

**WATER SUPPLY CONTRACT EXTENSION PROJECT  
DRAFT ENVIRONMENTAL IMPACT REPORT  
FACT SHEET  
SEPTEMBER 12, 2016**

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**WELCOME**

Welcome to the Water Supply Contract Extension Project (proposed project) public meeting for the Draft Environmental Impact Report (DEIR) meeting. Today's meeting is being held from 4:00 pm to 8:00 pm. At 4:15 pm and again at 6:30 pm DWR will make a presentation about the proposed project and there will be an opportunity to provide oral comments.

Please sign in, pick up meeting handouts, and fill out and turn in a speaker card if you wish to speak at this meeting. If you would like to be added to the mailing list to receive project-related notices, please indicate your interest on the sign-in sheet. The agenda for this meeting includes: (1) a summary of the proposed project; (2) how to provide input on the content of DEIR; and (3) information about the California Environmental Quality Act (CEQA) process.

**PROJECT SUMMARY**

The Department of Water Resources (DWR) is proposing to implement the Water Supply Contract Extension Project (proposed project). The proposed project includes amending certain provisions of the State Water Resources Development System (SWRDS) Water Supply Contracts (Contracts). SWRDS (defined in Water Code Section 12931), or more commonly referred to as the State Water Project (SWP), was enacted into law in the Burns-Porter Act, passed by the Legislature in 1959 and approved by the voters in 1960. DWR constructed and currently operates and maintains the SWP, a system of storage and conveyance facilities that provide water to 29 State Water Project Contractors (Contractors). The Contractors are public entities comprised of counties, cities, and local water districts.

The SWP is a complex system of reservoirs, dams, power plants, pumping plants, pipelines, and aqueducts. Precipitation and watershed runoff are stored in Lake Oroville, a reservoir behind Oroville Dam in Butte County, and delivered via natural stream channels to the Delta and pumped into the California Aqueduct system to water agencies and districts in Southern California, the Central Coast, the San Joaquin Valley, and portions of the San Francisco Bay Area.

The Contractors receive water service from the SWP in exchange for paying all costs that are associated with constructing, operating, and maintaining the SWP facilities and are attributable to water supply. DWR and each of the Contractors entered into Contracts in the 1960s with 75-year terms. The Contracts are substantially uniform. The Contracts begin to expire in 2035, unless the expiration dates are otherwise extended pursuant to the option for

continued service in Article 4 of the Contracts.<sup>1</sup> All Contracts will expire by 2042 if not extended.

The major sources of capital financing for construction of the SWP have been and are: the Burns-Porter Act, which authorized General Obligation Bond sales; the Central Valley Project Act, which authorizes the issuance of revenue bonds; and other capital resources revenues. Of the three types of capital financing, revenue bonds are currently the predominate form of capital financing. In the past, DWR has typically sold revenue bonds with terms up to 30 years or more. However, it has become more challenging in recent years to affordably finance capital expenditures for the SWP because as a practical matter, it would be difficult to sell revenue bonds used to finance these expenditures with maturity dates that extend beyond the year 2035, the year the first of the Contracts would expire. Although DWR has the contractual authority to issue bonds with maturities after 2035 (and in so doing, extend the Contract expiration date under Article 2 of the Contracts<sup>2</sup>), such bonds likely could not be issued without a Contract amendment or other arrangement with the Contractors to provide for the orderly financial management of the SWP for the entire period over which such bonds would be outstanding, including after 2035. Today, DWR sells only bonds that extend for fewer than 30 years because of the 2035 limitation; for example, in 2017, DWR will sell bonds with a maturity date no longer than 18 years (i.e., up to 2035). In order for DWR to sell bonds for 30 years or more, which would provide more affordable financing to the Contractors for the SWP costs associated with constructing and repairing the SWP facilities that are allocated to water supply, it is necessary to extend the expiration dates of the Contracts.

In May 2013, DWR and the Contractors entered into public negotiations to extend the term and make other financial improvements to the Contracts. The outcome of these negotiations resulted in the “Agreement in Principle Concerning Extension of the State Water Project Water Supply Contracts” (AIP). The AIP is included as Appendix A of the Draft Environmental Impact Report (DEIR). The proposed project, which is evaluated in the DEIR, would amend certain financial provisions of the Contracts and extend the term of the Contracts to 2085 based on the AIP. The proposed project would not create new water management measures, alter the existing authority to build new or modify existing facilities, or change water allocation provisions of the Contracts. DWR determined that an EIR was the appropriate California Environmental Quality Act (CEQA) document due to the statewide importance of any proposed amendments to the Contracts, such as the proposed project. Further, as an informational document, the DEIR discloses for public and lead agency consideration potential environmental effects attributed to the outcome of the public negotiations to extend

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<sup>1</sup> Article 4 states that, by written notice to DWR at least 6 months prior to the expiration date of a Contract, the Contractor can elect to receive continued service after the expiration of the term under the following conditions unless otherwise agreed to: (1) service of water in annual amounts up to and including the Contractor’s maximum annual Table A amount; (2) service of water at no greater cost to the Contractor than would have been the case had the Contract continued in effect; (3) service of water under the same physical conditions of service, including time, place, amount, and rate of delivery; (4) retention of the same chemical quality objective provision; and (5) retention of the same options to use the SWP transportation facilities as provided for in Articles 18(c) and 55, as applicable.

<sup>2</sup> Article 2 provides separately for each Contract that the specific Contract shall remain in effect for the longest of (1) the “project repayment period” (i.e., December 31, 2035); (2) “75 years”; or (3) “the period ending with the latest maturity date of any bond issue used to finance the construction costs of project facilities.” No bonds have been sold with a maturity date later than December 1, 2035. The project repayment period and the 75-year term provisions result in the individual Contracts having varying expiration dates that range between December 31, 2035 and 2042.

the term and make other financial improvements to the Contracts. It also is intended to provide sufficient information to foster informed decision-making by DWR.

DWR and the Contractors agreed to the following proposed project objectives:

1. Ensure DWR can finance SWP expenditures beyond 2035 for a sufficiently extended period to provide for a reliable stream of revenue from the Contractors and to facilitate ongoing financial planning for the SWP.
2. Maintain an appropriate level of reserves and funds to meet ongoing financial SWP needs and purposes.
3. Simplify the SWP billing process.
4. Increase coordination between DWR and the Contractors regarding SWP financial matters.

The proposed project would amend and add financial provisions to the Contracts based on the negotiated AIP between DWR and the Contractors. The proposed project would not create new water management measures, alter the existing authority to build new or modify existing facilities, require or otherwise change SWP operations, or change water allocation provisions of the Contracts. The changes to the SWP contracts by the proposed project are composed of the following five project elements that meet the proposed project objectives identified above.

1. **Extended Contract Term.** Revise Article 2 to extend the term of the 29 Contracts to December 31, 2085 (subject to the provisions of Article 4).
2. **Increased Operating Reserves.** Provide for increased SWP financial operating reserves.
3. **New Billing Provisions.** Implement a comprehensive pay-as-you-go repayment methodology with a corresponding billing system that more closely matches the timing of future SWP revenues to future expenditures. The pay-as-you-go repayment methodology generally means to recover capital (or debt service), operation, and maintenance costs within the year incurred and/or expended.
4. **Enhanced Funding Mechanisms and New Accounts.** Provide enhanced funding mechanisms and create additional accounts to address SWP financial needs and purposes.
5. **Enhanced Coordination Regarding SWP Finances.** Provide for a finance committee and provide other means to increase coordination between DWR and the Contractors regarding SWP financial matters.

## HOW TO PROVIDE INPUT

The purpose of this meeting is to receive public and agency input on the adequacy of the analysis contained in the DEIR. If you have input on the analysis contained in the DEIR and would like to speak at this meeting, please fill out a speaker card. A court reporter will be transcribing all oral comments provided at this meeting. If you do not wish to speak, you can fill out a comment form and leave it with a staff person or take it with you and mail it to the address

on the form. You do not need to use a form to submit your comments on the DEIR. You can mail or e-mail your written comments on the scope of the DEIR analysis to the address provided below. Before including your name, address, telephone number, email or other personal identifying information in your comment, be advised that your entire comment – including your personal identifying information – is a matter of public record and may be made publically available at any time. You can request in your comment to withhold this information from public review; however, there is no guarantee it will be possible.

## **CEQA EIR PROCESS AND NEXT STEPS**

The DEIR was published and made available to local, State, and federal agencies and to interested organizations and individuals who may want to review and comment on the adequacy of the analysis included in the DEIR. The 60-day public review period for the DEIR is August 17, 2016 through October 17, 2016. During the public review period, written comments should be mailed or emailed to:

Ted Alvarez  
State Water Project Analysis Office  
Department of Water Resources  
P.O. Box 942836  
Sacramento, CA 94236-0001  
Email: [watercontractextension@water.ca.gov](mailto:watercontractextension@water.ca.gov)

The DEIR is available for review at DWR's State Water Project Analysis Office during normal business hours located at 1416 Ninth Street Room 1620, Sacramento, California, 95814. The DEIR is also available at the locations included in Appendix B, as well as on the DWR project website at: <http://www.water.ca.gov/swpao/watercontractextension/>. The project website is also a repository of all public documents pertaining to the project.

Comments are due no later than 5:00 p.m. Pacific Daylight Time on October 17, 2016, which is 60 days after publication of the DEIR.

At the end of the 60-day public review period, DWR will consider all comments received (including those provided at this public meeting) and will prepare a Final EIR (FEIR). The FEIR will include: (1) comment letters received and responses to comments; and (2) a summary of any text changes to the DEIR. The DEIR, FEIR, and other supporting documentation will be provided to DWR's Director for consideration in certifying the EIR as adequate under CEQA and in approving or denying the proposed project. In addition, the EIR may also be used by the Contractors, as responsible agencies under CEQA, in their discretionary approval processes within their jurisdictions to meet their CEQA requirements.