



# Financing Challenges for the Bay Delta Conservation Plan

League of Women Voters  
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# Questions about State's BDCP Proposal

## Water Reliability

- Would it reduce physical vulnerability?
- Would it provide improved reliability in droughts?

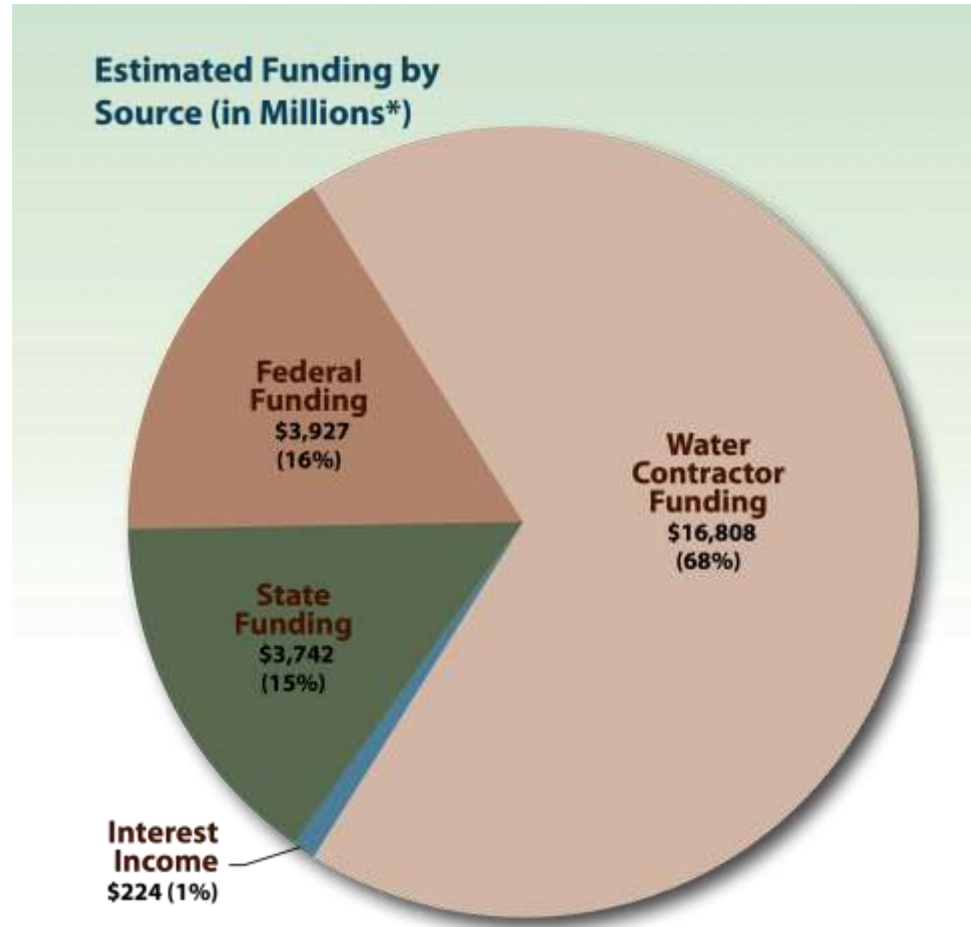
## Ecosystem and Science

- Would it improve, or worsen, ecosystem health and water quality?
- Is it legally permissible?

## Economics

- Is it financially feasible?
- Is it cost-effective?

# State's Estimated Funding Sources



# Potential Funding Challenges

- Debt financing costs:
  - “The annual debt service would average approximately \$1.1 billion from 2021 through 2055.”
  - State Water Contractors (SWC) estimate \$700-765M/year for SWP contractors
- Will state and federal funding be available?
- Will urban customers be asked to subsidize agricultural water users?
- Impact on funding for local supply development?

# Legislative Analyst Office Concerns

- Highlights of February 2014 LAO Report on BDCP:
  - *“Potential for Cost Overruns”*
  - *“Cost Estimates Do Not Capture Potential Range of Costs”*
  - *“Unclear Whether Benefits of Tunnels Will Outweigh Costs”*
  - *“Some Funding Sources for Ecosystem Restoration Uncertain”*
  - *“Potential for Additional Public Liability if Species Do Not Recover”*

# SCVWD Estimate of BDCP Rate Impact

**Table 2. Estimated incremental impact of BDCP on District groundwater charges, SWP tax and Santa Clara County monthly household costs.**

	Incremental Impact of BDCP Proposed Project FY 2029
<b>M&amp;I groundwater charge increase (\$/AF)</b>	
north county	\$132 - \$172
south county	\$87 - \$114
<b>SWP tax increase, average single family (\$/year)</b>	
north county increase	\$28 - \$31
south county	\$22 - \$24
<b>Total increase per average household (\$/month)</b>	
north county	\$7 - \$8
south county	\$3 - \$4

*Source: SCVWD 12-9-13*

# BDCP Impacts on SCVWD Rates

- SCVWD's estimate is overly optimistic
  - Assumes that CVP pays 45-50% of costs
  - Assumes low debt financing rates
  - Assumes state and federal funding for 90% of habitat costs
  - Assumes no significant cost overruns
- SCVWD analysis shows that 30,000 AF/year from conservation or recycling is cheaper than BDCP.
  - SCVWD assumes that 30,000 AF/year of other water needed if BDCP does not move forward.

# SCVWD Analysis of Alternatives

**Table 3. Comparison of scenarios to mitigate BDCP Future “No Action” Scenario with BDCP proposed project.**

	Incremental Cost impact		
	BDCP Proposed Project	30,000 AF of Additional Conservation*	30,000 AF of Additional Potable Reuse
<b>Total District costs—present value (\$ million)</b>	\$504-583	\$540	\$548
<b>Groundwater charge increase in FY29 (\$/AF)</b>			
north county	\$132 - \$172	\$272	\$259
south county	\$87 - \$114	\$58	\$118
<b>SWP tax increase in FY29, average single family (\$/year)</b>			
north county	\$28 - \$31	\$0	\$0
south county	\$22 - \$24	\$0	\$0
<b>Total increase per average household in FY29 (\$/month)</b>			
north county	\$7 - \$8	\$9	\$9
south county	\$3 - \$4	\$2	\$4

\* Groundwater charges and total monthly cost per average household in the Conservation Scenario include the impact of reduced revenue due to reduced water usage.

*Source: SCVWD 12-9-13*



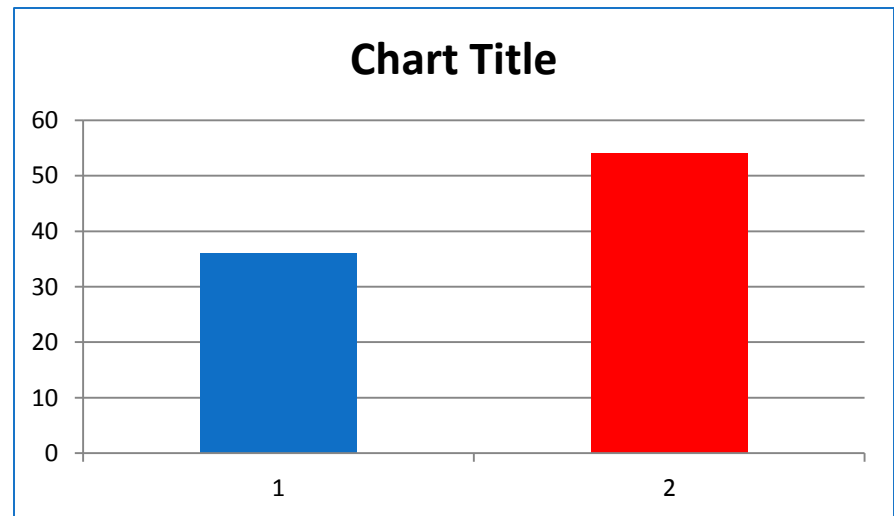
# BDCP Impacts on Local Water Supply Development

University of Southern California (2012):

- **“Some investments, such as the SWP proposed tunnels will preclude others due to financial constraints.”** (emphasis added)
- Mark Cowin (DWR) told SCVWD in 2013 that state and local investments of nearly \$5.13B over the past decade in local supply development and conservation generated nearly 2 million acre feet/year of new water

# BDCP Financing & Public Opinion

- *Who will pay for Sacramento-San Joaquin Delta tunnel project, Los Angeles Times, 9/22/13*
- *Californians want water issues fixed but not enough to pay for it, Los Angeles Times, 9/30/13*



# 2014 Polling Results on BDCP

Building two large tunnels at an estimated cost of \$14.5 billion to bring water from the Delta to homes, businesses, and farms

OR

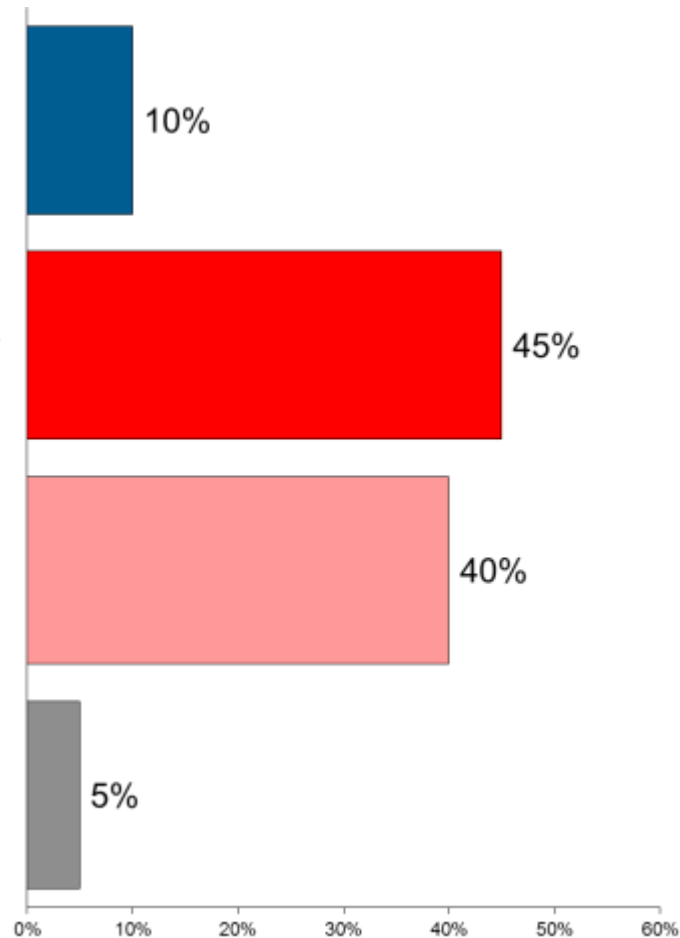
Building a smaller less expensive tunnel that takes less water from the Delta - combined with more investment in water efficiency, conservation, and recycling in cities and on farms

OR

Building no major new infrastructure to move water from the Delta, and investing exclusively in water efficiency, conservation, and recycling in cities and on farms

*Fairbank,  
Maslin,  
Maullin,  
Metz &  
Associates*  
FM3

All/None/Don't Know



# Alternative portfolio-based approach

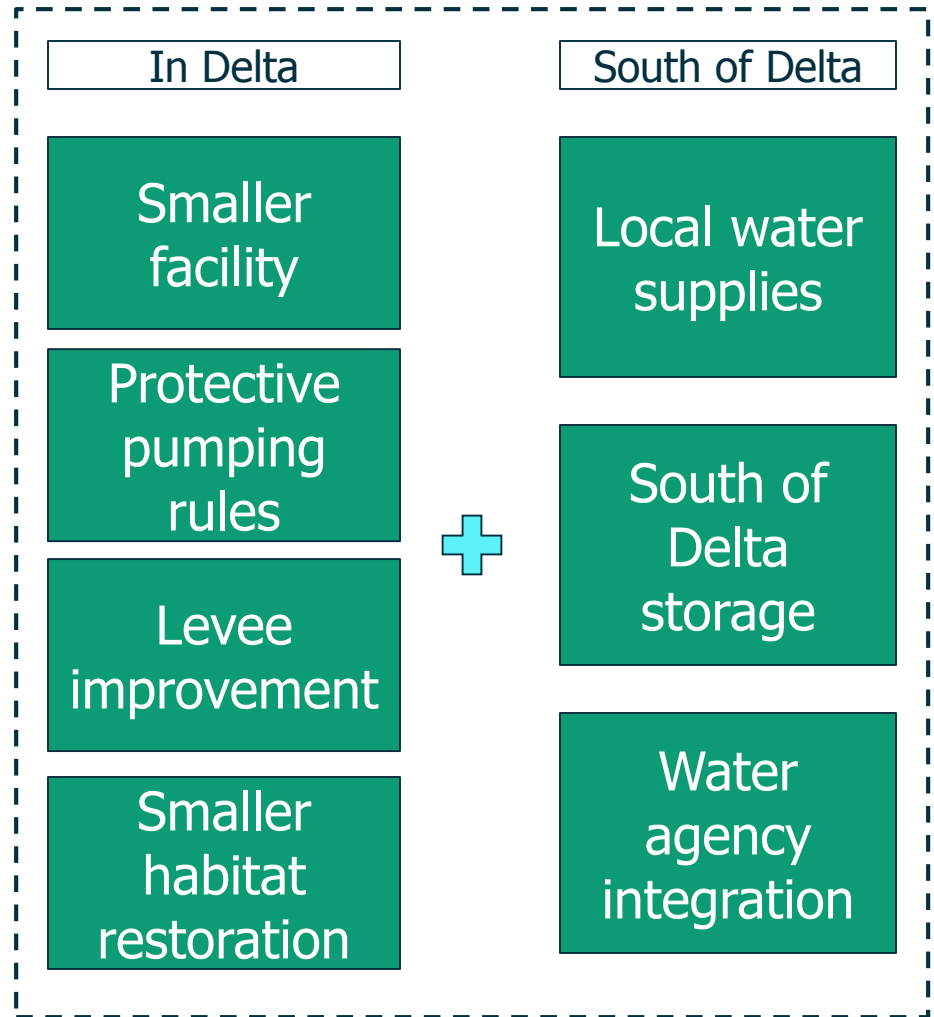
Large facility



Aggressive pumping

Habitat restoration

VS



# Water supply reliability

## Portfolio-based approach

- Smaller facility
  - *Single tunnel and intake costs \$5.9B less than dual tunnel and 3 intakes*
- Levee investments
- Conservation and water recycling
- South of Delta storage



# BDCP vs. Portfolio Alternative

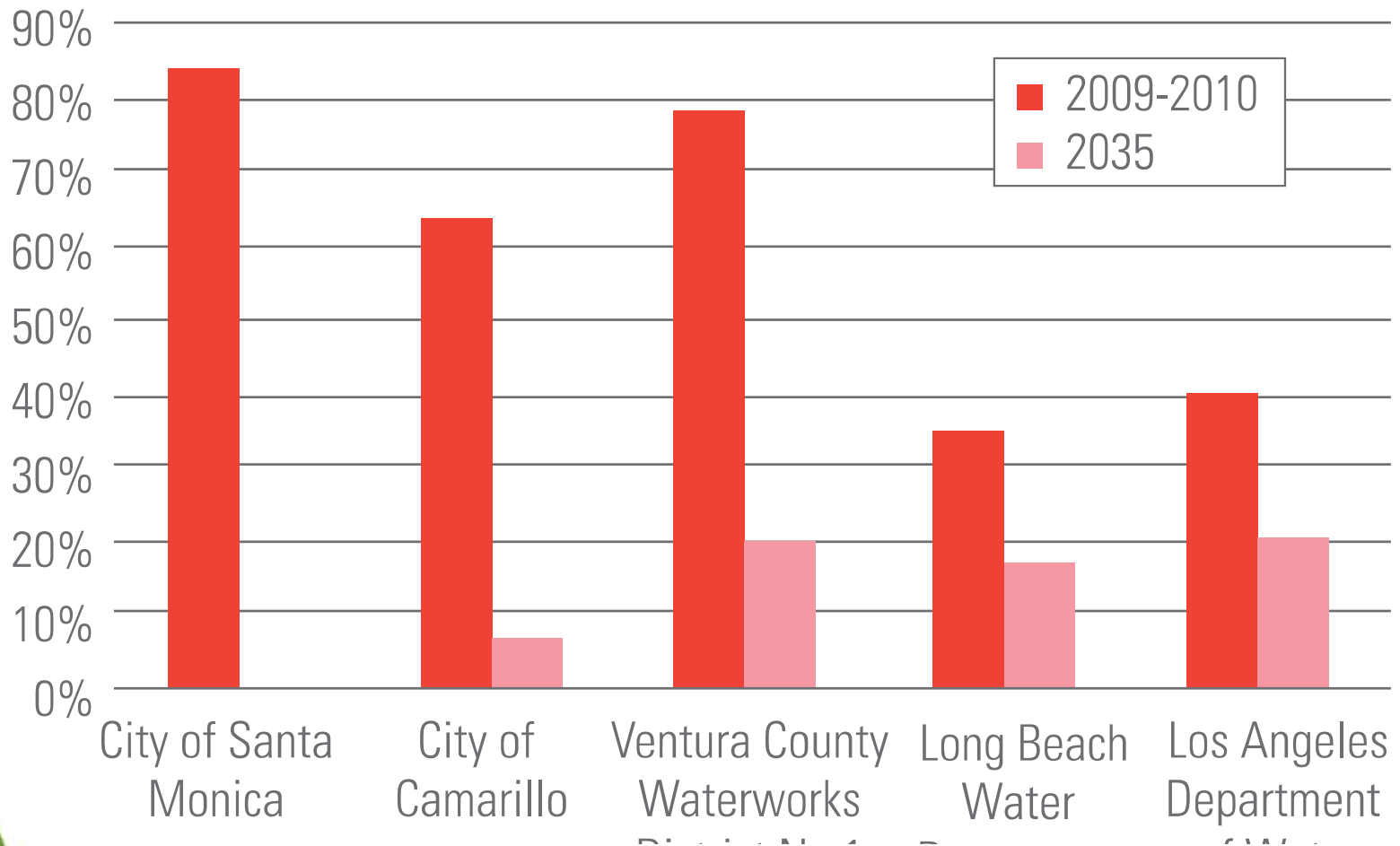
	State Proposal	Portfolio Alternative
<b>Conveyance size</b>	9,000 cfs, two-tunnel facility	3,000 cfs, single-tunnel facility
<b>Estimated cost</b> <i>(not including debt financing costs)</i>	\$24.7 billion	\$16.2 billion??  (\$8.5 billion capital cost of tunnel + \$5 billion in sustainable local supplies + \$1 billion for levees and storage + \$1.7 billion for habitat restoration)
<b>Water supply</b>	4.7 MAF/year  <i>(Significant scientific concerns whether this is permissible)</i>	4.73 – 5.05 MAF/year  (3.8 - 3.9 MAF/year from Delta + 900-1.2 TAF from new local supplies)

# Employment Benefits of Local Water Supply Development

Economic Roundtable Report, “Water Use Efficiency and Jobs” (2011)

- Every \$1M invested in water conservation, stormwater capture, and recycled water projects generates 12.6 to 16.6 jobs in Los Angeles’ economy, and stimulates \$1.91 to 2.09M in total sales.
- These investments create more jobs per dollar than housing construction or the motion picture industry

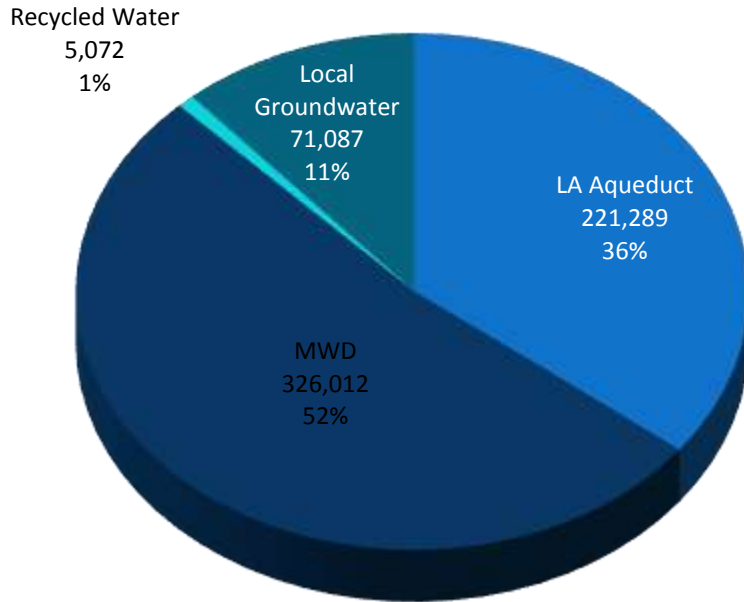
# 5 Southern California Cities Planning to Reduce Reliance on the Delta



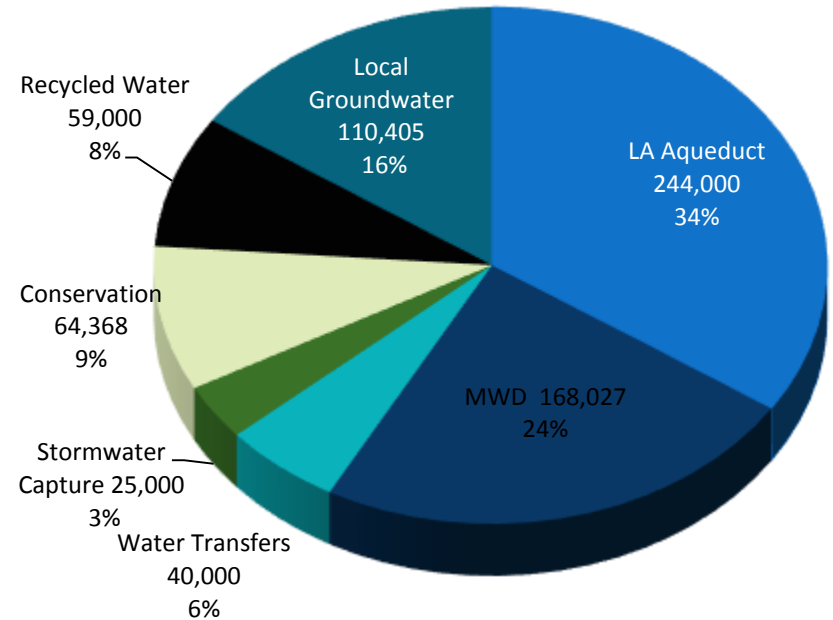


# Virtual River - Los Angeles Case Study

## LADWP 2010



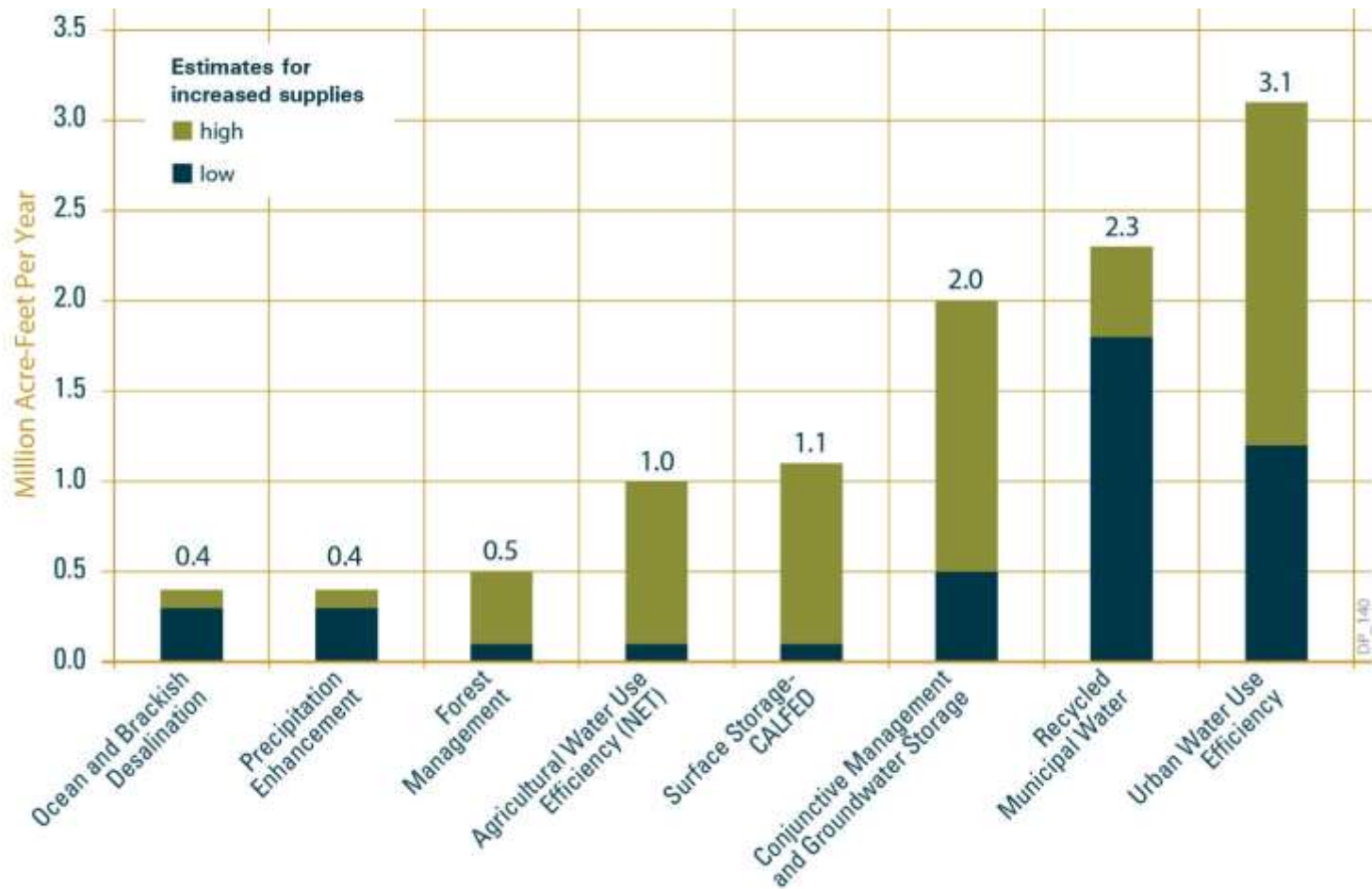
## LADWP 2035



By 2035, the virtual river will help Los Angeles reduce imported water use dramatically

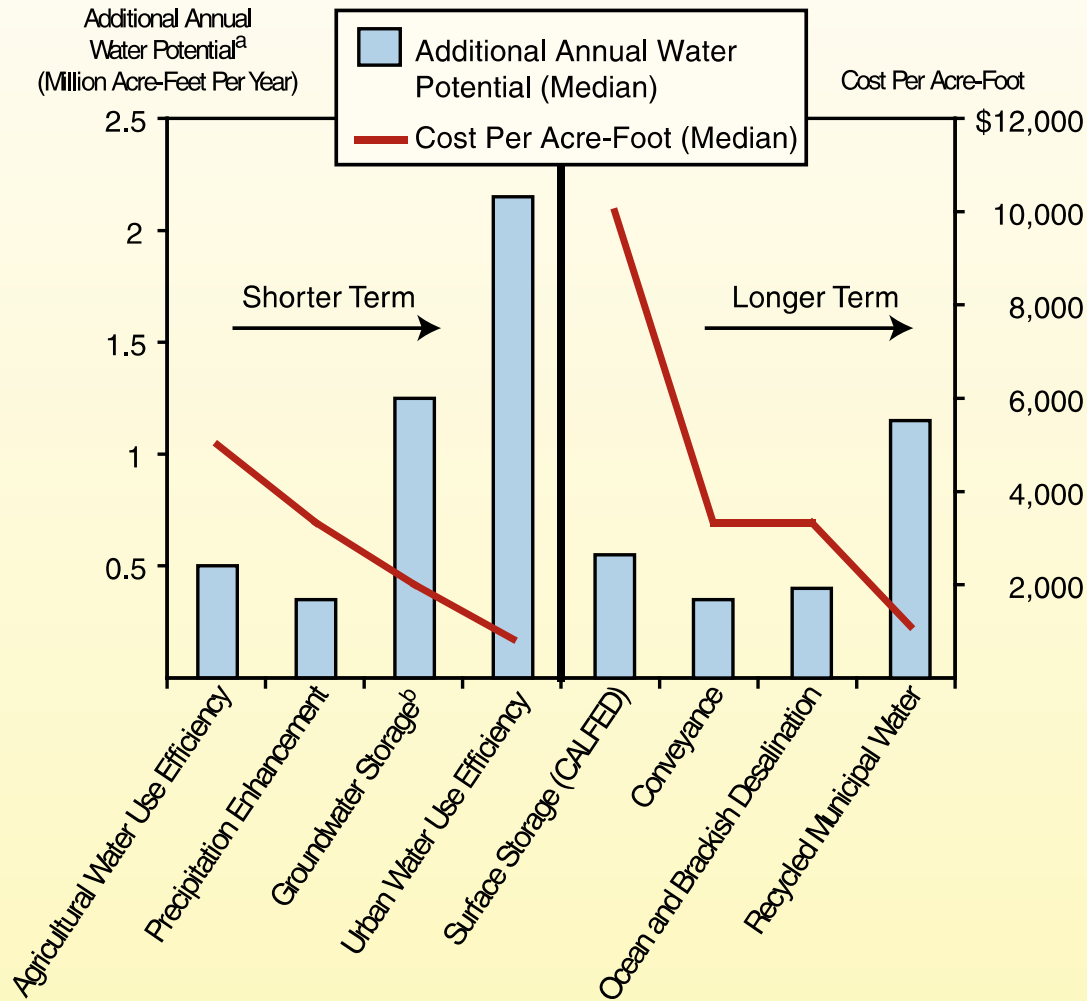
# California's Water Future

## California's Wealth of New Water Supplies



Source: Delta Stewardship Council 2012

# Options for Additional Water Supply: Benefits and Costs



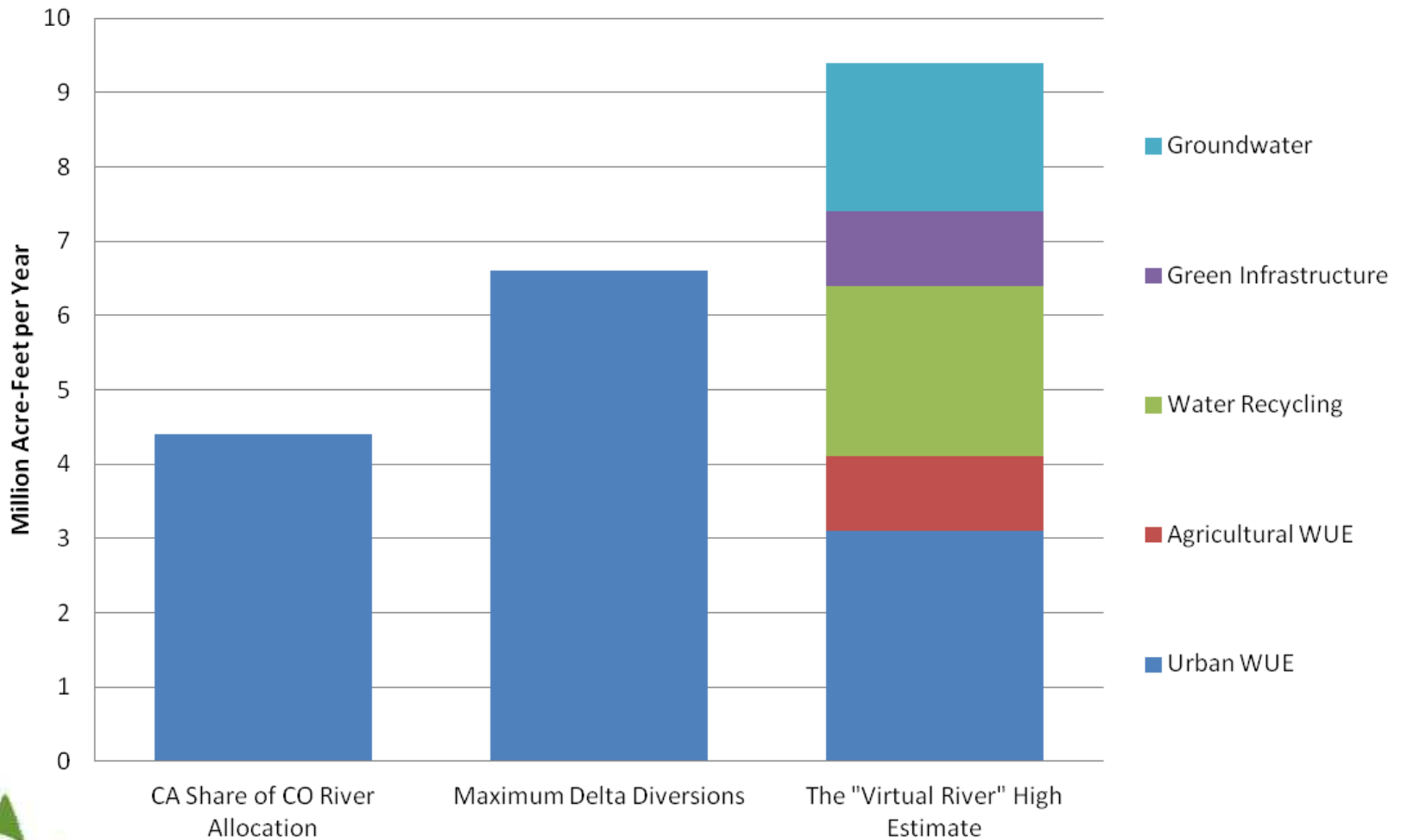
Source: Legislative Analyst's Office, 2008

<sup>a</sup>Reflects the midrange of estimates of water supply development potential of particular solutions, Department of Water Resources, California Water Plan 2005.

<sup>b</sup>Includes integrated management of groundwater and surface water.

# Reducing Reliance on the Delta

## The Virtual River - Water Supply for California's Future



Questions?

Thank you!

