



September 10, 2018

Honorable Chair Mitchell,  
Honorable Vice Chair Ting,  
Joint Legislative Budget Committee

Re: September 11, 2018 Informational Hearing – Department of Water Resources – Proposed Water Supply Contract Extension & Amendments

Dear Honorable Chair and Vice Chair,

Since the 1960s, the California Department of Water Resources (DWR) has entered into long-term water supply contracts with public water agencies to use the State Water Project (SWP) — California’s backbone supply of water to over 25 million people, more than 750,000 acres of farmland and fuel for the state’s economy. It is necessary to extend the long-term water supply contracts to allow for long-term financing for planned SWP capital operation and maintenance. Extending the contracts will protect ratepayers statewide from steep water rate increases caused by financial compression — and that is critical to Californians today and for generations to come.

As California’s water lifeline, the SWP requires ongoing operations and maintenance. For more than a decade, public water agencies have acknowledged the need to extend the long-term water supply contracts to allow DWR to issue revenue bonds beyond 2035. A contract extension keeps our state’s primary water delivery system fully operational while ensuring it’s financed in a way that makes good economic sense and protects ratepayers. It is absolutely necessary to address DWR’s current capital plan — even without critical infrastructure investments such as California WaterFix and Oroville Spillway repairs.

In the absence of a timely contract extension, we put California’s water supply in jeopardy and create “financial compression” that causes water rates statewide to surge. Think about “financial compression” in terms of financing a mortgage. If a homeowner has a 15-year mortgage, they pay less in interest over time but their monthly payments are much higher than if they were to finance a 30-year mortgage. The contract extension is equivalent to changing from a 15-year to 30-year mortgage for ratepayers only it will continue to decrease as 2035 draws near.

After nearly five years, the contract extension process is nearly complete and has been through an extensive public review process. An Agreement in Principle was developed in



2014, after which the CEQA draft environmental document was publicly released and comments were received. We should proceed with the contract extension, and do so with haste.

The longer we delay, the more difficult it will be to maintain high bond ratings, keep interest costs low, and provide financial stability to the SWP in times of operational emergency. We humbly request that you consider these impacts to all Californians and proceed with the scheduled hearing to protect the state's primary and most affordable source of water.

Sincerely,



Charles Wilson  
Executive Director







cc:

Governor Edmund G. Brown, Jr.

President pro Tempore Toni Atkins, California State Senate

Minority Leader Patricia Bates, California State Senate

Speaker Anthony Rendon, California State Assembly

Minority Leader Brian Dahle, California State Assembly

Karla Nemeth, Director, CA Dept. of Water Resources

Jennifer Pierre, General Manager, State Water Contractors

Members of the Joint Legislative Budget Committee:

Senator Jean Fuller

Senator Ricardo Lara

Senator William W. Monning

Senator Jim Nielsen

Senator Richard Pan

Senator Nancy Skinner

Assembly Member Dr. Joaquin Arambula

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Rocel Bettencourt, Fiscal Consultant, Senate Republican Caucus

Susan Chan, Consultant, Assembly Budget Committee

Kim Craig, Deputy Cabinet Secretary, Office of Governor Edmund G. Brown, Jr.

Nick Hardeman, Chief of Staff, Office of Senate President pro Tempore Toni Atkins

Kip Lipper, Office of Senate President pro Tempore Toni Atkins

Deanna Spehn, Office of Senate President pro Tempore Toni Atkins

Todd Moffitt, Policy Consultant, Senate Republican Caucus

Alf Brandt, Office of Assembly Speaker Anthony Rendon

Calvin Rusch, Policy Consultant, Assembly Republican Caucus