



May 11, 2020

Armando Quintero, Chairman
California Water Commission
PO Box 942836
Sacramento, CA 94236

Dear Chairman Quintero,

We represent six of the eight projects that were conditionally awarded funds for water storage projects under the Proposition 1 Water Storage Investment Program (WSIP). We are writing to request that you consider making emergency and temporary modifications on a project by project basis in your implementation of the WSIP funding due to the COVID natural disaster. In particular, we are concerned about the longer-term economic and jobs related impacts this continuing disaster will have on our ability to implement these critical water storage projects that will be co-funded through the WSIP.

Across our State, residents are struggling to meet their financial obligations including paying their water bills. Business closures have resulted in lost revenue to water and wastewater agencies. These are some of the direct impacts of the disaster today. More concerning and uncertain are the longer-term impacts which are sure to negatively affect public agency finances. All of us are in strong financial positions today, but none of us could have ever expected or planned for what we are facing now and in our future because of the COVID pandemic. We are all foreseeing financial pressures on our local investments in capital projects from COVID, including potentially delaying these WSIP storage projects.

We are not wavering in our commitment to implement these critical projects of statewide significance. However, we are concerned that the uncertain financial times ahead could cause delays to these projects that you have previously determined create an important statewide benefit. Delays hurt all investors, especially the State, because the State's investment dollars are not inflation protected. We do not want to see any delays, which is why we are bringing this issue and potential solutions to your attention while there is time for measured steps that help to avoid more serious outcomes.

The State, as a project investor, is in the unique position to provide emergency assistance while the local investors sort out the unforeseen consequences of COVID. The State has the financial wherewithal and legal latitude within Proposition 1 to look beyond the current situation and ensure our storage projects move forward on the timeline needed for the State's long-term water security and for job creation.

We request the California Water Commission direct staff to evaluate administrative and regulatory modifications which are appropriate to mitigate COVID impacts and submit

corresponding recommendations to the Commission for its consideration within 60 days. To assist in this effort, we offer the following considerations as potential areas for modification depending on individual project circumstances:

- Modification of Early funding conditions – Currently, \$78.6 million of the \$135 million has been encumbered to applicants that requested early funding. New or additional funds could be released. The 5% limit on early funding could be increased, (per Water Code Section 79704, up to 10% of allocated funds may be expended for planning and monitoring). Also, the Commission could consider allowing the cost share of prior costs to extend back to November 4, 2014, instead of the current August 14, 2017 date. Scope revisions on existing early funding agreements could be implemented on all projects. Projects that did not request early funding could be given the opportunity to receive such funding under revised program conditions established by the Commission. The program cap of \$135 million toward early funding could be increased.
- Increased release frequency or waiver of retention on early funding - Since funds are provided on a reimbursement basis, this would better match actual expenditures rather than local dollars filling the many months gap between paying service providers and receiving the state funds.
- Consider using flexibility within the early funding agreements - For example, instead of maintaining 50/50 cost-share on a monthly basis, a longer time horizon would allow local dollars to be defrayed in the near term. A 70/30 cost share could be temporarily allowed for 18-24 months and the remaining time could be taken to achieve the required overall 50/50 share split.
- Incorporate COVID related impacts into pre-established deadlines - such impacts were not expected when dates were determined. Day for day extensions are typical contract remedies for Force-Majeure conditions. The Governor has significant powers under the emergency declaration which should be further explored. As an alternative to deadline changes, consider interpreting the requirements for feasibility and local cost-share commitments in a way that accommodates COVID impacts.

Thank you for your consideration of this unfortunate request. Our shared interest is in getting these projects built and we remain committed to achieving this goal, despite the COVID natural disaster.

Sincerely,



Jerry Brown, Executive Director
Sites Project Authority



Mark Beuhler,
Willow Springs Water Bank



Aaron Fukuda, General Manager
Temperance Flat Reservoir Authority



Shivaji Deshmukh, General Manager
Inland Empire Utilities Agency



Paul Cook, General Manager
Irvine Ranch Water District



Eric Averett, General Manager
Rosedale-Rio Bravo Water Storage District



Norma Camacho, Chief Executive Officer
Valley Water

Cc: Carol Baker, California Water Commission
Teresa Alvarado, California Water Commission
Andrew Ball, California Water Commission
Daniel Curtin, California Water Commission
Matthew Swanson, California Water Commission
Joe Yun, Executive Officer, California Water Commission
Amy Young, WSIP Project Manager, California Water Commission