

7.0 Funding of the Plan

This Plan will be funded through existing financial management policies and procedures as described in the Water Authority's "Adopted Operating and Capital Improvement Program Multi-Year Budget." Implementation of this Plan shall be funded as a capital cost under the CIP Mitigation Program approved by the Water Authority Board in September 1992 or within individually approved CIP project budgets, and/or the annual operating budget of its Water Resources Department. The Water Authority estimates its long-term financial needs based on the CIP, and has adopted a two-year budget cycle to address short-term funding and expenditures.

The Water Authority will fully fund the implementation of this Plan, except as follows:

- The Water Authority is not responsible for funding for USFWS and CDFG agency review and monitoring of plan implementation. Such functions are part of the agencies' statutory and regulatory responsibilities; and,
- The Water Authority is not responsible for costs associated with management and monitoring of HMAs subsequent to establishing the endowment or equivalent funding mechanism. However, where previously provided endowment funds are not sufficient to fully implement the requirements specified in this Plan, the Water Authority will coordinate with Preserve Area managers to identify any funding deficiencies and provide the additional funds necessary to fully comply with the management and monitoring requirements of this Plan.

While not expected to occur, should the Water Authority's costs to implement, monitor, and report on the Plan's measures exceed the budgeted amount, Water Authority staff would secure the required additional funding through one of the following methods: 1) utilize individual project's reserve funds; 2) transfer funds within program budgets; and/or 3) request budget augmentation from the Board, as necessary.

Changing task level budgets within a project or moving funds within a program require approval from an authorized supervisor or manager. Transferring funds between CIP projects or increasing the project budget requires approval from the Water Authority Board. The Water Authority Board, in approving this Plan, commits to provide the funding necessary to implement the Water Authority's obligations under the Plan.

7.1 Financial Capacity of the Water Authority to Fund the Plan

The Water Authority is a special district established in 1944 under the County Water Authority Act by the California State Legislature. The Water Authority is able to raise necessary revenues to fund its operations through a number of sources including, but not limited to, water sales, bonds sales, connection charge on new water meter connections, and water standby availability charges. Revenues from fees for new connections help fund the CIP program to meet future demand. Multiple revenue sources, in conjunction with adequate reserves, impart a substantial degree of financial stability to the Water Authority. The considerable number of consumers served by the Water Authority's Member Water Agencies is essentially a stable and reliable source of revenue, which enhances financial stability. For eight consecutive years, the Water Authority has been awarded the Certificate of Achievement in Financial Reporting from the Government Finance Officers Association for its Annual Comprehensive Financial Reports, which provide detailed accounting of all revenues and expenditures.

In June 2009, the Water Authority Board adopted its multi-year budget for Fiscal Years 2009-2010 and 2010-2011 (Fiscal Year [FY] 2010 and FY 2011). The adopted Operating and Capital Improvement Program Multi-Year Budgets for FY 2010 and FY 2011 are available from the Water Authority. The largest sources of revenues (90 percent of all revenues) derive from water sales and net bond fund withdraws; over 90 percent of the expenditures are for water purchases and treatment, CIP and debt service (Tables 7-1 and 7-2).

**TABLE 7-1
COMPOSITION OF REVENUES**

Revenue Type	Percent
Water Sales	58.3
Net (Bond) Fund Withdraws	30.6
Property Taxes/In Lieu Charges	1.3
Infrastructure Access Charges	2.8
Investment Income	1.6
Water Standby Availability Charges	1.3
Hydroelectric Revenues	0.2
Contributions in Aid of CIP	1.3
Capacity Charge	0.7
Other Income	1.9

**TABLE 7-2
COMPOSITION OF EXPENSES**

Expense	Percent
Water Purchases and Treatment	46.2
CIP	33.6
Debt Service	12.6
Operating Departments	5.5
Equipment Replacement	0.2
Other Expenses	1.9

The FY 2010 and FY 2011 multi-year budget appropriates \$1.65 billion, of which the CIP allocations are \$258.6 million and \$297.1 million, respectively (\$555.7 million total), toward the full CIP improvements budget of \$3.77 billion.

To date, the Water Authority has expended more than \$1.6 billion toward the completion of its CIP improvements. The CIP Mitigation Program, funded since 1992, has an approved budget of \$23.8 million, with \$9.15 million remaining in this assured funding source that can be used to complete the Plan, develop wetland creation plans, acquire land, and develop long-term USACE, and CDFG wetland permits. The Mitigation Program is supplemented by the inclusion of mitigation funds in each individual CIP project's overall budget. For example, the ESP and CSP budgets carry additional environmental mitigation funds to address the needs of these specific projects. In addition, program or project budgets would be augmented to purchase mitigation lands or establish endowments if required. In the event that previously allocated funds are insufficient to meet the mitigation obligations, the Water Authority management can request the Water Authority Board to direct CIP Program funding to augment individual project budgets to cover additional costs and to cover unanticipated costs to implement commitments of this Plan. Overall, the Water Authority maintains a diverse revenue base and consistently evaluates existing and potential revenue sources to ensure that funding of all Water Authority projects, including the implementation of this Plan, are adequate.

The Water Authority is in the midst of the largest CIP in its history. With a \$3.77 billion budget and a two-year appropriation of \$619 million (FY 2007/08 and FY 2008/09), the CIP is one of the largest among California urban water agencies. Its 49 projects represent a substantial investment in regional supply diversification and system reliability. Adapting to the CIP lifecycle requires regular reassessment of organizational resources. As completed projects are brought online, they increase the scope and complexity of system operations. In the future, as the program approaches buildout, there will be a decreased demand for CIP-related resources and increased O&M-funding needs. The principal challenge is managing this dynamic while at the same time containing costs, achieving long-term strategic goals, and responding effectively to external threats and opportunities. The most recent Comprehensive Annual Financial Report (FY 2007-2008) has been approved and is available on the Water Authority

website. For more detailed fiscal information on past or current fiscal performance, the full text of Annual Financial Reports is available on the Water Authority's website.

7.2 Funding for Plan Elements

Funding for the acquisition of preserve (mitigation) lands and management and monitoring of those preserve lands has been largely provided or allocated already by the Water Authority (Table 7-3). This situation is in contrast to most NCCP/HCP plans, which rely on future funding for the majority of their acquisitions and management/monitoring. Additional habitat or mitigation credits may be required to meet the mitigation requirements for Covered Activities if the HMAs do not have the appropriate habitat. Similarly, for those HMAs that have not been fully established (i.e., Tijuana River and San Luis Rey River wetlands), and if this Plan requires additional management and monitoring on certain HMAs to address Covered Species, the Water Authority will provide the necessary funding through existing financial management policies and procedures as described in the Water Authority's Adopted Operating and Capital Improvement Program Multi-Year Budget.

7.2.1 Mitigation Acquisition Funding

As part of the Plan, the Water Authority has established HMAs (described in Sections 1.1.4 and 6.8) that will serve as the primary sites for mitigating habitat and Covered Species impacts. All of the HMAs are, or are expected to be, managed by government entities pursuant to written agreements between the Water Authority and those entities. The Wildlife Agencies are the Preserve Managers of the upland HMAs and have prepared or will prepare the Preserve Area Management Plans for those lands.

The Crestridge HMA has been established and existing credits are being used to mitigate CIP projects. Remaining credits at Crestridge HMA are expected to be utilized for Planned Projects prior to the same credit type being debited from the San Miguel HMA.

The Wildlife Agency- approved San Miguel Conservation Bank (HMA) was acquired by the Water Authority in 2003 to satisfy mitigation needs for existing, planned and future CIP projects and O&M Activities pursuant to requirements of this Plan. It is managed by the USFWS as part of the San Diego National Wildlife Refuge Complex and is an important component of the MSCP regional preserve system.

In 2007, the Water Authority funded the acquisition of the Rancho Cañada HMA for use as partial mitigation for the CSP and as a contribution to regional conservation under this Plan. CDFG has agreed to manage the property (with Water Authority funding), and

**TABLE 7-3
FUNDING OF THE NCCP/HCP PROGRAM**

Component	Fund Source	Funding Status	Acquisition or Endowment (and annual expenditure)
Mitigation Site Acquisition or Credit Purchase			
<u>Upland HMAs</u>			
Crestridge	CIP	Acquired	\$2.3M
Rancho Canada	CIP	Acquired	\$5.8M
San Miguel	CIP	Acquired	\$2.5M
Upland Bank Credits	CIP	Allocated	\$9.15M*
<u>Wetland HMAs</u>			
Manchester	CIP	Acquired**	N/A
Tijuana River	CIP	Acquired**	N/A
San Luis Rey River	CIP	Acquired	\$1.9M
Wetland Bank Credits	CIP	Allocated	\$9.15M*
Mitigation Site Management and Monitoring			
<u>Upland HMAs</u>			
Crestridge	CIP	Provided	\$264,981 (\$7,950/yr.)***
Rancho Canada	CIP	Provided	\$419,689 (\$18,887/yr.)****
San Miguel	CIP	Provided	\$218,870 (\$6,566/yr.)***
<u>Wetland HMAs</u>			
Manchester	CIP	Approved	\$40,000 (\$1,200/yr)***
Tijuana River	CIP	Approved	\$200,000 (\$6,000/yr.)***
San Luis Rey River	CIP	Allocated	TBD*
Water Authority Program Management	CIP	Allocated	\$70,000/yr.

* For Planned Projects through FY 2011; other Planned and Future Covered Activities will be allocated funds from the remaining \$2.17 billion CIP Budget.

** County of San Diego has granted the Water Authority in perpetuity use of the property as a wetland mitigation bank site.

*** Assumes 3 percent per year net return

**** PAR assumed 4.5 percent per year net return.

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prepare a management plan within two years of permit issuance, in conformance with this Plan. The potential to use “excess” habitat acres above those required to mitigate the CSP as mitigation credits will not be sought by the Water Authority unless specific, additional habitat and Covered Species-benefiting enhancements are made to the property and agreed to by the Wildlife Agencies.

This Plan has already established three wetland HMA sites. Wetland mitigation credits are available at the Manchester HMA, where the county of San Diego is the underlying fee landowner. Under an existing long-term funding agreement between the county of San Diego and the Water Authority, which is subject to the Wildlife Agencies’ approval, the county of San Diego Department of Parks and Recreation will be the long-term manager. Additional wetland credits will be available at the Tijuana River Valley HMA and San Luis Rey River HMA following on-site wetland habitat creation and restoration, finalization of Wildlife Agencies’ approved habitat management plans, and providing the long-term funding for these wetland creation sites.

The Water Authority currently uses a ledger accounting system to annually document the assignment of mitigation credits from the Crestridge HMA and San Miguel HMA. A template for the ledger system for each new HMA will be included as an appendix to the first annual report following the addition of a new HMA to the Plan.

The addition of new HMAs to the Preserve Area will be addressed on an as-needed basis, and are not anticipated to require amendments to the Permits or IA if within the Plan Area. However, additional mitigation lands would be addressed in consultation and concurrence with the Wildlife Agencies (see Section 6.10) and included as part of the information supplied in the annual monitoring reports. As noted in Section 7.1, as individual projects are implemented, each project will include funding to satisfy its required mitigation. If the current or committed HMAs can not provide the mitigation required by this Plan, then the project-specific budget will fund the acquisition of additional suitable habitat, which will be added to the Preserve Area. Alternatively, the Water Authority may purchase appropriate credits from an existing Wildlife Agencies-approved mitigation bank.

7.2.2 Non-Acquisition Program Funding

7.2.2.1 Program Administration (Management, Monitoring and Reporting)

The Water Resources Department is responsible for ensuring that the Water Authority meets its commitments under this Plan and will coordinate Plan-related activities among other departments, such as Engineering, Water Resources, Rights-of-Way, and O&M. Administrative costs associated with the Plan’s program compliance and required reporting (as outlined in Section 6.5 and 6.12) will be funded through the Water

Resources Department annual operating budget or through the CIP Mitigation Program budget. Based on the CIP and projected Future Projects and Activities, the Water Resources Department estimates 420 hours to administer the Plan, at a cost of \$30,000 per year (2009 dollars). Water Authority NCCP/HCP staff activities associated with developing the annual administrative cost estimate include reviewing individual project documents to ensure Plan commitments are met, overseeing the Environmental Surveyor, coordinating with Preserve Area managers, and preparing the annual report. Environmental Surveyor work to support O&M Covered Activities, described in Sections 5.2, 5.3, and 6.3.1, is estimated at an additional 420 hours (\$40,000 per year in 2009 dollars). Among the Environmental Surveyor duties to ensure Covered Activity compliance with this Plan are preparation of the Pre-Activity Survey form, conducting Water Authority field staff and contractor education training, and coordinating project activities with the construction site manager. Each covered project will fund specific mitigation and monitoring requirements from its CIP budget allocation, which is separate from the funding specified above.

7.2.2.2 Habitat Management Endowments

For any new mitigation lands or HMAs that are acquired, the Water Authority will enter into an agreement with a land manager, acceptable to the Wildlife Agencies, to develop a HMA budget for management and monitoring and a Management Plan. The long-term management costs necessary to fund the transfer of ownership and/or management responsibility will be provided by the Water Authority's Mitigation Program budget and/or applicable CIP project-specific budgets. The long-term management costs will be determined with a Property Analysis Record (PAR) or comparable process, developed in consultation and concurrence with the Wildlife Agencies for each new HMA. The endowment value will be specified in the land transfer or conservation easement agreement and will be sufficient to fully fund the habitat management plan activities for the acquired property. The Water Authority will establish an endowment account in which interest goes toward required management funds and reinvestment as principal. This account will be designed to keep pace with inflation. The Water Authority and Wildlife Agencies must provide concurrence/approval of all endowments and entities that hold an endowment, which could include, but are not limited to, the CDFG, California Wildlife Foundation, and National Fish and Wildlife Foundation.

For existing HMAs, as stated at the beginning of this section, the Water Authority and Wildlife Agencies (and appropriate Preserve Area manager) will review existing management plans and, if additional management actions and monitoring are required to meet the Plan requirements for the Covered Species, the management plan will be revised and the Water Authority will provide additional funds from the CIP budget for those activities. Revisions to these plans will be made and additions to the associated endowments will be provided within one year of NCCP/HCP permit issuance.

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The existing endowments for HMAs are summarized below.

Crestridge HMA

The 261-acre Crestridge HMA is managed by CDFG as part of the larger Crestridge Ecological Reserve, a significant component of the larger MSCP reserve system. Management funds are held in a non-wasting State of California trust account, referred to as Special Deposit Funds (FASB #MT0126-00; Tracking No. 2835-1995-043-0005), and by California Wildlife Foundation endowment fund pursuant to an agreement between CDFG and the California Wildlife Foundation. Special Deposit funds are held in the state treasury, and their uses are governed by Section 16370 of the California Government Code. The California Wildlife Foundation endowment fund is the primary account for the Crestridge Ecological Reserve, was fully-funded as of June 30, 2008 (\$2,764,998), had earned \$388,089 in interest, and had an available balance of \$191,298 (2008 dollars). The State of California trust account was established on March 29, 1996, as the primary account for the Crestridge HMA portion, had a principal balance of \$264,981 as of August 8, 2008, had a total earned interest of \$158,538, and an available balance of \$43,451 (K. Miner, CDFG, per. comm. 2008). The endowment funding for the Crestridge HMA was based on meeting the requirements of BO #1-6-93-F-28, which primarily addresses California gnatcatcher mitigation, and the Crestridge Ecological Reserve is managed to address MSCP commitments. CDFG activities include patrol/enforcement, trash removal, fuel management, and similar actions associated with managing a preserve property. Biological surveys are conducted to comply with the MSCP on the larger Crestridge ER. The CDFG is currently revising its management plan for the properties. The revised management plan will include any required additional management and monitoring to address this Plan's Covered Species. Based on those requirements, and if additional funds are required to meet the Plan's commitments, the Water Authority will provide additional funding from its CIP budget.

Rancho Cañada HMA

Rancho Cañada HMA is an approximately 390-acre property owned and managed by CDFG. Per the 2007 agreement between the Water Authority and CDFG, the Water Authority provided the acquisition funding and an interim management fund to CDFG to cover management costs until the Plan's NCCP/HCP Permits are issued and the IA executed. On March 16, 2008, CDFG established a State of California trust account for Rancho Cañada HMA (FASB #MT0126-00; Tracking No. 2003-1210-120-000) with the initial deposit of \$18,886, which will be replenished annually until the land transfer and management agreement is finalized and fully funded as part of this Plan. Within seven days of Plan Permit issuance and execution of IA, currently-agreed to long-term management funds will be provided to CDFG to cover "start-up" costs (\$28,829) and the long-term endowment needs (\$419,689), with accrued interest, based on a PAR prepared in August 2007. The management and monitoring activities, and endowment funding, were based on the Plan's anticipated species list and management/monitoring

commitments. The long-term management (and monitoring) plan will be prepared within two years of permit issuance, and the funding commitment will be updated and augmented, if necessary, based on changes required to comply with the final NCCP/HCP Plan.

CDFG will maintain all the funds in a segregated account (non-wasting for the long-term endowment) solely for implementation of Plan-required activities at Rancho Cañada, including but not limited to biological surveys and reporting, non-native animal and plant control, repair/replacement of signs, gates, fences, and road maintenance. Rancho Cañada will be managed by CDFG as part of the larger 4,400-acre Monte Vista Ranch ecological reserve. CDFG will prepare a single management plan for the combined properties; however, additional Rancho Cañada HMA management and monitoring requirements will be specified. The cost to prepare that document was included in the endowment funds already provided by the Water Authority.

San Miguel HMA

The 1,186-acre San Miguel HMA is being managed as part of the larger San Diego National Wildlife Refuge (Refuge). The HMA is also a Wildlife Agency-approved conservation bank (Appendix J), and its management is funded by proceeds from credit sales. The vegetation communities and species on this property are a significant component of the larger MSCP reserve system. The approved bank has a \$500/acre endowment fee payable at the time of each credit sale. In 2003, the Water Authority acquired all rights to, including all remaining available credits associated with, the conservation bank. The National Fish and Wildlife Foundation holds the San Miguel HMA's management account for the Refuge, as a sub-account to the San Diego National Wildlife Refuge Fund (Fund Number 1998-0238-000; Sub Account: San Miguel 1998-0238-002). Per the National Fish and Wildlife Foundation's State of Financial Activity for the period through September 30, 2007, there was \$218,870.31 in the account, or approximately 31 percent funded. The Water Authority made its endowment payment for CSP in November 2009, bringing the management fund account to approximately 49 percent funded. As credits are used/sold in the future to compensate for impacts by Covered Activities, the Water Authority will provide the credit fee to the management account pursuant to the conservation bank document. Complete funding will be assured when all the credits are used or sold. As specified in the conservation banking agreement, the USFWS is preparing a long-term management plan for the property, consistent with the National Wildlife Refuge System Administration Act of 1966, Refuge Recreation Act of 1962, and Executive Order 12996. As part of the management plan preparation, the USFWS and Water Authority will determine if an augmentation to the property's existing management funds by the Water Authority is needed to meet the Plan's commitments that exceed current management commitments pursuant to the conservation banking agreement.

Manchester Wetland HMA

The eight-acre Manchester HMA wetland mitigation site was established on county of San Diego property per a cooperative agreement between the county of San Diego and the Water Authority. In 2005, the Water Authority constructed an approximate 7.7 acres of wetland habitat that is expected to meet specified success criteria by 2010. Until the site has reached its success criteria, the Water Authority manages and maintains the property. Once the site is verified as successful by the appropriate regulatory agencies, the county of San Diego will assume permanent management and monitoring of the property. In December 2008, the Water Authority Board, pursuant to collaboration with the county, approved the Water Authority to negotiate a management agreement with the county and provides for the establishment of endowment account for up to \$325,000 to manage the Manchester HMA and Tijuana River Valley HMA wetlands. Under that agreement, the Water Authority will allocate \$40,000 (\$5,000/acre) to fund an endowment for permanent management/monitoring of the site. In developing the endowment amounts for wetland sites, county staff evaluated a SANDAG review of management costs for a large number of preserve lands in San Diego County. That review indicated that costs vary widely (the average cost was \$150 per acre and ranged from less than \$20 to over \$500 per acre). The funding level that a \$40,000 endowment would yield is approximately \$1,200/year (\$150/acre) at an assumed endowment return of 3 percent. The endowment amount reflects county staff's assessment of costs to manage the site, based on the Plan's wetland/riparian species' commitments. The long-term management and monitoring plan will be prepared by the county and developed in consultation and concurrence with the Water Authority and Wildlife Agencies. Of the up to \$325,000 allocated to Manchester and Tijuana River Valley sites, up to \$85,000 will be held in reserve by the Water Authority for addressing Changed Circumstances at this site and Tijuana River Valley.

Tijuana River Valley HMA

The 40-acre Tijuana River Valley HMA is a proposed wetland mitigation site on county of San Diego property. The Water Authority, Wildlife Agencies, county of San Diego and regulatory authorities currently are designing the created wetlands and approval to construct the wetland creation project is expected in 2010. In December 2008, the Water Authority Board, pursuant to collaboration with the county, approved the Water Authority to negotiate a management agreement with the county and provides for the establishment of endowment account for up to \$325,000 to manage the Manchester HMA and Tijuana River Valley HMA wetlands. Under that agreement, the Water Authority will allocate \$200,000 (\$5,000/acre) to fund an endowment for permanent management/monitoring of the site. An endowment funding level of \$200,000 would yield approximately \$6,000/year or \$150/acre at an assumed endowment return of 3 percent; the endowment level reflects county staff's assessment of costs to manage the site, based on the Plan's wetland/riparian species' commitments. The long-term

management and monitoring plan will be prepared by the county and developed in consultation and concurrence with the Water Authority and Wildlife Agencies. As noted above, of the up to \$325,000 allocated to Manchester and Tijuana River Valley sites, up to \$85,000 will be held in reserve by the Water Authority for addressing Changed Circumstances for these sites.

San Luis Rey HMA

The 33-acre San Luis Rey HMA currently is a proposed wetland/riparian mitigation site, possibly with an upland component. The property is owned by the Water Authority, which is evaluating its suitability and other potential wetland mitigation site in the San Luis Rey River watershed with the county of San Diego. The Water Authority will develop a creation/restoration plan and develop a management plan and endowment estimate when a final decision is made to construct wetlands on this site. All planning, design, review approval, construction, management plan preparation, and management/monitoring costs will be funded by the Water Authority, in consultation and concurrence with the Wildlife Agencies, before credits will be sold. Management is expected to be turned over to the county of San Diego Parks and Recreation Department or other entity after the site's success criteria are met.

7.2.2.3 Compliance and Reporting

As described in Section 6.8, the Preserve Area managers have committed or will commit to manage, monitor and report on the Preserve Area/Covered Species' status, including biological surveys, analysis, reporting and planned responses (i.e., adaptive management actions) that will be identified in those reports on behalf of the Water Authority. As noted in Sections 7.0 and 7.2.1, these management entities have entered or will enter into agreements wherein those entities will ensure that this Plan's commitments are met, which may require additional funding provided by the Water Authority if the original endowments are not sufficient to meet the Plan's commitments. The Water Authority may elect to implement certain mitigation measures that would require additional funding beyond that provided to manage the HMAs. For example, where biologically justified, a project may propose to translocate or reintroduce a Covered Species into an HMA. Unless this type of action had been included in the initial endowment calculation for the HMA, the Water Authority would provide additional funding to cover these additional costs. Any project compliance for mitigation activities not within the HMAs, such as on-site restoration, would be funded as a condition of approval of the project and its mitigation.

7.2.2.4 Changed Circumstances

The Water Authority has provided funding or committed to provide adequate funding to the Preserve Area (HMA) management entities to manage the Preserve Area, including

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implementing routine management, monitoring, and reporting activities as well as adaptive management activities. Responses to Changed Circumstances are described in Section 8.5.1, and are defined as changes affecting the species or geographic area covered in a HCP that can be reasonably anticipated by plan proponents and the Wildlife Agencies. The Plan's management programs will be prepared by the Preserve Area management entities to address relevant Changed Circumstances and identify re-prioritized or remedial measures required to be implemented to address those conditions. Preserve Area managers and the Water Authority, in consultation with the Wildlife Agencies, will implement necessary planned responses to Changed Circumstances. The Water Authority will provide the required funds as a separate account for Changed Circumstances. The costs to address Changed Circumstances will be evaluated by the Preserve Area Managers and Water Authority, in consultation and concurrence with the Wildlife Agencies, during the reviews/updates of the Preserve Area Management Plans (see previous discussions for each HMA). In areas outside the HMAs in which the Water Authority has committed to maintain habitat (e.g., restore temporary impact sites within rights-of-way), the Water Authority would fund remedial measures out of its CIP project budget (if provided) or its Operational Reserve Budget.