

4444 West Undine Road
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October 22, 2015

Randy Fiorini, Chair
Delta Stewardship Council
980 9th Street
Sacramento, CA 95814

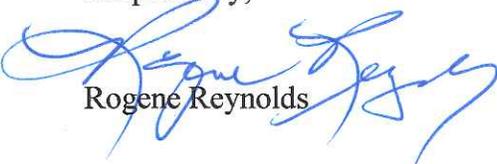
RE: Agenda Item #10 Options for New and Improved Conveyance

Dear Chairman Fiorini and Council Members:

As you contemplate the “set of principles” in promoting “options” for improved Delta Conveyance, it is hoped you will be as cognizant of costs to the State regarding this infrastructure, as you have been when considering options for levee investments.

I encourage you to read and consider the attached points made by Dr. Jeff Michael, Director of the Center for Business and Policy Research and Associate Professor, Eberhardt School of Business, University of the Pacific.

Respectfully,



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Valley Economy

A discussion of economic, business, and environmental issues of importance in the Central Valley.

Monday, October 19, 2015

Delta Stewardship Council Must Stop Ignoring the Delta Tunnels' Cost

At its next meeting, the Delta Stewardship Council (DSC) will be considering four [draft Principles for Water Conveyance](#) in the Delta contained within a larger statement of principles on conveyance, storage and operations. Considering that the proposed Delta Tunnels would be by far the most expensive water infrastructure project in California's history (construction costs currently estimated at \$16 billion and rising), and cost is increasingly at the center of its controversy, it's pretty surprising to me that the DSC continues to ignore it. The omission is particularly noticeable since the DSC does not hesitate to focus on cost for other, much less expensive, water infrastructure like storage and levees in the same document and meeting.

Here is my short summary of the 4 principles.

1. Enhance ecosystem and reliably export water when it is available (the DSC's co-equal goals).
2. Flexible to changing environmental conditions.
3. Increase resiliency to risks of flood and earthquakes.
4. Integrated with other projects, since tunnels alone don't do much for water supply.

No mention of costs, just a list of benefits. And even this list of benefits is notably absent a valuation of these benefits relative to the costs of the conveyance improvement. Does it make sense to reject a project that only achieves 3/4 of the principles even if it is 10% of the cost of a project that goes 4/4? After all, we are mostly talking about irrigation water - it's not life or death.

Some state officials try to duck the cost issue by stating that it isn't their business and it is up to the water agencies to decide if they want to invest in the tunnels. That argument naively assumes that there is no link between paying the Tunnels' mammoth costs and all of the other DSC goals that are explicitly their concern such as operations, reducing reliance on the Delta, ecosystems, water quality, investment in levee integrity, and more.

Here are some constructive suggestions for edits/additions to these principles.

Revised #4: Must have a finance plan that clearly demonstrates that the cost of improving conveyance will not adversely effect the ability of agencies to finance other integrated water management projects, including enhanced storage and projects that reduce reliance on the Delta.

#5: Must have a finance plan that does not increase the incentive to export more water from the Delta. The plan must show that the project is cost-effective at levels of water exports that protect the Delta ecosystem.

#6 Benefits beyond the co-equal goals (e.g. public safety, recreation, Delta as a place) are recognized and encouraged.



About Me

Jeff

I am Director of the Center for Business and Policy Research and Associate Professor, Eberhardt School of Business, University of the Pacific. My professional areas of expertise are regional economics (such as labor and real estate markets), and environmental economics. Much of my research has been on the economic impacts of environmental policies such as the Endangered Species Act, sea-level rise, greenhouse gas controls, and land preservation. Depending on the facts, these studies sometimes favor environmental viewpoints and sometimes business points of view. This is a personal journal and reflects my thoughts at a particular time. I am open to changing my mind in light of new facts and better arguments.

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