

DEPARTMENT OF WATER RESOURCES

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December 3, 2020

Ms. Jennifer Pierre
General Manager
State Water Contractors Inc.
1121 L Street, Suite 1050
Sacramento, California 95814

Subject: State Water Contractors Participating in the Delta Conveyance Project

Dear Ms. Pierre:

On December 8, 2020 the board of the Metropolitan Water District of Southern California (MWD) is set to consider funding for the ongoing planning and environmental review for the Delta Conveyance Project.

MWD staff have presented their board with a number of funding options (published on the MWD website) and a recommended level of funding. Coupled with the funding recently approved and upcoming by other participating public water agencies, this recommendation would result in a 12%-13% funding shortfall for planning costs over the next four years, based on existing budget estimates. However, based on projected cash flow and revenue needs over the next two years, Department of Water Resources anticipates that planning costs will be adequately covered from the currently approved participating Public Water Agency (PWA) funding.

Given the importance of the Delta Conveyance Project in protecting the long-term viability of State Water Project water deliveries, we believe it is of vital importance to continue to diligently advance planning and environmental review.

Although the amount committed by all participating public water agencies may fall short of the current four-year budget, the Department is encouraged by the PWAs' boards strong support demonstrated by the funding commitments made thus far. The Department has at its disposal three viable options to close this future gap, which include 1) the contingency built into the planning budget, 2) SWP revenue, and 3) modest modifications to planning activities to reduce expenditures. As we have always made clear, if a conveyance project is approved following planning and environmental review, SWP revenue utilized in planning and environmental review efforts will be recovered through future bond financing, the costs of which would be paid by the public water agencies participating in the project.

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We are confident that by using a prudent combination of these options that we can advance the needed planning work within the identified schedule. We are looking forward to taking the next steps with you on this important project.

Sincerely,

Karla Nemeth

Karla A. Nemeth
Director
Department of Water Resources