRAM MANAGEMENT. *New funding sources that support activities included in the CALFED Bay-Delta Program should include staff and funds to support the development of performance measures and performance-based program management, and require that management tools and performance measures be among the first work products developed with new funding.*

3.5 Develop a Communications Strategy

The CALFED Bay-Delta Program is founded on the principle of bringing greater transparency, public involvement and accountability to implementation decisions and activities. The CALFED Program must have a communication strategy and plan for increasing the awareness of the importance and unique resource values of the Delta to key audiences, including the larger community of water and natural resources managers in California and the general public. For the CALFED Program to be a success, it must effectively communicate the value and importance of the Program as a whole, as well as the effectiveness and performance of specific actions.

ACTION – DEVELOP A COMPREHENSIVE COMMUNICATION PROGRAM STRATEGY. *CBDA will develop and implement a comprehensive communication strategy to target outreach efforts to stakeholders, legislators and the public. The communications plan will convey key messages on the significance to California's citizens, economy and environment of the Delta and the CALFED Program. The Communications Program will use key fiscal and program information from across program elements and agencies in communicating to a diverse set of audiences. Included with the communication plan will be periodic status reports for all communications projects and programs.*

3.6 Improve Fiscal Management and Tracking

Tracking the finances of a state and federal program with 25 different participating agencies on two different fiscal year budgeting schedules is a difficult proposition. The CBDA-maintained cross-cut budget database relies upon collecting timely information from implementing agencies and results in a snapshot-in-time of fiscal information. However, agency finances are constantly updated. DOF recognized that a common database must be employed for maintaining fiscal information, a formalized process must be developed for identifying expenditures and consistent cost allocations must be implemented. Further, DOF found that the CALFED Bay-Delta Program should establish better internal financial communication, coordination and reconciliation procedures, as well as formal procedures for reporting and tracking local expenditures. In addition, the CALFED Program's annual reporting needs improved procedures for collection and verification of data.

ACTION - IMPLEMENT A COMMON FISCAL MANAGEMENT AND REPORTING SYSTEM*. CBDA will work with the implementing agencies and DOF to develop a common fiscal management and reporting system and implementation plan to address changes in Program and fiscal management. KPMG will provide assistance and guidance in this effort. It is anticipated that the fiscal management implementation plan will use a Web-based tool to enable the responsible implementing agencies to maintain project level data in an efficient and effective way. This effort is likely to require new fiscal resources to bring the current disparate systems into a single compatible system. Common reporting may require that individual implementing agencies realign or adjust their current financial systems to meet the common reporting needs.*

3.7 Integrate Science and Adaptive Management into Decision Making

Fortifying the management of the CALFED Program creates a new opportunity to embed adaptive management into decision-making and to increase the capacity of science to inform those decisions. To be successful, the science conducted throughout CALFED needs to meet three criteria:

- *Things need to be done right*, i.e., scientific projects need to be objective, timely, and rigorous,
- CALFED programs must be seen as *doing the right thing*. This entails identifying and resolving the science behind key management and policy issues, and
- Most difficult but also most importantly, the science conducted by CALFED programs must *support good management and policy decisions*. Managers and policy makers must believe that science conducted throughout CALFED is helping them make better, more informed policy and operational choices, and stakeholders must be able to understand the scientific rationale for those choices.

Although there are some visible and important successes in meeting the above criteria, CALFED science has not yet fully met the expectations set out in the ROD. This stems from an inability to consistently and broadly meet the three criteria for success outlined above. The Science Program must reassess its role and commit to the critical scientific needs of the CALFED agencies and stakeholders. To do so will require the following:

- **Establish explicit critical paths for important decisions**. Based on strategic plans, implementing agencies can articulate key decisions, the procedures that will be used to make decisions, timelines when decisions will be made and the measures that will be used to assess those decisions.
- **Establish and implement a peer-reviewed directed research program.** This would enable CALFED science to provide rapid response to the organization's information needs that cannot be addressed by other programs.
- **Incorporate science into decision-making**. Managers need to explicitly use appropriate research and monitoring data to make decisions and coordinate their efforts with partner agencies.
- **Evaluate opportunities to better use science**. The Lead Scientist should continually examine the CALFED Program's procedures and policies and recommend ways to use science to improve performance. The Lead Scientist should not dictate management practices, but, with the help of staff, should translate scientific knowledge into practical management strategies.
- **Independently review and verify science-based adaptive management**. The independent review of the adaptive management practices and underlying science used by implementing agency managers could help build public support for decisions.
- **Use the Independent Science Board to ensure application of world-class science**. The ROD recognizes the need to invest resources in expanding scientific knowledge about the Bay-Delta ecosystem and its use as a water resource. An independent science board can help guide the CALFED Program research agenda to ensure that a strategic, balanced and credible approach is used in all CALFED programs to identify important gaps in knowledge and make recommendations for science-based improvements.

ACTION - IMPROVE ADAPTIVE MANAGEMENT BY USING SCIENCE TO INFORM POLICY DECISIONS. *In response to the need to improve the ability to adaptively manage the CALFED Bay-Delta Program, science leadership will continue to be located at CBDA, and the Lead Scientist will act as a direct advisor to the CALFED Leadership Council to make certain science is informing policy decisions at the highest level.*

Section 4 - REFOCUSED CALFED PROGRAM AND PROGRAM PRIORITIES

4.1 Implementation Commitments

The CALFED ROD represented a truce in the water wars of California. It represented a compromise and a change in how state and federal agencies moved forward with actions covered under the CALFED Program. In developing this 10-Year Action Plan, the intent has been to remain consistent with the original intent of the CALFED ROD, including:

- **The Program's mission**. "*To develop and implement a long-term comprehensive plan that will restore ecological health and improve water management for beneficial uses of the Bay-Delta*".

- **The four objectives of the Program**. Water quality, ecosystem restoration, levee system integrity and water supply reliability

- **The Solution Principles:**
  - Reduce conflicts in the system
  - Be equitable
  - Be affordable
  - Be durable
  - Be implementable
  - Have no significant redirected impacts

The ROD also included a number of implementation commitments which remain important components of a refocused CALFED Program. These commitments include:

- **Local Leadership**. The CALFED agencies will rely on leadership in local communities across the state to provide advice and support for implementing CALFED projects affecting their communities.

- **Stakeholder Consultation**. The CALFED agencies will continue to solicit and incorporate diverse stakeholder perspectives into decisions and actions as they implement the CALFED Program.

- **Environmental Justice.** Consistent with federal and state laws including federal Executive Order 12898, Title VI of the Civil Rights Act and state legislation, the CALFED agencies are committed to addressing environmental justice challenges related to the management of water in the Bay-Delta watershed. The CALFED Bay-Delta Program and its implementing agencies are committed to seeking fair treatment of people of all races, cultures and incomes, so that no segment of the population bears a disproportionately high or adverse health, environmental, social or economic impact resulting from CALFED's programs, policies, or actions. The CALFED agencies will be responsible for ensuring this policy is carried out across all program areas through the development of environmental justice goals and objectives.

- **Tribal Consultation**. Consistent with the President's April 29, 1994 Executive Order, the CALFED agencies will assess the impact of CALFED project-specific plans, projects and activities on tribal trust resources and tribal government rights and concerns. The CALFED agencies will actively engage federally-recognized tribal governments in the planning and development of specific projects in their areas and will consult with such tribes on a government-to-government basis, to the greatest extent practicable and permitted by law, prior to taking actions that affect such tribal governments.

- **Land Acquisition.** Successful implementation of the CALFED Bay-Delta Program will affect some agricultural lands. As an important feature of the state's environment and economy, agricultural lands will be preserved during implementation of the Program in a manner consistent with meeting program goals and minimizing impacts to agriculture.

- **Environmental Documentation.** The CALFED agencies will fulfill their respective legal responsibilities for environmental analysis, documentation and permitting pursuant to all environmental laws.

- **Adaptive Management/Science.** The CALFED agencies will use science-based adaptive management in the implementation of the CALFED Program.

- **Beneficiaries Pay**. A fundamental philosophy of the CALFED Bay-Delta Program is that costs should, to the extent possible, be paid by the beneficiaries of the program actions.

- **Compliance with Existing Water Rights Laws.** The CALFED agencies will comply with California's existing water rights laws, including applicable area-of-origin statutes. Nothing in the CALFED ROD is intended to affect existing water rights or water rights holders.

4.2 Refocused CALFED Program.

The 2005 California Water Plan Update sets the stage for comprehensive water management in California and provides a roadmap for meeting the state's future water management needs. This latest edition of the California Water Plan was developed over the past five years by the California Department of Water Resources with the cooperation of a variety of federal, state and local agencies, and an extensive group of stakeholders and other interests. The scope of the California Water Plan is broad and addresses California's future water needs through two major initiatives:

- Implementing integrated regional water management (IRWM), and
- Improving statewide water management systems.

The Water Plan recognizes the value of regional approaches to resource management issues and builds on the significant steps California has recently taken in implementing both watershed and integrated regional water management approaches. The Water Plan also acknowledges the need to maintain our state's vast water infrastructure and sustain our vital natural resources.

Within the California Water Plan's broader context lies a critical subset of actions that represent the CALFED Bay-Delta Program. The Program focuses on the Delta, but recognizes that solutions to Delta problems often cannot be achieved without going far upstream into the tributaries and watersheds that flow into the Delta, as well as into the service areas of the projects that deliver water supplies from the Bay-Delta system to other areas of the state. The ROD also anticipated the need for the Program to be adaptively managed, or to change and be adjusted as new information became available.

The CALFED ROD sets the boundaries for actions to be addressed under the CALFED Program. However, many of the actions identified within the ROD as critical to solving the Delta's problems have also been identified by the California Water Plan as having far reaching benefits to California's overall water needs. This overlap emphasizes that the issues facing California's water future and their corresponding solutions are tightly linked to the actions and approaches to solving the Delta's problems as reflected in the CALFED ROD.

The CALFED Bay-Delta Program was an early leader in developing and implementing regional approaches to managing water and the environment. The vast number of CALFED actions have been organized into regional and watershed plans. This regional organization provided more focused interaction and integration between federal and state implementing agencies and local agencies and stakeholders.

The passage of Proposition 50, the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002, further contributed to the concept of regional approaches for managing water resources by providing up to $500 million for IRWM grants. This IRWM approach, as embraced in the California Water Plan, fosters regional partnerships, encourages the development of integrated regional water management plans and provides support for local communities to reduce their water demands and increase the number and variety of tools to meet their current and future water needs. Local agencies and partners have been and continue to be, leaders in implementing numerous actions which contribute to statewide water improvements and the CALFED Program. Many of the CALFED actions that are indirectly linked to the Delta are programs and projects that are most successfully implemented by local agencies and interests through IRWM approaches.

Geographically, the CALFED Program encompasses more than 75 percent of the state. Few actions truly fall outside of a direct or indirect linkage to the Delta. However, responding to the Governor's directive to "refocus" the Program, and the need to be sure the collective energy of CALFED implementing agencies is focused on the actions that are most critical to resolving Delta conflicts, the CALFED agencies have identified a subset of actions in the ROD that will be managed more intensively through the CALFED process. Accordingly, the actions included in the CALFED Program will be organized into two groups:

> **DIRECT CALFED ACTIONS –** Direct CALFED actions are defined as those that require direct policy-level engagement and leadership by CALFED implementing agencies in order to succeed. These actions generally include those that have a <u>direct</u> link to the problems and solutions in the Delta. In addition, these actions are generally implemented by federal and state agencies that are signatories to the CALFED ROD.

COORDINATED CALFED ACTIONS – These are defined as actions that require coordination with, and guidance from CALFED agencies. Coordinated CALFED actions generally include those that have an indirect link to the problems and solutions in the Delta, but contribute to a successful CALFED. These are actions implemented largely by local agencies rather than CALFED agencies, and may also include actions that have objectives outside CALFED objectives, such as land development. Coordinated Actions also frequently fall within the scope of IRWM actions as described in the California Water Plan.

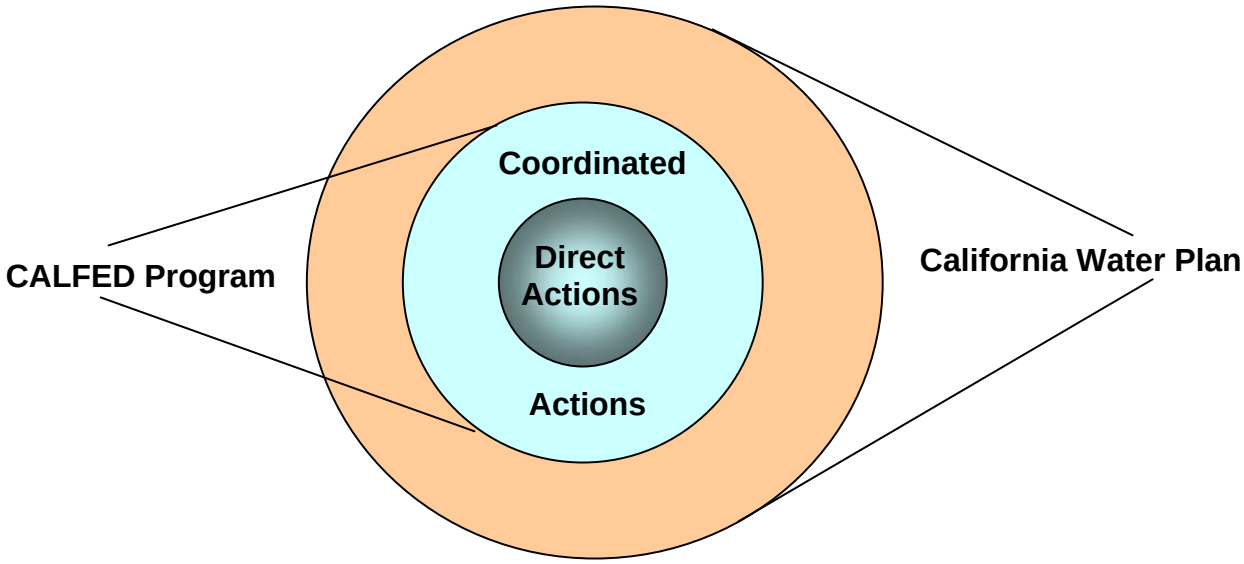


Fig. 2; CALFED Direct and Coordinated Actions in relation to the California Water Plan. The circle depicts the overall California Water Plan. The two interior rings together represent the CALFED Program as a component of the California Water Plan. The blue ring shows Coordinated CALFED Actions and the inner core Direct CALFED Actions.

It is impossible to make clear-cut determinations of every activity. The bottom line from policy and implementation standpoints is that the day-to-day activities of CALFED agencies need to be more strategically focused for success.

All actions identified in the ROD are important to resolving Delta conflicts and the overall success of the CALFED Program. These actions are important for balanced implementation of the Program and will be implemented in a manner consistent with the intent of the ROD. Their implementation will follow the ROD's implementation commitments, including environmental justice and tribal coordination, and the program and fiscal management improvements identified in Section 3 of this Plan.

Table 1. CALFED Program Activities Defined as Direct and Coordinated CALFED Actions.

Direct CALFED Actions	**Coordinated CALFED Actions ***

• Ecosystem Restoration Element
• Environmental Water Account Element
• Levee System Integrity Element
• Storage Components:
  o Surface Storage Investigations
  o San Luis Low Point Project
• Water Quality Components:
  o Regional ELPH planning
  o Central Valley Drinking Water Policy
  o Franks Tract
  o San Joaquin River Salinity Management
  o Relocation of M&I Intakes
  o ELPH implementation
  o Environmental Water Quality including mercury, dissolved oxygen and toxicity
• Conveyance Components:
  o South Delta Improvements Project
  o State Water Project/Central Valley Project Intertie
  o South Delta Fish Protection studies
  o Recirculation
  o Delta Cross Channel/Through-Delta studies
• Interagency Coordination and Planning
• Environmental Justice
• Tribal Coordination
• Science
	• Water Use Efficiency Element
	• Water Transfers Element
	• Watershed Management Element
	• Storage Components:
	  o Groundwater Storage
	• Water Quality Components:
	  o New treatment technology pilots
	  o Drinking Water Quality Source Improvement Grants
	  o California Aqueduct Watershed Actions
	• Conveyance Components:
	  o Lower San Joaquin River Flood Control Project
	• Working Landscapes
	• Environmental Justice
	• Tribal Coordination
	• Science

*This list is representative. Any actions which are not explicitly listed are assumed to be included as part of the Coordinated CALFED Actions.

ACTION – MAINTAIN AND IMPROVE ENVIRONMENTAL JUSTICE AND TRIBAL ACTIVITIES AT THE PROJECT LEVEL. *The ROD included implementation commitments for both tribal and environmental justice actions. While it is important that the CALFED implementing agencies continue their commitment to these programs, it is recognized that the greatest value occurs at the project level. Implementing agencies will work with the new state Public Advisory Committee to improve the integration of environmental justice and tribal actions as part of project implementation. As part of this work, implementing agencies conducted an environmental justice roundtable to provide an opportunity for the environmental justice community to discuss with and make recommendations to the implementing agencies on how best to incorporate environmental justice into the CALFED Program and project actions. Every effort was made to ensure broad statewide representation of the diversity of environmental justice interests. Following the environmental justice roundtable, the CALFED implementing agencies will develop a plan to improve integration of environmental justice within CALFED programs and actions by July 2006.*

ACTION – MAINTAIN AND IMPROVE PROCESSES FOR COORDINATED CALFED ACTIONS. *Implementing agencies responsible for actions that fall into the Coordinated CALFED Actions group will need to evaluate the current approach and implement alternative strategies for meeting the CALFED implementation commitments identified in the ROD. This would include incorporating public outreach, transparency, environmental justice, tribal and science commitments from the ROD into day-to-day operations for these actions. This would also include developing and using quantifiable performance measures in cooperation with the CALFED Science Program. In addition, all of the program and fiscal management improvements identified in this 10-Year Action Plan will apply to all actions in the CALFED Program, including actions that are Coordinated CALFED Actions.*

ANNUAL REPORTING. *Implementing agencies will retain their oversight and management responsibilities for Coordinated CALFED Actions and will report to the CALFED Leadership Council on progress and Program issues on an annual basis.*

DEVELOP QUANTIFIABLE PERFORMANCE MEASURES. *Implementing agencies will develop quantifiable performance measure to provide information on progress in implementing Coordinated CALFED Actions. The development and implementation of performance measures is resource intensive and will require the cooperation of local agencies who may be engaged in implementing some of these actions. New funding sources must be identified to make significant progress in developing and implementing quantifiable performance measures. Initially, this information may be limited to Coordinated CALFED projects that take advantage of federal and state financial assistance programs and are therefore required to report on progress. It should be expected that the detail and comprehensiveness of this information will improve as cooperation among local, regional and state agencies improves, Coordinated CALFED Action planning processes mature throughout the state and improved and standardized data collection, management programs and analytical tools are developed through the California Water Plan update process. Implementing agencies will coordinate with the CALFED Science Program in developing performance measures related to Coordinated CALFED Actions.*

CROSS-CUT BUDGET REPORTING FOR COORDINATED CALFED ACTIONS. *The implementing agencies will provide budgetary information on federal, state and local expenditures for Coordinated CALFED Actions to be included in the CALFED cross-cut budget. Again, this budgetary information will likely be limited initially to projects that receive funding through federal and state financial assistance programs, including local cost shares as currently included in the CALFED Program cross-cut budget.*

ANNUAL RECOMMENDATIONS ON COORDINATED CALFED ACTIONS. *The Public Advisory Committee and the CALFED Leadership Council will review the Coordinated CALFED Actions annually and provide recommendations for next steps in planning and implementation, including adjustments in federal and state financial assistance programs. The CALFED Program will include the Coordinated CALFED Actions in the CALFED Program Annual Report by reference, along with its recommendations.*

MAINTAIN AND IMPROVE PUBLIC PROCESSES FOR COORDINATED CALFED ACTIONS. *Federal and state agencies that implement financial assistance programs that provide funding for Coordinated CALFED Actions should review their public review processes and determine if input now provided by the Bay-Delta Public Advisory Committee and its subcommittees should be transferred or replaced by new public input processes. The goal should*

be to maintain or improve existing levels of transparency and public input in setting criteria and developing proposal solicitation packages, reviewing applications, and developing funding recommendations.

REGIONAL ASSESSMENTS. *The California Water Plan update process will be expanded to include specific CALFED Program and water quality priorities. The California Water Plan will include periodic assessments of California's regions, including the status of Coordinated CALFED Action planning and a report of regional issues and challenges. Through the California Water Plan update process, DWR in cooperation with other federal and state agencies, will also periodically assess how regional plans and statewide water management actions are meeting California's water management needs, and adjust the strategic plan component of the California Water Plan as necessary. DWR will seek input from the CALFED implementing agencies in conducting these assessments.*

4.3 Major Actions

The CALFED ROD identified nearly 300 separate actions to be completed during Stage 1 (Appendix 1). However, policymakers have requested a subset of these actions that can be tracked as priority actions and as an indicator of overall Program status.

As part of the 10-Year Action Plan, the expectation is that implementing agencies have developed realistic schedules they are willing to use as one measure of the implementation status of the CALFED Bay-Delta Program. Figure 1. contains schedules for key actions identified under the refocused CALFED Program. Implementing agencies will be accountable for meeting these schedules, which are expected to be refined through the next round of Program Plans and finalized in June 2006. Adherence to these schedules is intended to represent a balanced program. Managing the program adaptively means that some actions may change and that the dates and milestones associated with these actions may change. However, the intent of this plan is that these schedules be used as a consistent measuring stick of Program progress.

Although nearly 200 individual actions have been identified as part of the ongoing Direct CALFED Actions, the following actions are those that are expected to be of greatest interested to policymakers. However, it is important to stress that all ongoing actions are vital and are consistent with the near-term funding plan in Section 5 of this document.

Major Ecosystem Restoration Actions

At-Risk Delta Dependent Fish Species Projects. These projects include key actions identified in the Delta Smelt Action Plan, such as:

- Monitoring delta smelt for information on how environmental conditions affect survival and abundance,
- Acquisition and restoration of tidal marsh habitats at Blacklock and Hill Slough in Suisun Marsh, as well as areas in the West Delta and North Delta, to benefit delta smelt and other species, and
- Development of the Delta Regional Ecosystem Restoration Implementation Plan (DRERIP) and the Suisun Marsh Implementation Plan to focus implementation on actions with highest priority and likely benefit for targeted species.

Additional projects to benefit Delta-dependent salmon and steelhead include:

- Construction of a fish screen at the RD 108 diversion,
- Focused assessments of past restoration investments on the Tuolumne River, Clear Creek and Butte Creek,
- Development of a comprehensive monitoring strategy for salmonid populations in the Central Valley,
- Implementation of the Battle Creek Watershed Restoration project to benefit winter- and spring-run Chinook salmon and steelhead trout, and
- Start-up for constant fractional marking of hatchery-produced salmon.

Although projects are currently scheduled through 2009, projects of this type are expected to continue throughout the life of the CALFED Program. However, the development and implementation of this project type in the future may be guided by the proposed HCP/NCCP(s).

Delta Region Ecosystem Restoration Implementation Plan (DRERIP). This planning project is intended to refine the existing ecosystem restoration approach based on the current state of knowledge and restoration projects implemented to date, and guide long-term ERP implementation in the Delta. DRERIP will include peer-reviewed Delta-specific restoration actions, tracking approaches, performance evaluations and a framework for adaptive management. The DRERIP process will develop species and ecosystem conceptual models, which will be useful for developing future HCP/NCCP(s), performance measures and assessing specific project effects on listed species. The DRERIP process is expected to be completed by May 2007.

Delta Pelagic Fishes Projects. Reversing the Pelagic Organism Decline (POD) in the Delta has become an important focus of the ERP. Initial DRERIP work will focus on information needed to enhance the understanding of POD and to prioritize actions likely to address the issue. Actions designed to reverse POD will be implemented as soon as possible after they are identified.

Multiple Species Projects. These projects include actions that address strategic issues such as:

- Development of a prevention and rapid response program against zebra mussel introduction,
- Eradication of northern pike at Lake Davis to protect downstream Delta fishes,
- Solicitation of projects to assist farmers in incorporating ecosystem restoration in their agricultural activities, and
- Construction of a pilot aeration project to correct dissolved oxygen depletion in the Stockton Deep Water Shipping Channel.

Many of these projects are funded from dedicated sources and constrained to these uses for implementation of the ERP.

HCP/NCCP(s) Planning Agreement. Stakeholders and implementing agencies have tentatively agreed to work cooperatively to prepare Habitat Conservation Plan (HCP) under Section 10 of the Federal Endangered Species Act and a Natural Communities Conservation Plan (NCCP)

under the Natural Communities Conservation Planning Act and the California Endangered Species Act for the Sacramento River, San Joaquin River and the Delta. These HCP/NCCP(s) would provide regulatory and funding assurances for integrated implementation of the CALFED Program.

The first step will be the negotiation of a Planning Agreement. The Agreement will define activities, geographic scope and which species would be covered under the HCP/NCCP(s). Implementation of the HCP/NCCP(s) (see below) may require review under the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA). This coverage could be provided by a stand-alone document or as part of a new programwide EIS/EIR.

Implement HCP/NCCP(s). The HCP/NCCP(s) Planning Agreement described above would stay in place as long as progress is being made on development of the HCP/NCCP(s) and interim conservation measures are being taken. The details of the process will be included in the Planning Agreement.

End-of-Stage 1 Milestone Assessment. The Multi-Species Conservation Strategy–ERP Milestones (MSCS) is a list of ecosystem restoration and water quality actions the CALFED Bay-Delta Program will implement in Stage 1 to address covered species. These Milestones represent the ERP implementing agencies' objectives for ERP implementation that would allow covered species to make significant progress toward restoration and recovery. During Year 6, a long-term program of milestone assessment will be developed to ensure that the ERP and MSCS are implemented in a manner and to an extent sufficient to sustain programmatic federal and state endangered species acts, and Natural Communities Conservation Planning Program compliance for all Program elements.

Major Environmental Water Account (EWA) Actions

Water/Power Acquisitions. The EWA will continue to provide protection to the fish of the Bay-Delta through changes in SWP/CVP operations. This will include both short-term and multi-year purchases from established and new water sources. DWR will also assess ways for the EWA to pay SWP/CVP contractors to forego a portion of their requested project water in return for compensation from EWA, and evaluate the potential for land retirement and drainage mitigation to provide EWA assets.

Tier 3 Reserve. The EWA will ensure availability of assets for Tier 3, if needed. While negotiating contracts for acquisition of EWA Tier 2 assets, DWR intends to ensure that options and/or assets are acquired sufficient to cover Tier 3 water purchases, if needed.

Annual Technical Review. EWA implementing agencies, in collaboration with the CALFED Science Program (including the Interagency Ecological Program), will continue to pursue the collection, synthesis and application of scientific information relevant to the biological needs and population dynamics of anadromous and Delta fish species and factors affecting the health and function of the Bay-Delta ecosystem. Methods of estimating species abundance and distribution have been improved. The role of the EWA Technical Review Panel is expected to evolve in 2006. Workshops, seminars and other scientific discussions will continue to contribute to improved scientific understanding and more effective EWA management

Long-Term EWA EIS/EIR. The standing EWA EIS/EIR of January 2004 provides National Environmental Policy and California Environmental Protection Acts (NEPA/CEQA) compliance for EWA operations through 2007. The long-term EWA EIS/EIR will provide NEPA/CEQA compliance for EWA operations beyond 2007, incorporating a broader range of assets and management strategies.

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Figure 1. CALFED Main Tasks

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Project: Main Tasks 12 16 05
Date: Wed 1/4/06

Other Task | Decision or Finding | Summary

*Delta Vision Processes include efforts related to AB 1200, the Delta Protection Commission, and others. These efforts are expected to collectively encompass water, flood control, ecosystem, transportation, utilities, recreations, etc.

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Figure 1. CALFED Main Tasks

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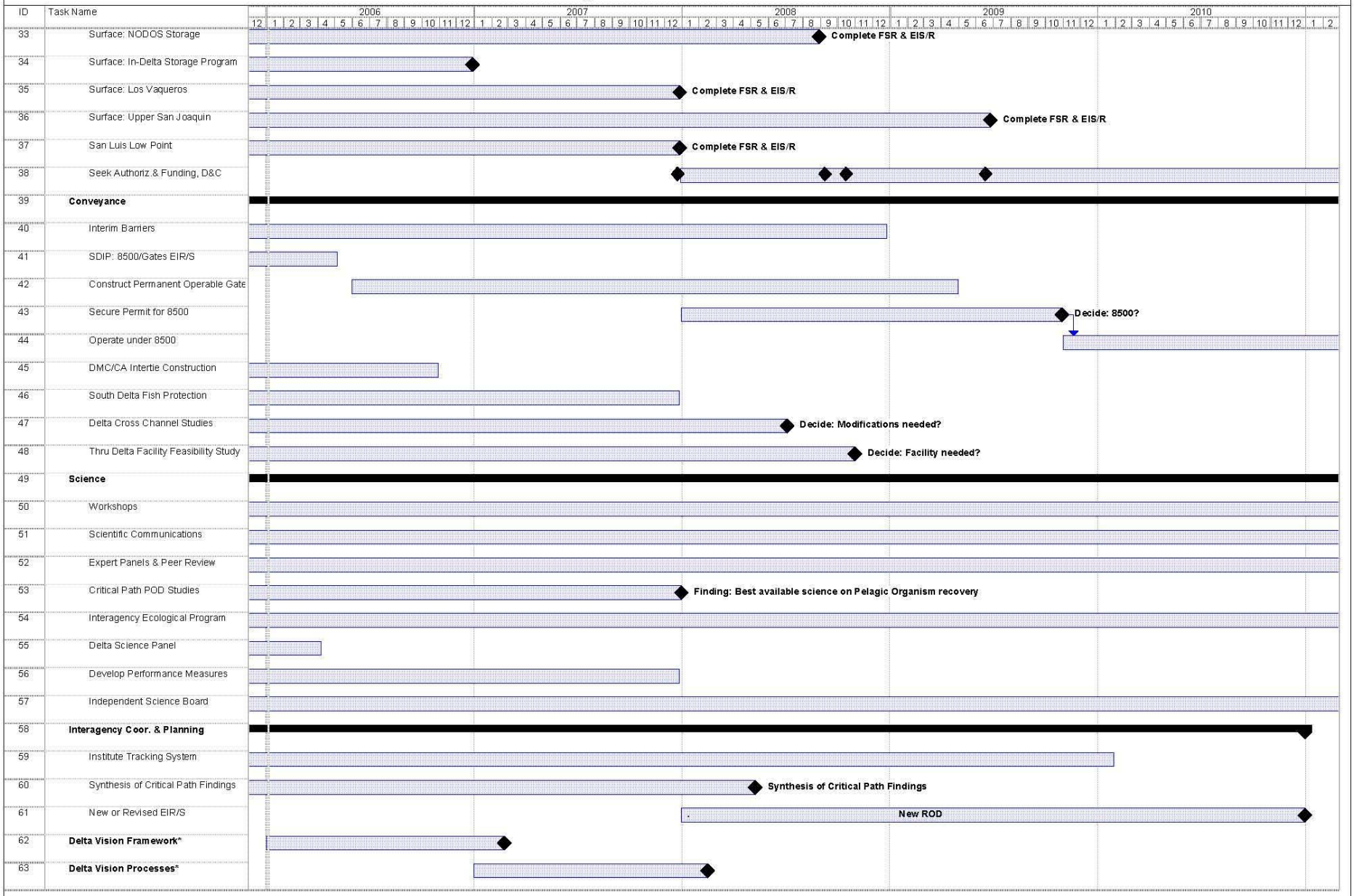

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*Delta Vision Processes include efforts related to AB 1200, the Delta Protection Commission, and others. These efforts are expected to collectively encompass water, flood control, ecosystem, transportation, utilities, recreations, etc.

Major Water Quality Actions

Stage 1 Synthesis of Drinking Water Quality Information. The CALFED ROD established a drinking water quality target of either 50 ug/L bromide and 3 mg/L total organic carbon at Delta drinking water intakes, or an "equivalent level of public health protection" (ELPH). By the end of 2007, the water quality implementing agencies (SWRCB, DHS and USEPA) will collect and synthesize available drinking water quality information to determine if a Through-Delta facility is a cost-effective way to achieve water quality improvements. This information is currently being gathered through a number of projects, including the development of drinking water conceptual models, performance measures and a regional ELPH planning guidance documentation.

Regional Equivalent Level of Public Health (ELPH) Planning. The CALFED Program is seeking to better understand the current state of drinking water quality and water quality improvement actions in Delta service areas through the development of regional ELPH plans. Targeted regions will develop detailed water quality information for their water supply situation and evaluate options that assist regions in meeting CALFED Program targets and their costs. Actions could include source water improvements within a region, regional water exchanges, new source development and/or improved treatment or infrastructure facilities. The water quality implementing agencies and CBDA are collaborating in efforts to develop a regional planning framework (plan guidance) and to fund the development of regional ELPH plans in targeted regions of the CALFED Solution Area, with the goal of developing targeted plans by the end of 2010.

One potential output of these regional plans will be a quantitative assessment of the ability of each region to meet the CALFED Program drinking water quality targets, given current Delta water quality and qualitative analyses of how changes in Delta water quality affect drinking water quality. The CALFED implementing agencies plan to synthesize this information to better understand the actions needed to achieve CALFED water quality targets and the importance of the Delta relative to other drinking water supplies.

Central Valley Drinking Water Policy. The Central Valley Drinking Water Policy (CVDWP), called for in the CALFED ROD, is an effort to develop the technical studies needed to characterize surface drinking water quality from the Delta and its tributaries and its connection to treated drinking water quality. The technical studies include constituent prioritization, development of conceptual models, monitoring studies and economic evaluations. The CVDWP is managed by the Regional Water Quality Control Board (RWQCB) in coordination with a broad stakeholder group. It is funded through a variety of stakeholder organizations, including the USEPA and the CALFED Program. Currently, the CVDWP is expected to complete these technical studies in late 2007. Following completion of technical studies, any resulting regulatory recommendations would be implemented through a basin plan amendment. Program actions may also lead to other basin planning activities, which would be coordinated within the overall program and with the proposed HCP/NCCP(s). This project has been funded through bond funds and is managed primarily by RWQCB, with participation by the SWRCB, USEPA, DHS and DWR.

Water Quality Modeling. Another way to improve Delta drinking water quality is by reconfiguring the way water flows through the Delta. In order to understand the water quality

benefits from actions (both individually and together) -- such as Franks Tract, Delta Cross Channel and Through-Delta facilities -- hydrodynamic studies are conducted using monitoring and modeling. Water quality modeling is scheduled to be completed by the end of 2007. The Department of Water Resources is responsible for this action.

Franks Tract Pilot Feasibility and Design. The Franks Tract project started as an investigation into the ecosystem benefits of reclaiming this large, flooded Delta island. Hydrodynamic studies indicated that actions taken at Franks Tract could potentially result in significant reductions of Delta salinity and bromide at Delta drinking water intakes. DWR is currently using monitoring results and advanced hydrodynamic models to determine if a pilot test at Franks Tract is feasible and, if so, begin the design phase of the pilot test by 2008 or 2009. The Department of Water Resources is responsible for this action.

Build Franks Tract Pilot and Monitoring. If a pilot test of Franks Tract is found feasible, it will be constructed and monitored for approximately two years to verify previous studies and improve modeling tools. A full-scale project would be pursued if the monitoring shows the project is successful, and modeling indicates that a full-scale project has significant and economically viable water quality benefits. The environmental support for a full-scale project would begin by 2011 or 2012. The Department of Water Resources is responsible for this action.

Recirculation Feasibility Study. USBR has received federal authorization in Public Law 108-361 to conduct a feasibility study on the recirculation concept. "Recirculation" refers to increasing circulation of water through the lower San Joaquin River and the south Delta by increasing diversions at the Tracy Pumping Plant in the Delta and conveying the water to the Newman wasteway for discharge into the San Joaquin River. The goal of this recirculation project is to dilute the salt load in the San Joaquin River and south Delta. Recirculation was successfully tested in the fall of 2004. When USBR receives federal funding, it will initiate a feasibility study, the first step in the federal process for implementing projects. The United States Bureau of Reclamation is responsible for this action.

San Joaquin River Salinity Management. San Joaquin area drainage has recognized a salinity imbalance for some time. As a response to the adoption of a salinity and boron total maximum daily load (TMDL) for the Lower San Joaquin River, and the creation of the Delta Improvements Package, San Joaquin interests have evaluated and prioritized actions to meet Vernalis TMDL salinity objectives as an alternative to a load allocation throughout the San Joaquin Valley. The results of this effort focus on eliminating drainage from the San Luis Unit of the CVP through implementing the Westside Drainage Management Plan (WDMP) to achieve the objectives while using recirculation, water purchases and coordinating discharges as interim means. The WDMP has been partially implemented and has applied for funding through the IRWM grant process. The Department of Water Resources is responsible for this action.

Environmental Water Quality. The CALFED Program has made significant investments into the study of mercury and dissolved oxygen problems in the Delta, including the development and implementation of comprehensive strategies, which will continue for the next two years with existing funding. The RWQCB is developing a TMDL for Delta mercury and has adopted a TMDL for dissolved oxygen in the Stockton Deepwater Ship Channel. Investigation and studies into other areas, such as toxicity and pesticides, have been funded by state bonds and managed by CBDA directly. Agencies responsible for these efforts must be identified.

ELPH Implementation. The CVDWP, Regional ELPH Planning and water quality modeling efforts will assist the program in determining which actions in the CALFED ROD are adequate to achieve targets. Otherwise, the program will embark on an implementation phase as early as December 2008 to determine which actions are most likely to measurably contribute to CALFED Program targets in a cost effective manner. Once these actions are determined, implementing agencies will determine relative responsibilities for them. ELPH implementation could occur through the IRWM process.

Contra Costa Water District Alternative Intake Project. The Delta Improvements Package states "If the water quality improvements from the above measures do not provide acceptable continuous improvements in Delta water quality, the state and federal agencies will evaluate and, if appropriate, work with the Contra Costa Water District to relocate their intake to the lower part of Victoria canal, with appropriate environmental review and, if authorized and appropriated, cost-sharing." Contra Costa Water District has initiated planning studies for an alternative intake located on Middle River, where there is currently better year-round water quality than at its current intake on Old River.

Major Levees Actions

The CALFED Levee System Integrity Program works with local reclamation districts (RDs) to assure the continued effectiveness of the Delta's extensive system of levees, thereby protecting export water quality, water conveyance, infrastructure of statewide significance and local assets. The Levee System Integrity Program works by providing grant matching funds to RDs through the Delta Levee Maintenance Subventions Program and the Delta Special Flood Control Projects Program (DSFCPP). These grant funds are used to pay for levee work, including daily levee inspections, early detection and repair of developing problems, conduct of normal maintenance and long-term improvements to the system.

Subventions. The Levee Subventions program provides funding for levee maintenance, which is intended to provide maintenance and structural improvement to the base level protection standard only. The priority for funding is to preserve and improve local flood protection benefits. This program will continue to rely on a locally-driven subventions program to distribute the state cost share. Levee maintenance funding includes cost-shared reimbursement for full mitigation of habitat impacts resulting from levee maintenance activities.

Delta Special Flood Control Projects Program (DSFCPP). One objective of the Levee Program is to build levees beyond an existing level of protection. This includes levee improvements that may exceed the PL 84-99 base level standard of protection. DSFCPP is a local grants program whose funds support levee repair and improvement on islands with special statewide significance and to accomplish other legislative mandates of the program. Funding for DSFCPP is based on priority areas that will provide multiple benefits, such as flood protection, water quality, ecosystem restoration, water supply reliability and transportation. This activity provides for full mitigation of habitat impacts resulting from levee improvements and, unlike the Subventions Program, provides for habitat enhancements for both levee maintenance and levee improvements. Priorities for DSFCPP funding include improved levee system integrity, subsidence research, beneficial reuse of dredged material and improved emergency response.

Delta Risk Management Strategy (DRMS). The CALFED ROD calls for a Delta Levee Risk Assessment to quantify the major risks to Delta resources from floods, seepage, subsidence and earthquakes, and evaluate the consequences and develop recommendations to manage the risk. Also, PL108-361 calls for a Delta Risk Management Strategy to direct the use of federal funds from the U.S. Army Corps of Engineers (COE) to support the Delta Levee System Integrity Program. DRMS will accomplish the tasks set out in the ROD, address the needs of COE and provide data and a strategy to policymakers for their use in guiding future actions in the Delta. This information will help to guide adaptive management of programs directed toward all four CALFED objectives. Any discussion of a long-term, sustainable Delta must take into account the probability that Delta levees might fail and include strategies for reducing those risks. The study includes components related to Delta hydrodynamics, seismicity and emergency response. The study is scheduled for completion by the end of 2007.

It is essential for the Levee System Integrity Program to continue while other efforts, such as the DRMS and the Delta Vision process (see Section 4.5) are underway. These efforts may eventually help to provide informed adaptive management of several CALFED program elements. Until these efforts are complete and any adaptive management decisions are made, it is the policy of the implementing agencies to work toward continued funding and implementation of the adopted Levee System Integrity Program.

Major Storage Actions

Surface storage investigations will continue over the next three to four years with technical studies on project options, alternatives for feasibility study and environmental documentation. These investigations include preparation of federal alternatives and plan formulation reports, feasibility studies and environmental documents. Using this information, the Storage Program will develop partnerships with potential participants to advance alternatives development and plan formulation. Although each of these milestones is important to the planning project, the final milestone for the planning process is the completion of the final feasibility studies and environmental documents. At this point, policymakers will have sufficient information to decide whether to pursue authorization and funding for design and construction for each of the projects. The planned completion of the feasibility studies and environmental analyses is as follows:

- In-Delta Storage: December 2006
- Los Vaqueros Reservoir Expansion: December 2007
- North of Delta Off-Stream Storage: August 2008
- Shasta Lake Enlargement: October 2008
- Upper San Joaquin Storage Investigation: June 2009

San Luis Reservoir Low-Point Improvement Project. The USBR, in conjunction with the Santa Clara Valley Water District, will prepare a feasibility report and joint EIS/EIR. The Regulatory Compliance Work Group, Fisheries Work Group and stakeholder committee will continue to assist in project planning, which is expected to be completed in late 2007.

Major Conveyance Actions

Interim Barriers. DWR has been alternatively installing and removing the temporary barriers in the south Delta and will continue to do so until the permanent operable gates are installed and operational. Three barriers -- Old River at Tracy, Middle River and Grantline Canal barriers -- are installed to improve water quality and water levels for local diversions. A barrier at the head of Old River is installed to improve fish migration. This project also involves debris removal, channel dredging and the installation of portable pumps to assist agricultural diversions.

South Delta Improvements Program/ 8500/ Permanent Operable Gates EIS/EIR. This action includes completing the necessary environmental documentation (EIS/EIR) for the South Delta Improvements Program (SDIP). SDIP is designed to address the water level and quality needs for south Delta farmers, protect salmon migrating down the San Joaquin River and improve SWP delivery capability by raising the allowable diversion limit into Clifton Court Forebay (CCF) from 6,680 cfs to 8,500 cfs. SDIP consists of two major components: a physical/structural component and an operational component. The physical/structural component includes the construction and operation of permanent operable gates at up to four locations in south Delta channels to protect salmon and meet the water level and quality needs for local irrigation diversions, channel dredging to improve water conveyance and modification of 24 local agricultural diversions. The operational component considers raising the permitted diversion limit into CCF to 8,500 cfs.

The decision-making process for the preferred project will be implemented in two stages. The staged decision is in response to uncertainties regarding the causes of POD and allows time to incorporate new information on the reasons for the decline. Stage 1 will focus on the preferred physical/structural component and began upon the release of the public Draft EIS/EIR in October 2005. The final SDIP EIS/EIR for Stage 1 is expected to be completed in late Spring

Stage 2 will focus on the operational component and begins after the Final EIS/EIR is completed. After certifying and filing the Final SDIP EIS/EIR, DWR and USBR will each adopt the project and issue a decision during each of the two stages of the SDIP decision-making process. For the decision on the physical/structural component (Stage 1), DWR will assume the existing operational rules, including the permitted limit for SWP diversions at CCF. DWR will issue a Notice of Determination (NOD) and USBR will issue a ROD for the decision regarding the actions and mitigation needed to implement any physical/structural component adopted during the Stage 1 decision-making process.

The decision-making process for Stage 2 will begin after the Stage 1 decision is made. Assuming a physical/structural component is selected in Stage 1, Stage 2 will include the selection of the preferred operational component based upon the operational scenarios presented in the Draft EIS/EIR and incorporating public input, and additional information collected on the condition of pelagic organisms in the Delta. During this stage, and prior to the selection of the preferred operational component, the public will be provided the opportunity to comment on the preferred operational component. DWR and USBR will issue the necessary supplemental document necessary for environmental compliance, explaining the preferred operational component, the rationale for its selection and any additional environmental effects. This document will be made available for public review for at least 45 days prior to finalizing the decision on the operational component. A second NOD from DWR and ROD from the

USBR regarding the selection of the preferred operational component will then complete the environmental compliance requirements for SDIP's Stage 2.

> ***Construct Permanent Operable Gates.*** DWR and the USBR propose to dredge Delta channels and construct permanent operable gates to ensure water of adequate quantity and quality to agricultural diverters within the South Delta. DWR, USBR, U.S. Fish and Wildlife Service (USFWS), NOAA Fisheries Service and DFG will develop operating parameters for these permanent operable barriers as part of the SDIP EIS/EIR. The permanent operable barriers will be constructed and operable prior to DWR fully implementing the proposal to expand SWP pumping to 8,500 cfs. Construction is expected to be completed and operation is expected to commence by April 2009.
>
> ***Secure Permit for 8500/Operate under 8500.*** As described in the CALFED ROD, DWR and USBR are proposing to increase the permitted pumping rates allowed at SWP's Harvey O. Banks Delta Pumping Plant as part of SDIP. In accordance with the CALFED ROD, implementation of increased permitted pumping is conditional upon avoiding adverse impacts to fishery protection and in-Delta water supply reliability. The permitting is expected to be completed, allowing full operations under 8,500 cfs, by April 2009.

DMC/CA Intertie Construction. USBR proposes to construct an Intertie between the Delta-Mendota Canal and California Aqueduct, with an initial capacity of 400 cfs toward the California Aqueduct and a reverse flow capability of 900 cfs toward the Delta-Mendota Canal. The Intertie will allow for greater operation and maintenance flexibility for both the CVP and SWP, and enable the CVP to recover conveyance capacity. Public review of the draft Environmental Assessment/Initial Study was completed in December 2004. The San Luis and Delta-Mendota Water Authority is the CEQA lead. A Finding of No Significant Impact/Negative Declaration was signed in April 2005. Construction is expected to be completed and operation is expected to commence by late 2006.

South Delta Fish Protection. USBR and DWR will continue to evaluate potential improvements to fish facilities in the south Delta to ensure operation as originally intended to accommodate changing environmental conditions and proposed operations. South Delta fish facility studies will be conducted to evaluate cost-effective alternatives to the installation of new fish screens at the fish salvaging facilities. A south Delta hydrodynamic study is being conducted to determine ways to improve the south Delta export operations to reduce impacts on Delta fisheries and improve south Delta water quality. A fish collection, handling, transportation and release study focusing on delta smelt is being conducted to improve the survival of fish in SWP and CVP fish salvaging facilities. These studies are expected to lead to recommendations on fish facility improvements, which may involve the reconfiguration of intake facilities, alternative operations and modification of fish salvaging facilities at SWP and CVP export facilities. These studies are expected to be completed by 2007 or 2008.

Delta Cross Channel Studies. USBR, DWR and other agencies will evaluate Delta Cross Channel (DCC) gate operational strategies to improve central and south Delta water quality while improving protection fisheries through the Delta. The USBR is the lead agency for this

project. The Delta Cross Channel/Through Delta Facility Technical Team will evaluate the results of three years of studies and initiate a full-scale integrated fisheries and water quality study in the Fall of 2006. Recommendations for DCC reoperation strategy are expected to be completed by July 2008.

Through-Delta Facility Feasibility Study. DWR, USBR and other agencies will complete the feasibility studies on a 4,000 cfs diversion facility in the north Delta to assess its potential benefits and impacts on water quality, water supply and environmental conditions in the Delta. DWR is the lead agency for this project. The Delta Cross Channel/Through-Delta facility Technical Team will:

- Refine concepts and feasibility of a Through-Delta facility options,
- Determine a Through-Delta facility benefits and impacts on water quality and fisheries,
- Determine the effects of a "through-Delta" facility on other CALFED Program actions, and
- Make recommendations on the project.

If it is determined that a Through-Delta facility should be implemented, environmental documentation would be prepared and preliminary design and environmental permitting for a proposed project would occur. Technical analysis and recommendations are expected to be completed by November 2008. If the project is supported and funding is available, the EIS/EIR will be initiated by 2011.

Major Science Actions

Interagency Ecological Program (IEP) Coordination. The Science Program and IEP staff will continue to work to more clearly define their relationship and coordinate their activities. They will continue to develop plans for comprehensive monitoring, directed research, and data analysis and synthesis to address the recent POD. They will also coordinate other ongoing multidisciplinary studies, monitoring program review and transformation of information into knowledge. A major goal will be to establish a rigorous external review of program implementation and management to address future needs.

Delta Science Panel. The Science Program will organize a technical panel to consider the current scientific understanding of the Sacramento-San Joaquin Delta and to prepare a report that will be used to help develop a long-term Delta Vision. The panel will consist of scientists and economists with local knowledge and awareness of Delta management issues. It will review, summarize and synthesize information developed by the CALFED Program's science boards, other pertinent literature and input from other Delta science experts, when needed. As the development of the Delta Vision proceeds, other more focused science panels may be convened to address new questions that arise. This effort is expected to be completed in 2006 and complement and inform the Delta Vision policy discussions among stakeholders and policymakers.

Coordinate monitoring, assessment and research activities. There are numerous monitoring, assessment and research activities in the Bay-Delta, some under the auspices of the CALFED Program and others as parts of local, regional or other programs. By evaluating existing efforts

and incorporating information on existing performance measures, the Science Program will develop a comprehensive strategy and implementation plan on monitoring, assessment and research for the Bay-Delta. The plan will help identify gaps in monitoring and performance assessment and recommend priority items for immediate implementation.

Coordinate performance measure development. In collaboration with implementing agencies, the Science Program will continue to coordinate the development of performance measures for the CALFED Bay-Delta Program. The Science Program and implementing agency staff will complete a draft framework and guidance for the development and implementation of performance measures. The Science Program will then convene a technical review panel in 2006 to evaluate and review the draft framework and its initial application to the Water Quality, Levees, Watersheds and Water Management programs. Annual reviews of new and existing performance measures are planned, beginning in 2007. The Science Program also will develop a web-based reporting system for technical audiences that will include a program-wide package of performance measures and annual publications for non-technical audiences. First drafts are expected in late 2006.

The successful development of performance measures will require the commitment of resources from both the Science Program and the implementing agencies. The Science Program will guide and facilitate cross-program integration and annual independent science review of performance measures refinement, data and reporting. Under the guidance of the Science Program, the implementing agencies will be responsible for developing appropriate project- and program-level performance measures needed to assess progress toward goals and to inform adaptive management of the system. The implementing agencies also will monitor and report on the Program's progress in meeting those measures. The implementing agencies and Science Program will then work together to develop a unified plan, communication products and appropriate budget needed to fulfill monitoring and reporting of performance measures.

Directed Research and CALFED Science Fellows Program, Emphasizing POD Studies. The Science Program will establish and fund peer-reviewed directed research actions that address high-priority CALFED Program informational needs that cannot be addressed by individual program elements. In addition, the Science Program will continue to fund CALFED Program Science Fellows for postdoctoral researchers who are working in all fields relevant to CALFED Program goals. The Fellows program emphasis is on analyzing, interpreting and/or expanding current data that have not been completely analyzed by agency or stakeholder scientists. Both efforts will include an emphasis on POD studies for the next two years.

Independent Science Board (ISB). The Science Program has supported the ISB since its inception in 2003 and as a key component in ensuring continuous advancement of credible scientific information for guiding management decisions in the CALFED Program. Although the board is on hiatus due to an expired contracting mechanism, the program intends to have a functioning Independent Science Board in 2006. The Science Program is in the process of hiring a new Lead Scientist who guides the efforts of the board. The new Lead Scientist will consider changes to the board's composition and charge in light of recommendations of the recent CALFED Program independent review. In the interim, ongoing scientific and technical needs for the Program will be addressed by convening technical review panels and workshops.

Technical Review Panels and Workshops. The Science Program will continue to convene Technical Review Panels and issue workshops as specific needs are identified by the Lead Scientist, the CALFED Program managers or implementing agencies.

Scientific Communication. Communication of current scientific understanding and new technical information is a key component of science-based adaptive management. The Science Program will continue to support and invest in communication efforts, such as:

- The open-access electronic scientific journal *San Francisco Estuary and Watershed Science* dedicated to Bay-Delta and watershed issues,
- Communicate current relevant scientific advances to managers and policymakers,
- Convene the biennial CALFED Science Conference and other topical workshops,
- Support a technical seminar series to bring outside experts to speak on topics relevant to the CALFED Program, and
- Make Science Program activities and products broadly available through its website.

The Science Program will also investigate new media mechanisms to distribute scientific understanding to a broader audience.

Science Agendas. The Little Hoover Commission identified the development of a science agenda as an important component of a science-based program. Over the next couple of years, the Science Program will work with implementing agencies and the ISB to identify priority management needs and critical knowledge gaps that will be used to develop a CALFED-wide science agenda. Additionally, information gained from other program efforts, such as issue workshops, technical reviews and scientific conferences, will be incorporated. This effort will build on the priority information needs developed for the 2004 Science Program Proposal Solicitation Package. The resulting product will identify Program-wide knowledge gaps and help guide research priorities to be addressed through directed research and the Science Fellows program. It is expected that science agendas will be reviewed by ISB.

Major Interagency Coordination and Planning Tasks

Institute Tracking System. In response to recommendations from the Little Hoover Commission, DOF and KPMP, CALFED implementing agencies will develop and maintain a program and fiscal tracking system. The purposes of the tracking system will be to provide policymakers with credible evidence of program progress and to provide the CALFED Leadership Council with sufficient information to make course corrections.

Synthesis of Critical Path Findings. The information gained from the myriad of ongoing CALFED Program studies must be synthesized into supportable findings and, in some cases, preliminary decisions. As such, the scope and schedule of a concurrent synthesis phase will be developed for a process that will begin in early 2006 and conclude in early or mid 2008. This scope should include clear questions that need to be answered by the studies and developed jointly by involved agencies no later than early 2006. In addition to pulling together topic experts to synthesize the output of these key studies, the synthesis team will track progress of the studies, flag scheduling delays and track the critical path schedule.

New or Revised EIS/EIR. The CALFED agencies may choose to complete a new programmatic EIS/EIR, which reflects a 100-year vision for the Delta and, possibly for the proposed HCP/NCCP(s).

ACTION – RESET AND COMMIT TO AGENCY SCHEDULES FOR MAJOR ACTIONS. *Adopt new schedules for key actions identified under the refocused CALFED Bay-Delta Program and hold implementing agencies accountable for meeting those schedules. The expectation is that implementing agencies have developed realistic schedules that they are willing to use as one measure of the implementation status of the CALFED Program.*

4.4 End of Stage 1 Decisions

The CALFED ROD identified the following questions as ones that must be answered after the first seven years of the Program, near the end of Stage 1:

1) What additional actions are needed to achieve the drinking water quality goals?
2) What is an appropriate scope for the ERP and related actions so the regulatory commitments can be extended beyond December 2007?
3) Should the screened Sacramento River diversion be built or should alternatives to the Through-Delta conveyance approach be reconsidered?
4) Should surface storage facilities be constructed?
5) Is a new approach needed to reduce Delta levees risks?

To address these questions, policymakers will need access to the best available technical information. Accordingly, the ROD called for a number of studies and investigations, timed to be completed during Stage 1, to provide this foundational information. Of the many studies that are under way, the following five efforts are particularly important to defining future CALFED Program activities:

Delta Regional Ecosystem Restoration Implementation Plan - The Delta Regional Ecosystem Restoration Implementation Plan (DRERIP) is intended to refine the existing ecosystem restoration approach and guide long-term implementation in the Delta. The DRERIP will include Delta-specific restoration actions, tracking approaches, performance evaluations and a framework for adaptive management. The critical path products of the DRERIP process include, not only a refined list of Delta-specific restoration actions, but also the ecosystem and species-specific conceptual models. This information will be vital to defining the habitat, water flow and water quality needs for Delta-related species.

This process is already closely linked with POD studies. As the proposed HCP/NCCP(s) approach to ecosystem restoration develops, it will be important to create a strong linkage with the DRERIP process.

ACTION – COMPLETE DRERIP BY MAY 2007. *The DRERIP process is being conducted jointly by DFG, USFWS, NOAA Fisheries Service and CBDA, and is expected to be completed by May 2007. However, recent progress indicates that the deadline may slip. Close monitoring of this activity is recommended to quickly determine if this activity needs additional resources or other corrective steps.*

Stage 1 Synthesis of Drinking Water Quality Information. The CALFED ROD established a drinking water quality target of either 50 ug/L bromide and 3 mg/L total organic carbon at Delta drinking water intakes, or an "equivalent level of public health protection" (ELPH). By the end of 2007, implementing agencies SWRCB, DHS, USEPA, in coordination with DWR, will collect and synthesize available drinking water quality information to determine if a Through-Delta facility is a cost-effective way to achieve water quality improvements. This information is currently being gathered through a number of projects, including the development of drinking water conceptual models, performance measures and regional ELPH planning guidance documentation.

ACTION – COMPLETE SYNTHESIS OF DRINKING WATER QUALITY INFORMATION BY DECEMBER 2007. *By the end of 2007, the CALFED implementing agencies will synthesize available water quality information to determine if a Through-Delta facility is a cost-effective way to achieve water quality improvements.*

Water Quality Modeling – The purpose of this process is to determine the expected water quality benefits from the Franks Tract, Delta Cross Channel and Through Delta facility projects. The modeling is being conducted by DWR and coordinated with staff of the Water Quality, Ecosystem Restoration and Science Programs.

This modeling effort is key to the Stage 1 decision related to Through-Delta conveyance. The decision to rely on Through-Delta conveyance will depend partly on the ability of Franks Tract, Delta Cross Channel modifications and/or a Through-Delta facility to help meet water quality needs while maintaining fisheries protection. Likewise, the decision to move ahead with any of these projects will depend on the Delta conveyance decision. If the CALFED agencies choose to reject Through-Delta conveyance, then there will be no need for these other three projects as water quality improvement actions. However, other studies on these projects may indicate that these actions may have Delta fishery benefits, if implemented.

ACTION – COMPLETE WATER QUALITY MODELING. *The water quality modeling is scheduled to be completed by the end of 2007.*

Delta Risk Management Study – The Delta Risk Management Strategy (DRMS) is being conducted jointly by DWR, COE and DFG, with input from CBDA, scientists and stakeholders. The purpose of this study is to characterize the risks and consequences of Delta levee failures and to develop a strategy to minimize those risks. Any discussion of a long-term, sustainable Delta must take into account the probability that Delta levees might fail and include strategies for reducing those risks.

ACTION – COMPLETE DRMS BY DECEMBER 2007. *The study includes components of critical importance to CALFED actions related to Delta levee system integrity, hydrodynamics, seismicity, water quality, water supply reliability and emergency response, and is scheduled for completion by the end of 2007. The DRMS process has already been delayed due to contracting difficulties. Staff recommends close monitoring of this activity to determine which, if any, interim deliverables may be useful in the Delta Vision processes.*

Pelagic Organism Decline Studies – The Pelagic Organism Decline (POD) was observed beginning in 2002, and continuing into 2005, and is of great concern to all CALFED Program interests because it is a dramatic, unexpected decrease in the abundance of several pelagic fish species despite moderate hydrology and efforts to provide enhanced protection to delta smelt. At this juncture in the CALFED Program, these fish species should have increased in abundance, but instead have shown substantial decreases. The understanding of the cause or causes of this decline and identifying methods to address it are important to the success of the environmental improvement aspects of the CALFED Program. POD studies are a group of investigations being conducted and coordinated by IEP and the CALFED Science Program. Continued inter-agency and inter-program coordination will be important.

The purpose of these studies is to identify causes and potential solutions to recent rapid decline of pelagic organisms. An effective approach, if one is available, to reverse pelagic organism decline, will be a key part of sustainable long-term Delta management.

These activities are receiving close scrutiny and adequate resources at the present time. However, because of the exploratory nature of this work, the scope of these studies could change with little notice, potentially requiring additional funding.

ACTION - COMPLETE POD STUDIES. *The schedules for completion and deliverables vary among the various POD studies. Many of these studies have short timelines and relatively indeterminate deliverables because of their exploratory nature. Although these studies are being coordinated, the study leaders may need to be reminded periodically that the broader CALFED Program community will be looking for the best available knowledge on pelagic organism recovery near the end of 2007.*

To be able to make the decisions necessary at the end of Stage 1, the implementing agencies, through the proposed CALFED Leadership Council, will begin a synthesis task in 2006 that will be designed to gather and integrate information generated from the studies that are under way. The synthesis task will be completed by mid-2008 to coincide with the schedule for several end-of-Stage 1 decisions.

ACTION - SYNTHESIS PHASE*. Even if all five of these critical activities are completed in time, the information gained must be synthesized into a supportable finding and, in some cases, preliminary decisions. As such, the scope and schedule of a concurrent synthesis phase to begin in 2006 and be completed in early or mid 2008, should be developed. Its scope should include clear questions that need to be answered by the studies and developed jointly by involved agencies no later than 2006. In addition to pulling together topic experts to synthesize the output of these key studies, the synthesis team will track progress of the studies and flag scheduling delays and track the critical path schedule.*

4.5 Creating a 100-Year Delta Vision

Numerous activities and investments are under way now to protect and restore the Sacramento-San Joaquin Delta, including protection of Delta levees, restoration of the Delta ecosystem and scientific research to better understand how the Delta works. To ensure protection of Delta resources into the future, an integrated and sustainable long-term vision for the Delta must be created. It is anticipated that this new long-term vision would address the next 100 years.

As we move forward, investments in the Delta must be more strategic. Water planning must be integrated with that of agriculture, transportation, energy and land use. Currently, many state, federal and local agencies have strategic planning efforts under way that would directly or indirectly affect the future of the Delta as we know it. In order for the future of the Delta to be sustainable, ongoing and future Delta planning efforts must be coordinated.

Factors Affecting the Future of the Delta

Changes in rainfall patterns and sea level rise, resulting from global warming and increased seismic risk to levee stability, threaten the sustainability of the Delta as we know it. In addition, California's expanding population is putting pressure to develop areas in and around the Delta, which could result in future catastrophic flooding.

ACTION – DELTA VISION PUBLIC PROCESS. *The Administration will develop an open, collaborative public process involving local government and stakeholders to create a new 100-year vision for the Delta, including land use and transportation. Work on the Delta Vision process began in January 2006, with a framework to be completed by December 2006 and a completed Delta Vision by December 2007.*

ACTION – DELTA SCIENCE PANEL. *The Science Program will convene a small panel of science experts to review and synthesize the latest relevant scientific information on the Delta. The science panel will review, summarize and synthesize research and scientific work performed to date on the Delta, along with other pertinent literature, enlisting input from other Delta science experts, when needed. Information from the science panel will be used to guide the development of scenarios or options for a new Delta vision.*

4.6 Develop a Voluntary Planning Agreement and HCP/NCCP(s) for Delta and Anadromous Species

Changes in available CALFED funding and the need to enable water supply, water quality, ecosystem and levee projects to progress within a stable regulatory framework have led to agreement to pursue a new regulatory structure. Through a voluntary process, several Bay-Delta system water users who must comply with the California and Federal Endangered Species acts regarding ongoing operations of their water projects are working cooperatively to explore preparation of one or more Habitat Conservation Plans under Section 10 of the Federal Endangered Species Act (FESA) and Natural Communities Conservation Plans under the California Endangered Species Act (CESA) (HCP/NCCP).

The potential benefits of the HCP/NCCP approach are the:

- Potential to increase the understanding and support for conservation measures because the water users, who are applicants, are more closely involved with their development as part of the HCP/NCCP(s) process.

- Opportunity for more efficient implementation of CESA and FESA because problems can be addressed on a larger scale, allowing for more robust solutions.

- Development of regional conservation strategies that will allow coordination of federal agency consultation activities under Section 7 of FESA .

- Creation of potential regulatory benefits for a wider pool of water users, which should provide for greater contributions to environmental restoration and species recovery.

This approach is, however, not without risks, including:

- The scope and breadth of the HCP/NCCP(s) will be broad and the issues complex.

- There is an inherent tension between the flexibility required for adaptive management and the interest of water users in regulatory certainty.

It should be emphasized that the process is voluntary. No one will be forced to join. Individual agencies will be able to assess the potential costs and benefits of participation and make their own business decisions on whether it is in their best interest to participate.

The first step in the process is negotiation of a Planning Agreement. This Agreement will identify which water users are interested in securing coverage and which activities they would like to have covered. The Agreement will also describe covered species and the geographic parameters needed to include the range of covered species. The current plan is to address the water management activities related to storage and diversion of water by water users who voluntarily participate. The geographic scope would likely be all or part of the Sacramento and San Joaquin river systems, as well as in the Delta and Suisun Bay. Coverage would likely be sought for fish and wildlife species found directly in the water and adjacent riparian areas that are directly impacted by the covered activities.

The Agreement is targeted for completion in 2007. As the HCP/NCCP(s) are developed, they should include regional conservation strategies that regulatory agencies can use to guide actions under CESA and FESA. The HCP/NCCP(s) will be developed using a foundation of science and a clear mechanism to allow policy decisions to be informed by scientific information. The terms and conditions of the HCP/NCCP(s) will include implementation by adaptive management, while also providing a stable regulatory process.

Further, the Agreement is not intended to cover every type of activity that could impact species being considered for inclusion, but will strike a balance between the need to be inclusive, the need to be decisive and the need to complete the HCP/NCCP(s) on schedule. Because of these challenges, parties to the Agreement will monitor progress and risks, and periodically check to determine if it is still in their interests to proceed.

4.7 Future Priority Actions

Although there is currently uncertainty regarding future directions of several of the program elements, the list below provides a general indication of some of the priority actions that are likely to require additional funding beginning in Year 9.

Direct CALFED Actions	Coordinated CALFED Actions
Ecosystem restoration • Continuation of POD studies to determine actions to reverse decline • Salmon monitoring • Invasive species control in the Delta and Lake Davis • Priority fish screens • Red Bluff Diversion Dam improvements • HCP/NCCP(s)	***Integrated Regional Water Management (IRWM)*** • Provide grant funding and technical assistance for development and implementation of IRWM plans by local and regional entities • Coordinate and improve data collection and management, develop performance measures and improve analytical tools to guide implementation of IRWM
Water Quality • ELPH Implementation • Franks Tract construction (depending on outcome of pilot study and Through Delta decision) • Continued implementation of the Mercury and Dissolved Oxygen Strategies • Investigations into the effects of toxicity and pesticides	***Strategic Planning*** • Continue statewide strategic planning, including synthesis of regional planning efforts through the California Water Plan update process
Environmental Water Account • Support minimum annual water purchase program • Develop additional long–term water purchase agreement if funding is available	***Water Use Efficiency*** • Continue statewide Water Use Efficiency Program, providing technical assistance, incentive grants and monitoring for agricultural and urban water conservation, water recycling and desalination opportunities
Conveyance • Obtain federal and/or CVP water user cost-sharing commitment for Conveyance actions • Operate at 8,500 cfs • Complete South Delta Hydrodynamic and Fish Facility Improvement Studies; then pursue design and construction of improvements • Complete North/Central Delta Hydrodynamic and Water Quality Modeling Studies; then pursue design and construction of improvements	***Water Transfers*** • Continue the Water Transfers Office, which acts as a clearinghouse for water transfers and provides technical assistance to local and regional entities, while protecting third parties and the environment

Direct CALFED Actions	Coordinated CALFED Actions
Levees • Preserve future Delta options by committing adequate funds to maintenance of the levee system • Support Delta levee improvements to The appropriate level of protection • Provide adequate funding to complete the Delta Risk Management Strategy • Continue technical studies on subsidence reversal techniques and beneficial reuse of dredged materials • Continue improvement of in-Delta emergency response capability	
Surface Storage • Complete feasibility studies (if not yet completed) • Make decisions on whether to proceed with surface storage projects	
Science • Use sound science to guide implementation through the continued review by the ISB and other independent scientists • Coordinate scientific monitoring, assessment and studies across CALFED Program elements, especially on critical issues like the current investigation of Pelagic Organism Decline and with programs such as the Interagency Ecological Program • Direct research and CALFED Science Fellows toward the development of priority scientific information needed to plan and implement effective and efficient CALFED Program actions • Continue communication of new relevant scientific information to the scientific community, resource managers, policymakers and the public	
Coordination and Planning • Develop CALFED Program strategic plan regarding Delta as part of the Delta Vision process • Initiate new environmental documentation	

4.8 Environmental Documentation

The CALFED Program agencies may choose to complete a new programmatic EIS/EIR for its 100-year vision for the Delta and, possibly, for the proposed HCP/NCCP(s).

Section 5 – FINANCE PLAN

The CALFED Bay-Delta Program is in its sixth year of implementation. To provide funding for California's critical water infrastructure needs, the Governor has proposed a financing plan over the next 10 years for water. This financing plan will significantly benefit the CALFED Program, as well as many other water and ecosystem programs in the state. The Governor's plan includes new general obligation bonds and WRIF as a new revenue source .

Until the Governor's new funding sources become available, this 10-Year Action Plan identifies existing short-term funding for the next three years for CALFED Program Years 6-8 to support implementation of the Program's highest priorities. For the remaining seven of the next 10 years, the 10-Year Action Plan lays out possible future directions and funding ranges for CALFED that are based on various critical decisions to be made.

Currently, only the funding associated with the Direct CALFED Actions are included in this finance plan. Funding for Coordinated CALFED Actions are under development by lead implementing agencies. It is important to note that adequate federal, state and local funding to implement Coordinated CALFED Actions will be essential to the balanced and comprehensive success of the CALFED Bay-Delta Program in meeting its four primary goals.

For the next three years (state Fiscal Years 2005-06 thru 2007-08), approximately $1 billion is needed from all funding sources (62 percent state, 17 percent federal, 19 percent water user and 2 percent local match) to fund the highest priority and most critical Direct CALFED Actions. However, approximately 75 percent of those funds are already in place, primarily in state bond funds. This can be contrasted with expenditures for the overall Program in its first four years at just over $2.5 billion from all sources, based on the recently completed DOF fiscal review (Appendix 4).

5.1 Beneficiary Pays

The concept of "beneficiary pays" is a foundational tenet of the CALFED Bay-Delta Program. The August 2000 CALFED ROD states that "A fundamental philosophy of the CALFED Program is that costs should, to the extent possible, be paid by the beneficiaries of the program actions." However, the ROD did not provide any guidance as to how the beneficiary pays principle would be applied except for ERP, where $35 million per year was specified to come from legislatively-enacted user fees. Despite this lack of specificity, water users have contributed more to the implementation of actions in the ROD than either the state or federal government.

Fiscal Review Cost Share Findings. Over the last 10 years, local water agencies have spent billions of dollars, independent of state or federal CALFED funding, implementing projects that directly or indirectly contribute to solutions in the Delta. These projects include construction of Diamond Valley and Los Vaqueros reservoirs, and two SWP extensions – the East and Coastal branches. In addition, local water agencies have independently funded an emergency storage program in San Diego, groundwater programs like Semitropic and local conservation programs.

Because of the nature of the CALFED cross-cut budget and the difficulty in accurately tracking local investments that contribute to CALFED solutions, only those local contributions that have

a state or federal CALFED funding component are tracked. Specifically, DOF's fiscal review of the first four years of ROD implementation identified total CALFED funding at $2.5 billion, with a funding distribution of 49 percent local or $1.2 billion; 41 percent state or $1.1 billion; and 10 percent federal or $242 million.

Local contributions toward the CALFED Program have been focused in the Storage, Water Use Efficiency, Ecosystem Restoration and Levees programs. Further examination of the local contributions of 88 percent or $1.1 billion were for grant matches, 8 percent or $95.8 million were CVP Restoration Funds and 4 percent or $51.3 million for SWP.

Unimplemented Beneficiary Pays Solutions. Several program elements have not had appropriate user contributions. The ROD stated that "the CALFED Agencies will work with local interests to develop state legislation to create a broad-based user fee that will generate approximately $35 million annually for ERP. Previous attempts to fund ERP had not been successful.

On a number of occasions, the Legislature had voiced its intent regarding CALFED financing. This included budget control language in the 1999-00 and 2000-01 Budget acts stating that beneficiaries of surface water storage projects that proceed to construction should reimburse all prior planning expenditures made from the state General Fund. Similarly, in the Supplemental Report of the 2002-03 Budget Act, the Legislature directed CALFED to draft a financing plan for potential surface storage facilities consistent with the beneficiary pays principle. Finally, the 2003-04 Budget Act included a statement of legislative intent that CBDA submit a broad-based user fee proposal for inclusion in the 2004-05 Governor's Budget, consistent with the beneficiary pays principle specified in the ROD.

CBDA staff have participated in numerous efforts toward defining beneficiary pays. The most significant efforts are found in the January 2005 CALFED Ecosystem Restoration Program's Water User Fee Options Working Draft, and the January 2005 CALFED Bay-Delta Program Finance Plan. The Finance Plan segmented financial contributions for the various program elements among state, federal, water user and local interests. In the Finance Plan, the program elements earmarked to receive fees included ERP, Environmental Water Account, Levees and Science. While the IEP, as a component of the Science Program, has received funding from water users, the remaining three proposed fee-based programs have yet to be implemented. Future direction and corresponding funding for the Levee program is dependent on the completion of the Delta Risk Management Study in 2007. The Ecosystem Restoration Program and the Environmental Water Account have been the subject of many continuing discussions. The January 2005 Finance Plan proposed cost-sharing distributions that included:

	ERP	EWA	Levees		CBDA Science	IEP
			Maintenance	Improvements		
State Funding	30%	50% (combined state/federal plus 25% SWP and 25% CVP	75%	15%	50%	47%, 44% from SWP
Federal Funding	30%			65%	50%	45% federal, 37% from CVP
Water Users	30%			15% (export/in Delta)		
Local	10%		25%	5%		1%
Recreational						7%

The *ERP Water User Fee* working draft report proposed options for distributing the burden of water user cost share among the broad water user community. The Finance Plan identified the water user share of annual ERP costs to be 30 percent and proposed three options for distributing the ERP fee to water users based on water diversions, reservoir storage capacity and both water diversions and reservoir storage capacity.

The ERP fee discussion was a thoughtful analysis with positive comparisons to previous user fee efforts by the CVP Restoration Fund and Metropolitan Water District.

Water user criticism of the Finance Plan's distribution of costs were that they should be based on thorough negotiations, not applied based on an arbitrary formula. In particular water users were concerned that through contributions to the ERP, they would be paying for land purchases and species restoration for terrestrial species they had no connection with, and for an Environmental Water Account that scientists have not been able to validate as significantly benefiting to species. Water users have expressed their opinions on beneficiary pays in many public forums and to state legislators. Water user perspectives of beneficiary pays are that:

- "Program and project contributor cost-sharing must be equitable and reflect beneficial value produced,"
- "Project and programs cost allocations should be based on cost-share agreements," and
- "Beneficiary contributions should be cost-based."

Current Executive and Legislative Efforts. Senate Bill 113 (Machado), introduced in January 2005, is aimed at adding detail to the beneficiary pays principle. In plain terms, SB 113 segments benefits into private benefits, public benefits and shared benefits and defines the circumstances in which a benefit is realized. While SB 113 is an ambitious step toward adding

clarity to the beneficiaries pay debate, it has been met with opposition by the water export community.

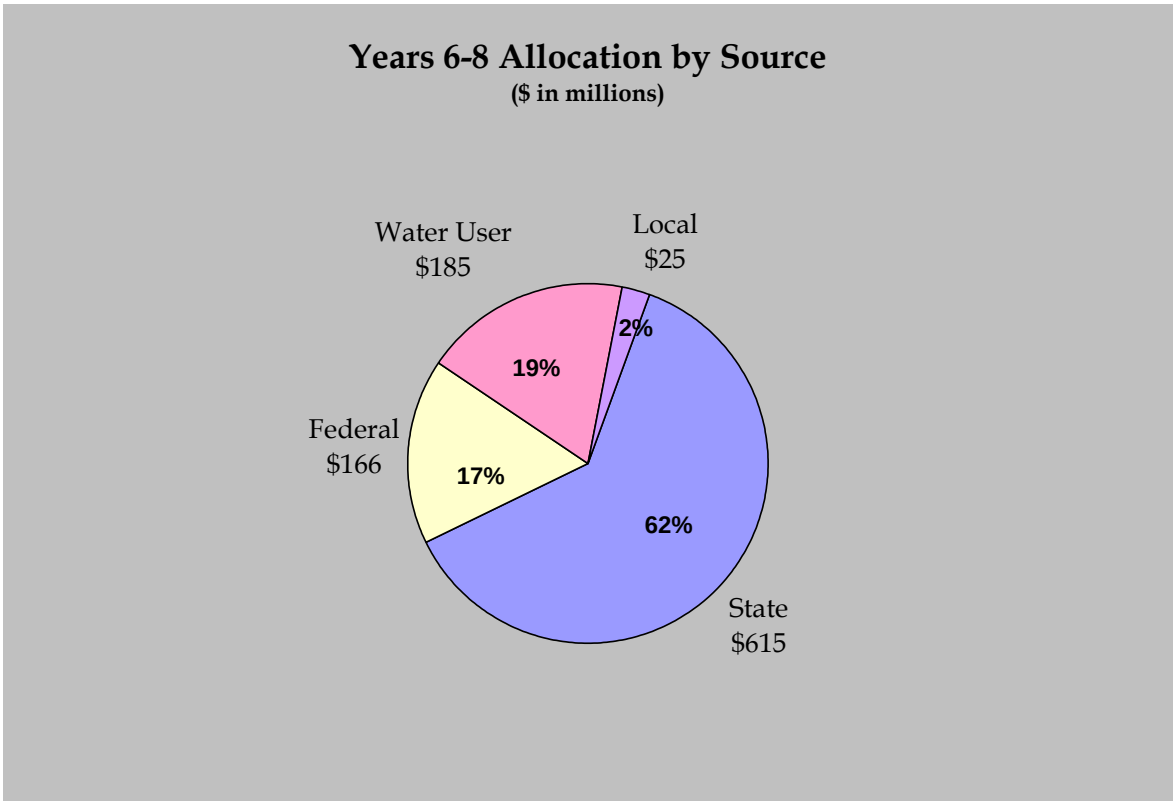
The Governor addressed the beneficiary pays issue in his May Revision message in the 2005-06 state budget. There, the Governor provided more direction on user fees, stating: "This budget must reflect contributions from water users. The May Revision requests an increase of up to $30 million in reimbursement authority in the budget of the Department of Fish and Game to accommodate user contributions which may be necessary to further the recovery of at-risk native fish." Additionally, the Governor provided direction for the 10-Year Action Plan on the issue of beneficiary pays: "This action plan must focus on solving the highest priority Delta issues, link future water user payments to specific program actions that improve water supply reliability, balance statewide actions with regional water management, and include funding from the state, federal and local levels consistent with the beneficiaries-pay principle. This plan will include payments from water users to the Ecosystem Restoration Program and other programs in proportion to the direct benefits derived."

10-Year Action Plan. The Governor's direction has led to negotiations with the purpose of developing water user contributions for the CALFED Bay-Delta Program. These negotiations are an important component of this 10-Year Action Plan. The negotiations between CALFED implementing and regulatory agencies and stakeholders have focused on how to secure user contributions through a voluntary process. This process allows users to determine what benefits they are receiving from implementation of the CALFED program and then to contribute accordingly. Parties involved in the negotiations include export and area-of-origin water users, power interests, Delta interests, state and federal agencies, environmental interests and others. The negotiations have been on-going since September. The tentative results of these negotiations are described in Sections 4.6 and 5.2 of this 10-Year Action Plan. The negotiators agreed upon a tentative Statement of Principles that the parties took to their respective decision-makers for adoption in January 2006. The Statement of Principles proposes that water users provide, over the next two years, $60 million in existing and new contributions for the HCP/NCCP(s), a Species Recovery Capital Fund, the Ecosystem Restoration Program, POD studies and the 100-Year Delta Vision. This is in addition to the value of the commitments made for EWA. Further, it is expected that implementation of the HCP and NCCP concept will bring additional funding for ecosystem restoration that will potentially significantly exceed funding envisioned in the ROD.

5.2 Years 6-8 Near-Term Funding Plan

Until the Governor's new funding sources become available, additional funds (General Fund, or new water user contributions) are proposed on an interim basis for only a few of the most critical actions that are needed for policy-makers to have adequate information to make decisions about the future of the Program and/or to maintain a minimum level of effort to keep a balanced Program. Of the approximately $1 billion needed for the absolute minimum level of near-term investment, roughly 75 percent is already in place. However, the funding proposed by the Governor through a new state bond and increased fee revenues has the potential to allow additional important Program priorities to be addressed in the near-term, including an expanded Science Program, water quality and additional Delta levee protection.

Until the Governor's new funding sources become available, funds are needed in the near-term to obtain the remaining 25 percent of the minimum amount needed. To deliver this funding, budget proposals are included in the Governor's FY 2006-07 Budget and need to be included in the President's future budgets and supported by Congress. Finally, additional water user contributions need to be provided for these key actions.



ACTION – SECURE FUNDING FOR CRITICAL PROGRAMS. *Until the Governor's new funding sources become available, actions need to be taken to obtain the remaining 25 percent of necessary funding for the highest priority and most critical Direct CALFED Actions. Specifically, budget proposals are included in the Governor's FY 2006-07 Budget, federal funds need to be included in the President's future budgets and supported by Congress, and additional water user contributions need to be provided for key actions. For several actions, additional program scoping is needed before state funding (bonds, General Funds) is requested. In those cases, a budget request will be submitted to the Legislature in Spring 2006. Work needs to be continued with federal partners to include federal budget requests consistent with the near-term budget for inclusion in the President's budget.*

Years 6-8 Near-Term Funding Plan by Program Element ($ in millions)														
		Available Funding [1]						Proposed Additional Funding [2]						
		State						State						
Program Element	Critical/Base Funding Targets	Existing Bonds	General Fund/ Other	Federal	Water User	Local Match	Total Available	Existing Bonds	General Fund	Federal	Water User	Local Match	Total Additional
Ecosystem Restoration [3]	**$324.3**	$212.8	$2.6	$30.8	$50.8	$0.9	**$297.9**			$8.4	$18.0		**$26.4**
Environmental Water Account [4]	**$123.4**	$94.5	$0.1	$8.5			**$103.1**			$20.3			**$20.3**
Water Quality	**$124.6**	$21.1	$0.7	$5.0	$27.0		**$53.8**	$41.9		$18.4		$10.6	**$70.9**
Levees	**$65.4**	$19.9	$1.0	$0.7	$1.1	$3.9	**$26.6**		$28.0	$3.0		$7.8	**$38.8**
Surface Storage & San Luis Low Point	**$55.9**	$18.0	$0.8	$14.0			**$32.8**			$23.1			**$23.1**
Conveyance	**$168.4**	$107.9	$1.7	$1.5	$57.3		**$168.4**						
Science [5]	**$80.7**	$35.7		$5.7	$18.6	$1.3	**$61.3**			$11.4	$8.0		**$19.4**
Interagency Coordination & Planning	**$47.7**		$22.5	$0.7			**$23.2**		$6.0	$14.5	$4.0		**$24.5**
		$510.0	**$29.4**					**$41.9**	**$34.0**				
Total	$990.5	$539.4		**$66.9**	**$154.8**	**$6.1**	**$767.2**	$75.9		**$99.0**	**$30.0**	**$18.4**	**$223.3**

[1] Available funding includes funding that is already approved and budgeted, or is ear-marked specifically for the activities included in the near-term plan.

[2] Proposed additional funding includes existing bond funds, General Funds, federal appropriations in FY 2007 & FY 2008, local match, and contributions from water users.

[3] Includes funding for HCP/NCCP. A funding target for Year 8 for the ERP has not been identified. As a placeholder, the Year 8 target includes available funding from remaining bond funds and projected Federal appropriations based on FY 2006 Budget amounts.

[4] SWP and CVP water users have made a commitment to loan water (80 TAF) so that the EWA will have adequate resources for this year.

[5] Includes funding for the Interagency Ecological Program.

Available Funding ($767 million). As stated above, approximately 75 percent of the funding needed to support near-term critical actions is already in place. In general, this is funding that is already approved and budgeted, or is ear-marked specifically for the activities included in the near-term plan. Specific assumptions for available funding are explained below.

- State ($539 million)
  Existing Bonds ($510 million) – includes remaining bond balances from Propositions 204, 13 and 50, that are already in implementing agencies' budgets or ear-marked, but not yet budgeted for specific activities.

  Existing bonds include $32 million from Proposition 50 for construction of the permanent operable gates in the Conveyance Program. There is the expectation that federal appropriations, with some portion to be reimbursed by CVP contractors, should be aggressively pursued in FY 2008 for this purpose. If federal water user funds do not materialize, then bond funds would be used to complete construction and repayment for the federal water contractor share will be pursued.

  General Fund/Other ($29 million) – includes amounts in the Year 6 (state FY 05-06) budget and assumed ongoing baseline funding for Years 7 and 8. Other funding includes $1 million

from a remaining balance of the Delta Flood Protection Fund, which will be used for Delta levees.

- Federal ($68 million) – includes updated amounts from the FY 2006 Energy and Water Conference Report for USBR, and the President's Budget amounts for federal agencies that receive funding other than Energy and Water Subcommittee appropriations.

- Local Match ($6 million) – includes funding from local reclamation districts for levee maintenance, recreational stamp funds for the IEP and an estimated 10 percent local match for the ERP's 2005 grant solicitation for wildlife friendly agriculture. These funds are estimates based on expected future local contributions.

- Water User ($155 million) – includes approximately $105 million from SWP funding in DWR's budget for FY 05-06 planned for Years 7 and 8; Central Valley Project Improvement Act (CVPIA) Restoration Funds of $30 million at $15 million per year; and $20 million from the Contra Costa Water District to fund planning for its alternative intake relocation.

Proposed Additional Funding ($223 million). Until the Governor's new funding sources become available, an additional $223 million is needed for critical Direct CALFED Actions during Years 6 through 8. In general, proposed additional funding includes existing bond funds, General Funds, federal appropriations in FY 2007-08, local match and contributions from water users. Specific assumptions for proposed additional funding are explained below.

- Additional State Funding ($76 million)

  Appropriate Remaining Bonds ($42 million) – includes remaining bond balances from Proposition 50 that are eligible for critical water quality activities in the near term. However, bond language is flexible and does not earmark the funding for a specific project or action. Specifically, Proposition 50 funding is proposed in the following manner: $3 million at SWRCB is proposed for regional ELPH plans; and $39 million at DWR is under consideration for San Joaquin River Salinity Management, including a proposed $25 million from a Chapter 8 grant proposal and $13.6 million from Chapter 7(b). The Proposition 50 funding from Chapter 7(b) will require additional review before funds are committed. Specifically, additional review of the San Joaquin River Salinity Management program costs and appropriate public cost share is needed.

  New General Fund Requests ($34 million) – includes new requests for the Levees program (for maintenance, improvements and DRMS); strategic planning, including the 100-Year Delta Vision; and possible new environmental documentation. Specifically, the requests include:

  - $28 million for Delta levee maintenance, improvements and the Delta Risk Management Study (DRMS), and
  - $6 million for strategic planning, including the new Delta Vision in Year 7, and possible new environmental documentation in Year 8.

- Federal ($99 million) – includes reasonable estimates of federal appropriations in Years 7 and 8, including the full federal share of surface storage planning and other estimates based on FY 2006 budget amounts.

- Local Match ($18 million) – includes local matching funds for San Joaquin River Salinity Management under the Water Quality Program and funding from local reclamation districts for levee maintenance.

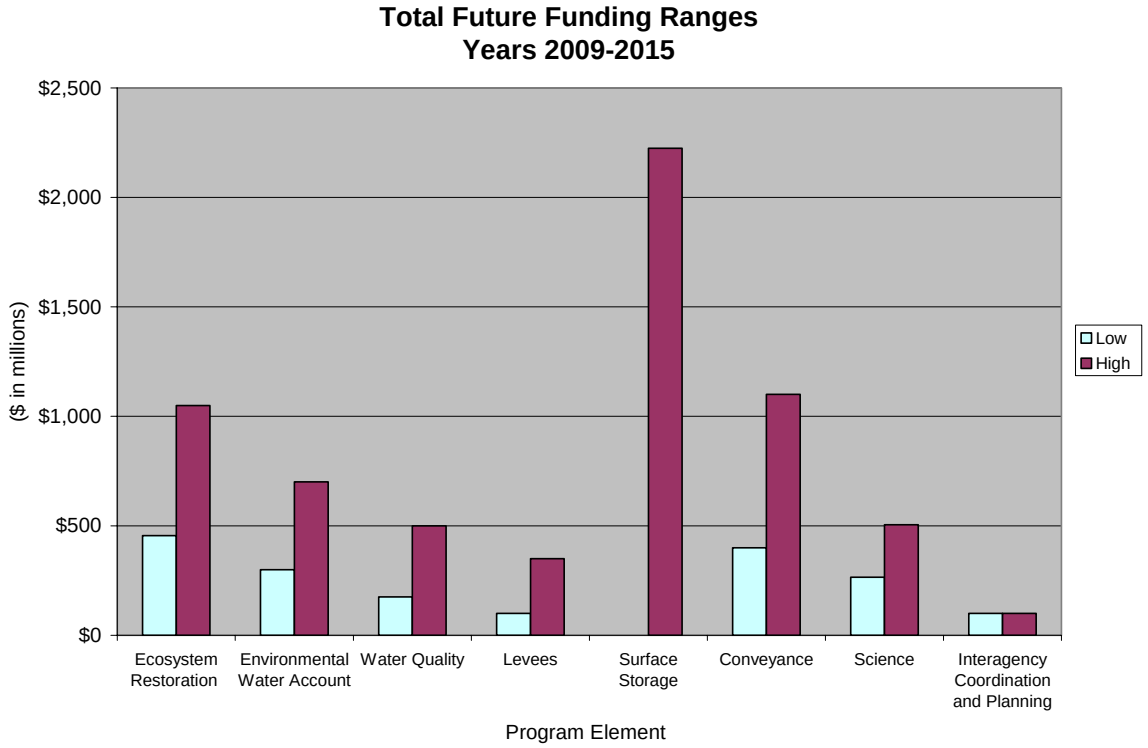
- Water User ($30 million) – total agreement is for $60 million in water user contributions, which includes $30 million in existing ERP funding through CVPIA and the Four Pumps Agreement (included in the available funding section of this report) and $30 million in new water user contributions for the preparation of HCP/NCCP(s), Species Recovery Capital Fund, Delta Vision and POD studies (described below). This does not include the value of the commitments for EWA. Specifically, this agreement includes:

    - Delta Vision – $2 million/year for two years,
    - HCP/NCCP(s) – $3 million/year for agency staff costs during preparation of the HCP/NCCP(s). Current commitment is for 2006 and 2007. HCP/NCCP applicants will develop Planning Agreement, which will include a cost-share agreement and budget that will address funding for Year 8,
    - Species Recovery Fund – $6 million/year for two years for restoration projects capital fund. Planning Agreement for HCP/NCCP(s) will address Year 8 funding,
    - Pelagic Organism Decline Studies – $ 4 million/year for two years, and
    - Environmental Water Account – State Water Project and Central Valley Project would ensure that the EWA has adequate annual resources this year. Agencies agree to seek full public funding in Year 7. Resources for Year 8 depend on decisions on extension of EWA.

Tentative Principles of Agreement have been developed. The negotiators obtained ratification through their appropriate authorized persons and/or governing bodies in January 2006. The next step will be the development of a Memorandum of Understanding by Spring 2006 and then a Planning Agreement in 2007. The Planning Agreement will provide additional detail on the process to be used to develop the HCP/NCCP(s) and will address interim funding beginning in Year 8 and continuing until the HCP/NCCP(s) are compete. Because the Planning Agreement is not yet developed, this fiscal plan has unmet Year 8 needs for the ERP and EWA.

5.3 Years 9-15 Future Funding Plan

Description of Future Actions and Ranges. Each Direct CALFED Action has some variability in the future resulting in a seven-year range of costs of between $2 billion and $6 billion. Most programs have very divergent futures and high and low funding ranges due to pending studies that lead to upcoming decisions, such as DRMS, Surface Storage feasibility studies, ELPH planning and Delta Vision. A few programs, such as the Science Program and interagency coordination, have a funding range based on how aggressively program actions are pursued. Additional detail on funding ranges is provided in the appendix.



Program descriptions. The range of funding for each Direct CALFED Action is described briefly below:

Ecosystem Restoration Program – ERP future funding ranges from a total of $455 million to $1.1 billion for Years 9 through 15. This funding range is based on an annual ERP funding level of between $65 million and $150 million. The annual $65 million low range assumes that the ERP program will receive $50 million in funding from water users (CVPIA $15 million and $35 million from other users) and $15 million in federal funds. At the low range, strategic actions implemented would focus on:

- Completion of potentially stranded investments for key species, such as construction of selected fish screens to protect salmonids, for which feasibility, design and permitting have been previously funded;
- Development of the HCP/NCCP(s);
- Implementation of projects that benefit Delta pelagic fishes, including pilot and research actions that will provide better understanding of the Delta ecosystem as affected by water management operations; and
- Continuation of field monitoring of key species such as salmonids.

At the high range, additional strategic action focusing on completing ERP-MSCS milestones can be implemented toward species recovery and ecosystem health. Uncertainty over program scope and cost begins in Year 8 for ERP after the conservation agreement expires.

Environmental Water Account – The EWA low range cost estimate is an average annual target of approximately $43 million per year and assumes implementation and funding continues at the level estimated by EWA implementing agencies. This estimate supports a program that continues the level of fish protection provided over the past five years. The EWA high range cost estimate is an average annual target of approximately $100 million per year and assumes that there will be a need for a larger EWA program that has more fish actions taken, especially in the winter, in response to future findings that might result from POD studies. These increased fish actions would require a greater quantity of water purchases from willing sellers in a limited marketplace. The expanded program may still rely on short-term purchases in the water market, along with other options, to support the expanded actions and incorporate any long-term purchase agreements in place.

Water Quality – Water quality costs assume the continuation of ELPH and monitoring, and the construction and monitoring of the Franks Tract Pilot Project. Average annual costs can range between $25 million and $70 million per year, depending on the level of ELPH implementation and the decision on building a permanent Franks Tract.

- **ELPH Implementation** – The CALFED ROD established a drinking water quality target of either 50 ug/L bromide and 3 mg/L total organic carbon at Delta drinking water intakes, or an "equivalent level of public health protection," or ELPH. The CALFED Program has interpreted ELPH as maintaining drinking water utilities' ability to use the Delta as a drinking water source far into the future. The costs for ELPH implementation could range between $20 and 30 million per year. At the higher range of $30 million per year, ELPH would be able to fund more efforts to affect non-point source improvements.
- **Franks Tract Pilot –** Future costs assume the construction and monitoring of the Franks Tract Pilot project, averaging $5 million per year, with the majority of the spending on the pilot construction in Year 9.
- **Permanent Franks Tract –** The high range for water quality assumes construction of the permanent Franks Tract following the completion and monitoring of the pilot project. The low range does not include costs for construction of the permanent project. If a permanent Franks Tract is built, the EIS/EIR could be done in Years 12 and 13, with construction costs in Years 14 and 15. The average annual costs of monitoring and construction of the permanent Franks Tract is approximately $35 million per year. The majority of spending will be for construction of approximately $120 million per year for three years, concluding in Year 16.

Levees – The low range of $14 million per year for levees represents a 37 percent reduction in funding from a status quo level of maintenance and funding. The high range of $50 million per year would be 90 percent of the ROD funding for Years 6 and 7, and approximately a two-fold increase from recent levels. This level of funding would fully reimburse maintenance and provide additional funds with which to accomplish significant levee improvement to base level protection. Costs do not contain estimates for maintenance or for the strategic assessment of the Suisun Marsh levees.

Surface Storage – Surface storage low ranges assume a decision is made to not build any facilities. The high range of cost assumes a decision is made to build two surface storage

projects within this timeframe, totaling up to $2.2 billion. For the purpose of demonstrating the range in costs, two projects were selected to reflect costs of construction: North-Of-the-Delta-Storage (NODOS) and Upper San Joaquin. Costs estimates average as high as $300 million per year until Year 15. After Year 15, there are additional construction costs of up to $520 million to complete construction of the Upper San Joaquin storage project.

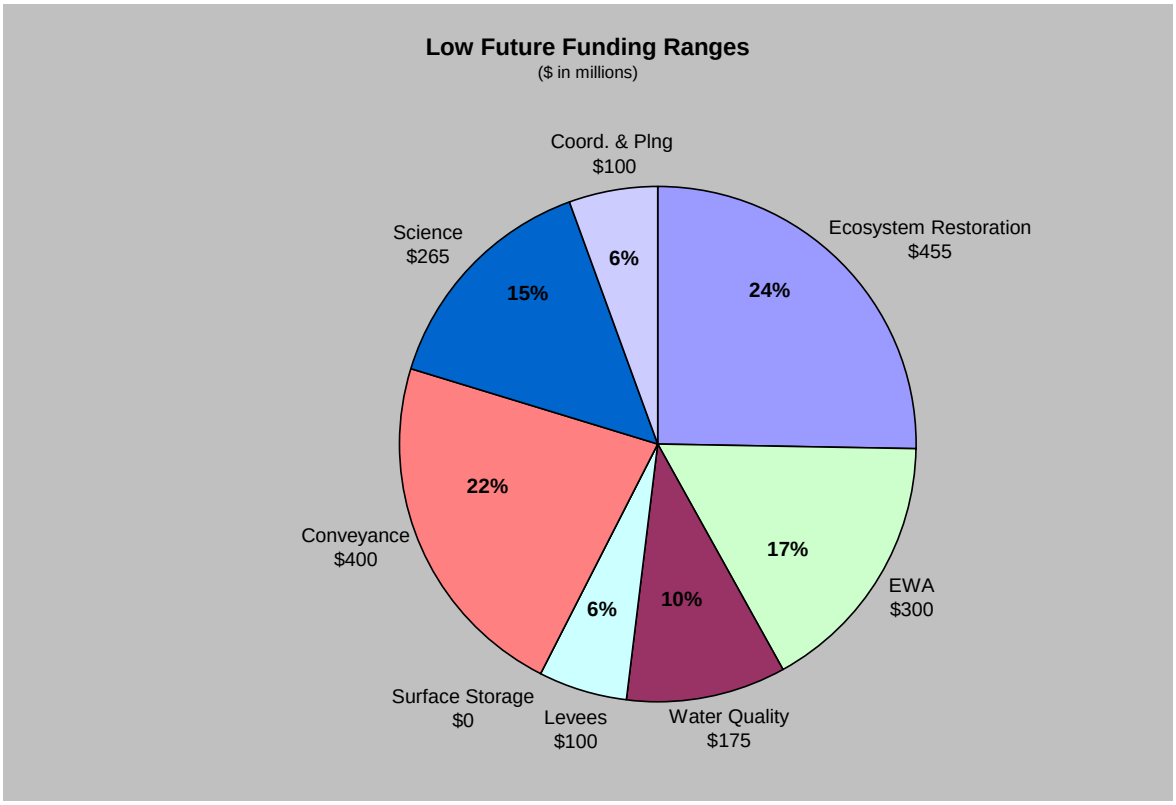
Conveyance – Conveyances costs vary for several reasons: operations, results of the South Delta Hydrodynamic and South Delta Fish Facility Improvement Studies and the decision to construct a Through-Delta facility. The average annual costs could range between approximately $57 million and $157 million per year.

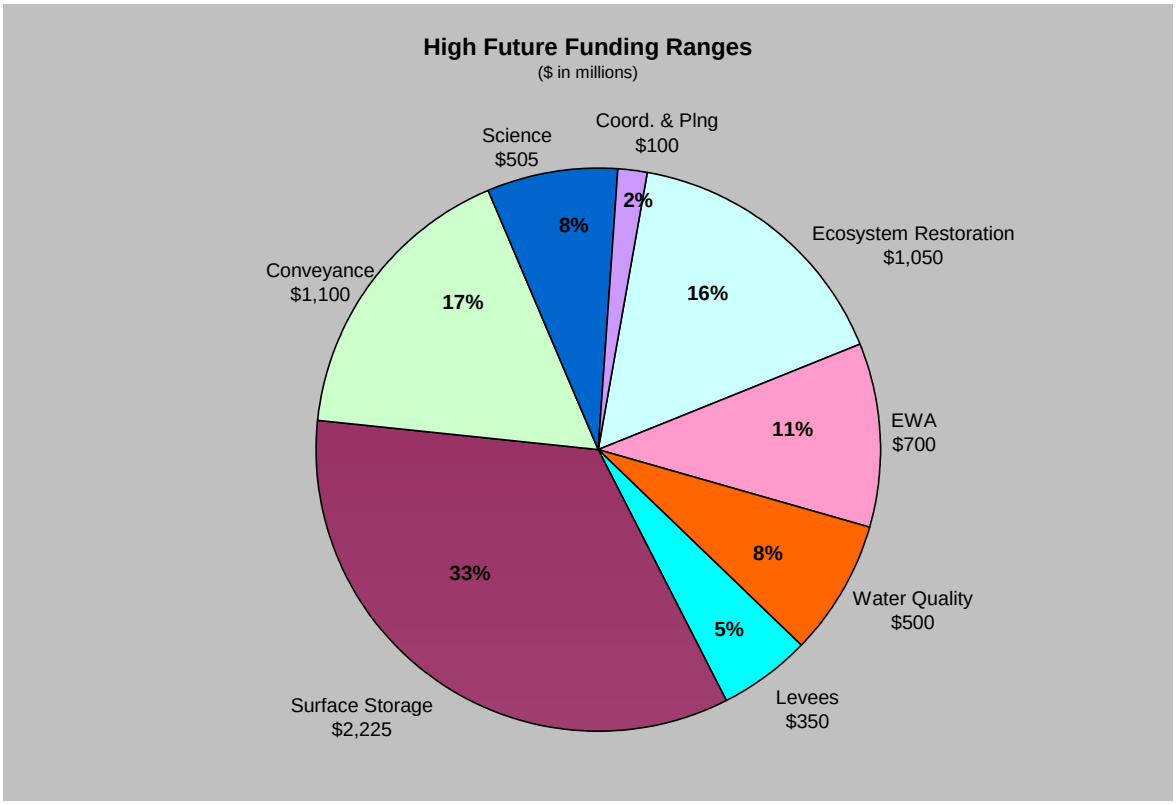
- **Channel Modifications** – Both ranges assume the need for channel modifications and changing gate operations at an average approximate cost of $18 million per year, with the bulk of spending in Years 11 and 12 for construction of approximately $50 million per year.
- **South Delta Fish Facility Improvements** – The low range estimate of approximately $38 million per year may involve the construction of a second intake to Clifton Court Forebay and new fish screens, which would pump water into the forebay continuously at low velocities. The bulk of the construction spending would be in Years 9 through 11. The high range estimates of $100 million per year supposes reengineering Clifton Court Forebay with the new intake connecting to the existing fish salvaging facility and possible new fish screens in a subsequent stage. The bulk of the reengineering spending is construction in Years 9 through 11, and then possible fish screen modifications in Years 13 and 14.
- **Pumping at 6,680 cfs or 8,500 cfs** – The low range assumes pumping at 6,680 cfs at approximately $1 million per year for four years, while the high range assumes pumping will increase to 8,500 cfs at an average cost of approximately $2 million per year.
- **Through-Delta Facility –** The high ranges assumes the need to build a Through-Delta facility at an approximate average cost of $37 million per year. If a Through-Delta facility is built, the EIS/EIR could be done in Years 11 through 14 with construction beginning in Year 15, with an additional cost of $250 million in Year 16 to finish construction.

Science – Total average per year for science, including both the Science Program and the IEP, ranges from a low of $38 to a high of $72 million per year. For the Science Program, average low estimates of approximately $23 million per year reflect the minimum funding needs for a functioning program. At the high range average of $52 million per year, the Science Program will be able to fund more research needed to reduce the scientific uncertainties in the planning and implementation of CALFED Bay-Delta Program actions. This type of information is critical to help the CALFED Program manage and ultimately avoid crisis situations, such as the Pelagic Organisms Decline. These amounts include funds to implement the comprehensive monitoring program required by the ROD, beginning with $5 million in Year 9 and ramping up from Year 12 onwards to a range from a low of $15 and a high of $30 million annually. Base funding for the Science Program ranges from a low of $10 million per year to a high of $30 million per year. For the IEP, low average estimates of approximately $15 million per year are the minimum needed to continue mandated

monitoring programs and POD studies. In the high average range, approximately $20 million per year, funding would be directed at additional special studies, including investigations into the causes of the Pelagic Organism Decline and response to additional monitoring requirements.

Interagency Coordination and Planning – Average annual estimates for Interagency Coordination and Planning are $14 million per year. Estimates for Interagency Coordination and Planning include funding for Years 9 and 10 at approximately $22 million per year to complete a new programmatic EIS/EIR, and to coordinate CALFED Program work on the new Delta Vision. After Year 10, funding drops to $12 million per year to support the base critical funding level needed to coordinate the Program.





5.4 California's Water Future

To provide funding for California's critical water infrastructure needs, the Governor is proposing a financing plan for water. Over the next 10 years, a $35 billion statewide investment is necessary to maintain and improve our levee and flood control system and provide for safe, reliable water supplies. Of that amount $21 billion is expected from existing funding sources (federal, state and local), $9 billion from general obligation bonds, and $5 billion from a new revenue source, the Water Resources Investment Fund (WRIF), which will generate approximately $5 billion over 10 years.

The numbers above reflect anticipated revenues based on historical patterns and currently projected funding availability. The majority of the bond funds will go out in the form of matching grants or the state share of federal cost-share projects.

WRIF is designed to provide a stable source of revenue for integrated regional water management to achieve clean, reliable, and sustainable water supplies, in conjunction with local expenditures. To launch his water financing initiative, the Governor proposed legislation to establish the WRIF and enact two general obligation bonds, one in 2006 ($3 billion) and one in 2010 ($6 billion). The WRIF and new water bonds will provide significant funding for CALFED programs and priorities.

Summary of "Flood Protection and Clean, Safe, Reliable Water Supply Bond and Financing Acts" of 2006, 2010

(Dollars in thousands)

Program, Project, or Bond Provision	Total Investment	2006 Bond Amt.	2010 Bond Amt.	Federal Funds	Other State Funds	Local Funds
Levee System and Flood Protection	$6,000,000	$1,000,000	$1,500,000	$3,000,000	$ -	$500,000
Project Levee and Facilities Repair		$210,000	$300,000			
Flood Control and Levee System Improvements		$200,000	$200,000			
Delta levee Subventions and Special Projects		$210,000	$700,000			
Flood Control Subventions		$250,000	$200,000			
Floodplain Mapping		$90,000	$ -			
Floodway Corridor Program		$40,000	$100,000			
Integrated Regional Water Management	$29,000,000	$2,000,000	$4,500,000	$2,000,000	$5,000,000	$15,500,000
Regional Water Management Grants (e.g. water conservation, water recycling, desalination, conjunctive management, watershed management, pollution prevention, etc.)		$1,000,000	$2,000,000			
Statewide Water Management						
Water Quality Improvements		$250,000	$500,000			
State Support for Development of New Storage		$250,000	$1,000,000			
Science and Technology (including desalination technology)		$300,000	$500,000			
Resource Stewardship		$200,000	$500,000			
TOTAL	***$35,000,000***	***$3,000,000***	***$6,000,000***	***$5,000,000***	***$5,000,000***	***$16,000,000***

Footnotes:

(1) The federal share of projects reflects historic cost share arrangements. However, precise cost-shares vary by type of project.

(2) Establishment of a Water Resources Investment Fund for additional sustained water management efforts. Resources to this fund will include non-General Fund-based revenue sources and will be used for projects of regional and statewide benefit (approximately $5 billion).

CALFED
BAY-DELTA
PROGRAM

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