



Willow Springs
Water Bank



February 13, 2025

California Water Commission
901 P Street, Suite 142A
Sacramento, CA 95814

Subject: Request for Reallocation of Los Vaqueros Expansion Funds and Proposition 4 Funds for Proposition 1 WSIP Projects

Dear Chair and Commissioners,

We, the representatives of the six remaining Proposition 1 Water Storage Investment Program (WSIP) projects—Harvest Water, Chino Basin, Kern Fan, Pacheco Reservoir, Sites Reservoir, and Willow Springs—respectfully request the California Water Commission (CWC) to reallocate funds recently released by the Los Vaqueros Reservoir Expansion Project, totaling approximately \$447.8 million, and the \$75 million from Proposition 4 to address the severe inflationary impacts to our project budgets. Likewise, the public benefits to be delivered by these projects have increased in value significantly during this time of marked inflation. It is requested that the funds be allocated to the 6 remaining WSIP projects, rather than to fund new public benefits. This funding is critical to offset rapidly escalating project costs that will have to be covered by California ratepayers

Each of the six WSIP projects has made significant progress toward a final funding award, reflecting the commitment of project sponsors to advancing water storage, ecosystem restoration, and climate resilience in California. Despite substantial challenges, including escalating costs and supply chain disruptions, all projects have remained substantially on track in planning, permitting, and early implementation phases. While working through this process we have also been working to keep costs down for our ratepayers, but it is not easy. Securing funding from multiple state and federal partners has been a key and critical component while we have been working through the planning and permitting phase. This progress underscores the readiness of these projects to put additional funding to immediate and effective use, ensuring that Californians benefit from enhanced water reliability and ecosystem improvements as soon as possible.

Escalation of Costs Since Original Conditional Awards

When the WSIP Maximum Conditional Eligibility Determinations (MCEDs) were calculated in 2015 dollars, the financial landscape for large infrastructure projects was significantly different.

Since that time, construction cost escalation has risen sharply, far outpacing general inflation rates. For example:

1. Construction Escalation Rates:

- Industry data from sources such as the Engineering News-Record (ENR) and state reports indicate annual construction cost increases of **6–10%** since 2015.
- For critical materials like steel and concrete, annual price increases have exceeded **12%** during certain periods, especially between 2020 and 2022 due to global supply chain disruptions and labor shortages.

2. Cumulative Impacts:

- Over a 10-year period (2015–2025), compounding at an average rate of **8% annually**, infrastructure project costs would have nearly **doubled**.
- For example, a project originally budgeted at \$500 million in 2015 dollars would now require nearly **\$1 billion** to achieve the same scope.

3. Real-World Cost Pressures:

- Recent statewide infrastructure projects, particularly water-related projects, have reported budget overruns of **25–50%** due to escalating costs. Without addressing these adjustments, projects will face delays, scope reductions, or financial instability.

Precedent for Reallocating Funds for Inflation

The CWC has previously recognized the importance of addressing inflationary adjustments when unallocated WSIP funds become available. Specifically, when the Temperance Flat project withdrew from the program, its remaining funds were proportionally redistributed to the other WSIP projects to account for inflation. Applying the same principle to the Los Vaqueros Expansion funds will ensure fairness, consistency, and project viability.

While we appreciate that new projects capable of providing public benefits may be available and possibly eligible for Prop1 funding, supporting and fully funding the six remaining projects already committed should be the Commission's first priority, and only after that is accomplished should there be consideration for including additional WSIP projects. The proposed reallocation will bring the existing remaining projects closer to full funding of the public benefits they will deliver to the State.

Proposed Distribution of Funds

In closing, the proponents of the 6 remaining WSIP Projects propose the following:

1. **Los Vaqueros Expansion Funds (\$447.8 million):** Reallocate these funds proportionally among the six remaining projects based on their current MCEDs. These funds should exclusively address inflationary cost adjustments to ensure projects can deliver their promised benefits and that the increased monetary value of those benefits is recognized.
2. **Proposition 4 Funds (\$75 million):** Once appropriated, these funds should also be allocated proportionally among the six projects, following the same principle of addressing inflationary adjustments.

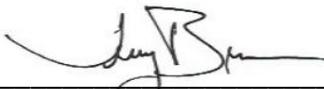
The proportional distribution of these funds reflects the current funding framework and supports the successful implementation of WSIP projects without compromising their original commitments. Notably, this approach also aligns with the will of the California voters who approved the following Proposition 4 language under the WSIP funding: “Priority for these funds and any funds returned to the commission shall be to support timely completion of existing approved projects by providing supplemental grants to reflect the increase in costs due to inflation since the original grant applications and any increase in public benefits.” Full Prop 4 Section 91015 is shown in Attachment B.

Attachment A depicts how the funds would be proportionally allocated based on the proposed approach.

The Governor and the Legislature have correctly highlighted that “affordability” is a major concern for all Californians. We strongly agree that steps *must* be taken to keep project costs as low as possible for our ratepayers. Just as we explore every available funding source, we hope the California Water Commission can partner with us to tackle the affordability crisis by allocating this funding to existing projects.

We appreciate your consideration of this request to distribute the funds in accordance with the proposed approach and your ongoing commitment to ensuring the success of WSIP projects.

Sincerely,



Jerry Brown, Executive Director
Sites Project Authority



Shivaji Deshmukh, P.E., General Manager
Inland Empire Utilities Agency



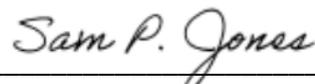
Dan Bartel, General Manager
Groundwater Banking Joint Powers Authority
Kern Fan Groundwater Storage Project



Christoph Dobson, General Manager
Sacramento Area Sewer District
Harvest Water Program



Malanie Richardson, Interim Chief Executive
Officer, Valley Water



Sam Jones, General Manager
Willow Springs Water Bank

Attachment A – Proposed Funding Table
Attachment B – Prop 4 91015 Language

Cc: Wade Crowfoot, Secretary for Natural Resources
Fern Steiner, California Water Commission
Kimberly Gallagher, California Water Commission
Tyrone Bland, California Water Commission
Daniel Curtin, California Water Commission
Alexandre Makler, California Water Commission
Sandra Matsumoto, California Water Commission
Jose Solorio, California Water Commission
Laura Jensen, Executive Officer, California Water Commission
Amy Young, WSIP Project Manager, California Water Commission
Senate President Pro Tempore, Mike McGuire
Senator Ben Allen, Chair of Senate Budget Subcommittee 2
Senator Catherine Blakespear, Senate Budget Subcommittee 2
Senator Steven Choi, Senate Budget Subcommittee 2
Senator Jerry McNerney, Senate Budget Subcommittee 2
Assembly Speaker Robert Rivas
Assembly Member Steve Bennett, Chair Subcommittee 4
Assembly Member Damon Connolly, Subcommittee 4
Assembly Member Tom Lackey, Subcommittee 4
Assembly Member Alexandra Macedo, Subcommittee 4
Assembly Member Cottie Petrie-Norris, Subcommittee 4
Assembly Member Chris Rogers, Subcommittee 4
Assembly Member Lori Wilson, Subcommittee 4
Assembly Member Jesse Gabriel, Subcommittee 4
Assembly Member Heath Flora, Subcommittee 4

Proposed Allocation of WSIP Funding to Current Project Applicants - Attachment A

Proposition 1 Approved Applicants	Chino Basin	Harvest Water	Kern Fan	Pacheco Reservoir	Sites Reservoir	Willow Springs	Totals	Los Vaqueros Exp.
Type	Conjunctive Use	Conjunctive Use	GW Storage	Surface Storage	Surface Storage	Conjunctive Use	n/a	Surface Storage
Current Project Cost	\$ 985,000,000	\$ 585,000,000	\$ 353,750,000	\$ 1,996,000,000	\$ 3,930,000,000	\$ 343,000,000	\$ 8,192,750,000	<i>withdrawn</i>
Current MCED	\$ 215,265,405	\$ 291,841,209	\$ 89,123,415	\$ 504,141,383	\$ 875,396,369	\$ 128,274,876	\$ 2,104,042,657	\$ 477,558,343
Proportion of Total Current Funding	10.2%	13.9%	4.2%	24.0%	41.6%	6.1%	100.0%	

Proposition 4 Funding (Add'l \$75M)	Chino Basin	Harvest Water	Kern Fan	Pacheco Reservoir	Sites Reservoir	Willow Springs	Funding Available	% increase
Equal % increase for all	\$ 7,673,279	\$ 10,402,874	\$ 3,176,863	\$ 17,970,455	\$ 31,204,086	\$ 4,572,443	\$ 75,000,000	3.6%

LVE Funding Reallocation (Add'l \$447M)	Chino Basin	Harvest Water	Kern Fan	Pacheco Reservoir	Sites Reservoir	Willow Springs	Funding Available	
Equal % increase for all	\$ 45,802,355	\$ 62,095,508	\$ 18,962,928	\$ 107,266,946	\$ 186,259,446	\$ 27,293,245	\$ 447,680,426	21.3%

TOTAL Potential MCED Adjustment	Chino Basin	Harvest Water	Kern Fan	Pacheco Reservoir	Sites Reservoir	Willow Springs
TOTAL Potential*	\$ 268,741,038	\$ 364,339,591	\$ 111,263,206	\$ 629,378,783	\$ 1,092,859,901	\$ 160,140,564

*Note: MCED cannot exceed the eligible project costs (by project type). Ecosystem benefits must account for at least 50% of MCED.

Request for Reallocation of Los Vaqueros Expansion Funds and Proposition 4 Funds for
Proposition 1 WSIP Projects - **Attachment B**

91015.

Of the funds made available by Section 91010, seventy-five million dollars (\$75,000,000) shall be available, upon appropriation by the Legislature, to the California Water Commission for projects under the Water Storage Investment Program. Priority for these funds and any funds returned to the commission shall be to support timely completion of existing approved projects by providing supplemental grants to reflect the increase in costs due to inflation since the original grant applications and any increase in public benefits.