

\$60 BILLION TO FIX THE DELTA A MORE REALISTIC COST ANALYSIS

Although the costs for fixing the Sacramento Bay Delta have been estimated by various agencies, the [official cost estimate by the Bay Delta Conservation Plan](#) (BDCP), the federal/state entity charged with developing a new plan for the Delta is \$15.8 to \$16.7 billion. The historical tendency to underestimate the prior-to-construction costs and the full mitigation costs for major infrastructure projects is common, and BDCP and the current “fixes” for the Delta will probably be no exception. So let’s take a more realistic look at the total Delta cost picture.

Based on a detailed analysis accomplished by the East Bay Municipal Utilities District (EBMUD), and updated with recent BDCP and Department of Water Resources cost estimates, a more complete cost picture shows that California rate payers may be responsible for close to \$60 billion. That \$60 billion consists of these main components which are described below:

- ◆ **\$15.8 to \$16.7 billion** for conveyance, including BDCP habitat restoration and program management estimates of \$3.1 to \$4 billion;
- ◆ **\$11 billion** for new programs and projects in the Delta, which are not included in the BDCP; and
- ◆ **\$32 billion** for a proposed water bond that is currently billed as costing \$11.14 billion.

\$15.8 to \$16.7 Billion for Conveyance. Conveyance costs that cover habitat restoration¹, including tax payments and assessments are estimated recognizing that the canal involves much greater acreage for construction and consequently more mitigation when compared to the tunnel. The exporters have repeatedly stated they will pay the cost of new conveyance, but that does not include the full mitigation costs that will certainly be required. Dependence on the exporters to pay this portion of the project is doubtful; their wavering support for the project is a leading indicator. As a frame of reference, the actual construction costs for the London to Paris Channel Tunnel – the “Chunnel” – were \$33 billion, raising serious questions about the BDCP estimated costs of \$15.8 to \$16.7 billion for conveyance for a longer and larger tunnel.

\$11 Billion for New Programs and Projects in the Delta. This \$11 billion of new costs will need to be funded through either a surcharge or fee, or other means.² This \$11 billion estimate, developed by EBMUD, and based on [information from the Delta Risk Management Strategy](#) and the [Delta Economic Sustainability Plan for levee costs](#), includes:

- ◆ \$5 billion for ecosystem restoration for conservation measures that have yet to be estimated by BDCP, such as urban runoff, terrestrial habitat, non-tidal wetland habitat and maintenance costs;
- ◆ \$5 billion for levee repair, which is not currently included in BDCP estimates; and

¹ Bay Delta Conservation Plan, Steering Committee Working Draft, November 18, 2010. Page 8-57.

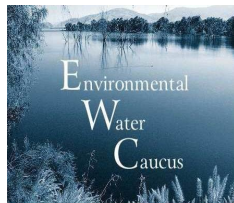
² The “other means” referred to above might result in general obligation bonds for the levee repairs, since it is not clear that local agencies or individuals can pay for the repairs.

- ◆ \$1 billion for program administration, above the level of BDCP estimates, such as State Water Resources Control Board Delta water rights enforcement employees.

\$32 Billion for a Water Bond. This \$11.14 billion General Obligation bond, which is waiting for the 2012 ballot, has been linked to the “Delta package.” When the \$11 billion estimated interest costs over 30 years are added, the total direct costs for the bond are closer to \$22 billion. Since the legislation requires water customers to also pay \$10.13 billion as their cost share to receive state assistance for major categories in the bond, the overall cost (including the local cost share) now adds up to more than \$32 billion to implement the water bond. The Water Bond does include costs for ecosystem restoration actions which may overlap with some of the BDCP cost estimates in that category and does include some actions that are not Delta related.

At the present time, the water bond costs to the state budget are assumed to be only for the general obligation water bond portion (\$11.14 billion) of these costs. However, any realistic planning must recognize that there is no willingness for the state or local agencies to incur these kinds of total costs, nor to tax rate payers with these enormous additions to their water bills; pressure will mount to have the state incur a major share of these obligations through bonds.

Alternatively, the proposals presented in the EWC report, *California Water Solutions Now*, which rely on smart water policy alternatives such as recycling, conservation, and enhanced groundwater storage do not require any large infrastructure costs except for recycling facilities, are estimated to cost multiple billions of dollars less in order to provide California with its future water supplies.



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