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John Laird, Secretary
California Resources Agency
1416 Ninth Street
Sacramento, CA 95814

April 11, 2014

Re: Bay Delta Conservation Plan: Impacts on California Taxpayers

On behalf of our 200,000 members, the Howard Jarvis Taxpayers Association offers the following comments and recommendations regarding the Bay Delta Conservation Plan (BDCP) and how its proposed financing may impact California taxpayers.

In recent years, California has undertaken several infrastructure projects which were poorly planned and executed. High Speed Rail and the Bay Bridge fiasco are but two examples. Our concern is that the BDCP may very well be plagued with similar challenges. While we fully acknowledge and concur with the need to address water issues, especially during the current drought, we believe that the current plan is deficient. And while we support the adoption and implementation of a comprehensive plan for the Bay Delta that will begin to restore the environment and provide a more reliable water supply for our agricultural and urban economies, a successful BDCP will be extraordinarily expensive. For that reason, the unresolved financing and taxpayer issues are a major concern for our organization.

We do not contest the state's existing requirement that water users pay all costs associated with the construction of any new water conveyance facility in the Delta. However, there appear to be sufficient doubts among the participating water agencies so as to question whether the projected revenue stream will be sufficient to fund this project. Moreover, even if the proposed twin tunnels provide adequate conveyance, what storage infrastructure will be developed for the water that is transferred south? Are taxpayers benefitting from any additional water in exchange for this investment? What potential engineering problems exist because of the unknown characteristics of the Delta soil and could complications arise that could delay completion and increase costs to ratepayers? These questions deserve greater discussion, and taxpayers should not be burdened with higher costs to fund the project because some agencies choose not to participate.

We are particularly concerned with the potential that, the longer the financing discussion is delayed, the greater the risk of an effort to shift project costs to state taxpayers and to local property taxes. Indeed, there are already indications that local property taxes may be seen by some as a "backstop" in case water users are unwilling to pay.

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A better course would be to address financing issues prior to moving forward. In particular, developing a detailed draft finance plan now would clarify potential risks to the taxpayer. Before BDCP moves forward, the public has a right to know, in detail, the potential costs that they may be asked to bear. A detailed finance plan would help beneficiaries consider their willingness to pay for this project. It would also allow BDCP to consider alternative approaches that might be less expensive or more beneficial. If water users are unwilling to pay for the BDCP because they are not convinced of its cost-effectiveness, the solution would be to redesign the project, not to shift costs to the public.

The longer BDCP delays confronting financing issues, the greater the risk to taxpayers and the greater the potential for unnecessary opposition and delays.

We recommend strongly that BDCP reconvene its Finance Workgroup to allow broad stakeholder participation in the development of a detailed draft finance plan. This should include the following information:

- An initial allocation of costs related to a Delta facility, specifying how much individual water agencies that receive water from the Delta would be expected to pay.
- A specific plan to reallocate costs or to redesign the project in the eventuality that some of these water users are unwilling to pay.
- Clear allocation of responsibility for the financial risks that could result from potential cost-overruns, delays and poor project performance.
- An independent evaluation of the extent to which habitat restoration would serve as mitigation and, therefore, should be financed by the water agencies that would receive water from BDCP.
- An independent evaluation of the BDCP budget to ensure that BDCP has accounted for all costs related to the project.

We look forward to a response to these recommendations and to working with you to ensure that BDCP succeeds, without placing undue burdens on California's taxpayers.

Sincerely,



Jon Coupal
President