



**State & Federal Contractors
Water Agency**

1121 L Street, Suite 806, Sacramento, CA 95814

June 23, 2011

Mr. Don Nottoli, Chair
Delta Protection Commission
Sacramento County
700 H Street, Room 2450
Sacramento, California 95814

RE: Comments of the State and Federal Contractors Water Agency on the First Administrative Draft of the Economic Sustainability Plan for the Sacramento- San Joaquin Delta

Dear Mr. Nottoli:

We appreciate the opportunity to review the subject draft Economic Sustainability Plan (ESP) and recognize the short time frame the Commission is faced with in finalizing the document. Unfortunately, we find that the ESP is deeply flawed and in numerous instances factually incorrect. It makes many statements without any revealed basis and exhibits deep bias against directives for conveyance improvements and habitat restoration, now a matter of state law. Left uncorrected, these glaring flaws and bias will discredit the Plan leaving it largely irrelevant toward completion of the Delta Plan.

The draft plan fails in its basic mission to develop actions and a plan to contribute to economic sustainability in the Delta, integrating actions directed by statute with actions that can both diversify and increase economic activity as central to a sustainable future. Instead, it reads as a polemic of all perceived threats to the Delta and a rationale to deny inevitable change. This is unfortunate as great opportunities exist to recognize the intense investment in conveyance and habitat restoration that will occur in the Delta and integrate that with economic diversification including targeted habitat and recreational investments, while bolstering high-value agriculture. This approach would make the Delta a more economically vibrant and sustainable landscape in the future and provide expanded economic opportunity for Delta residents and those in neighboring regions. We urge the Commission to reorient the focus of the plan toward capitalizing on opportunity rather than shrinking from challenges.

Our specific comments follow.

Directors

James M. Beck
*Kern County Water
Agency*

Jeff Kightlinger
*Metropolitan Water
District of Southern
California*

Bill Harrison
Dan Nelson
Jason Peltier
*San Luis & Delta-
Mendota Water
Authority*

Beau Goldie
*Santa Clara Valley
Water District*

Steve Robbins
Jill Duerig
*State Water Project
Contractors
Authority*

Tom Birmingham
*Westlands Water
District*

ESP Framework and Organization

- **The draft ESP is poorly organized, employs inconsistent styles of writing and presentation, and frequently wanders off topic. The report as a whole lacks any unifying principle or purpose.** Thus, it is easy to forget that this report is supposed to be presenting an economic sustainability plan for consideration by the Delta Stewardship Council to inform the Delta Plan's requirement to address the Delta as "an evolving place" while achieving the co-equal goals. Chapters 4 and 5 are especially problematic in this regard, though all parts of the report suffer from the same basic shortcoming.
- **The draft ESP presents an amalgamation of several independently generated background reports.** The information drawn from these reports is disjointed and often taken out of context. Technical details on data and methodology needed to understand and assess modeling results are not provided. The analysis of potential changes to Delta cropping patterns from changes in Delta salinity presented in Chapter 6 is a good example of how the ESP grossly and inappropriately misuses information drawn from background reports.¹
- **The draft ESP does not provide an economic sustainability plan.** While it broadly describes the economy of the Delta and its primary industries, it does not provide strategies or policy recommendations aimed at fostering regional economic growth within the context of the broader Delta Plan and consistent with the co-equal goals of water supply reliability and environmental restoration in the Delta.
- **The draft ESP omits key near- and mid-term drivers of regional investment from its analysis.** The most egregious example of this is the intentional exclusion of future capital investments in conveyance, environmental restoration, and flood protection in the Delta because it considers these to be "short-run," transitory impacts, which should not be considered in a "long-run" sustainability plan. By this flawed reasoning, the ESP should also exclude from consideration economic activity related to residential and commercial development, farm investment, etc., since these forms of capital investment will only produce transitory, "short-run" impacts. Given that capital investments for conveyance, habitat restoration, and levee improvements will be spread **over decades**, will constitute significant local investment in the Delta economy, and will be a well-spring for local job creation, excluding them from the analysis at best obscures and at worse significantly distorts the economic tradeoffs of alternative Delta policies that this plan is supposed to be addressing.
- **Chapter authors should be identified.** Many statements have little if any substantiation to them and as a result are simply opinion. As such, at a minimum the authors of each chapter should be identified to indicate whether these opinions are credentialed. This is especially important for chapter four, which will lack any credibility unless endorsed by a registered engineer or geologist given the volume of contrary expert opinion by credentialed independent third parties.

¹ This is discussed in greater detail in a subsequent comment.

Flood Control and Public Safety

- **The draft ESP makes numerous unsubstantiated statements regarding the adequacy, safety, and funding of the Delta’s existing levee system.** Rather than provide an objective assessment and summation of past research and engineering studies of the Delta levee system, the report asserts there is a conspiracy by outside interests to purposefully exaggerate flood risk under the current system.²
- **The draft ESP concludes that most Delta levees will be brought to standard with existing funding and within a reasonably short time-frame, though it does not cite any documents or engineering studies supporting this conclusion.** Without providing supporting evidence, and contrary to previous engineering studies of Delta flood risk, the report concludes:
 - “...within a few years the Delta levees will be in relatively good shape as opposed to being fragile or pitiful, descriptions that have previously been applied by participants in the Delta levees debate.” (p. 62)
 - “...much of the funding needed for [levee] improvements is already in the pipeline so that within several years it will be possible to assert that most Delta levees are in relatively good shape...” (p. 42)
 - Bringing Delta levees up to and maintaining them at the PL 84-99 standard will “...require no more than, say \$50m per year.” (p. 62)
 - “...subsidence of even several additional feet has little impact on the stability and seepage issues associated with levees that are already 20 to 30 feet high on the land side.” (p. 49)
 - “...it is evident that while the condition of the levees is variable, many levees appear to have adequate freeboard and, at least by casual inspection appear to be quite robust.” (p. 36)
 - “As opposed to frequent reports that cite over a thousand miles of ‘fragile’ levees in need of billions in repairs, there are actually about 370 miles of Delta levees that need roughly \$500 million in investment to reach appropriate standards. This goal could be reached with strategic use of existing bond funds.”

Such unsubstantiated statements undermine the ESP’s credibility.

Delta Agriculture

- **The draft ESP’s assertion in section 3.1 that isolated conveyance would decrease Delta agricultural production by nearly \$200 million is pure conjecture without any revealed analytical foundation whatsoever.** The ESP wrongly associates the analysis of potential changes to Delta cropping patterns from arbitrarily selected changes in Delta salinity presented in Chapter 6 to construction of an isolated conveyance facility. For those changes to occur, illegal operation of water projects ignoring water quality requirements would have to be assumed. Assuming illegal activity as a probable condition is unsupportable in a serious, objective analysis. The salinity changes and associated shifts in cropping presented in Table 21 (p. 91) have no

² For example, page 59 of the report states “... DWR effort appears to be inappropriately directed at a very low probability scenario – a scenario that has been promoted, by at least some parties, in order to provide a justification for the construction of a peripheral canal or other isolated conveyance.”

relationship to projected water quality conditions under the planned operation of an isolated conveyance facility.³ The salinity changes referenced are purely hypothetical and intended only to assess and benchmark the model's predicted shifts in Delta cropping patterns under extreme salinity conditions. The plan also omits any discussion or analysis of how an isolated facility will improve the quality of water draining to the Delta by allowing for importing of lower salinity water (2/3 lower) into the San Joaquin Valley, and aggressive and successful efforts to eliminate salt drainage from the west side of the San Joaquin Valley through the West Side Drainage Plan, which have already reduced salt discharges from the Grasslands Drainage area by over 50%.

- **For consistency, the ESP, Delta Plan, Bay Delta Conservation Plan (BDCP), and other planning documents should when possible draw from the same data sets and common assumptions when evaluating potential land use changes and resulting impacts of BDCP Conservation Measures (CMs).** For example, if the Restoration Opportunity Area tidal restoration footprints developed for the BDCP cost analysis are combined with the ESP's crop value data, the annual change in farm revenue is about 18% less than estimated by the ESP – \$70 million compared to \$85 million. However, the change in farm revenue due to flood plain development is about twice that estimated by the ESP – \$18 million compared to \$9 million. The differences illustrate the need to reconcile data and assumptions across studies.
- **The draft ESP's agricultural analysis wrongly focuses on crop revenue impacts rather than impacts to regional value added.** The relevant impact measure for the ESP should be the change in regional value added from impacted economic activities. If distributional impacts are also relevant to the ESP, a further distinction should be made between value added accruing as rental and proprietor income versus wage income, as well as accrual of value added by household income level.
- **The draft ESP overstates Delta agriculture's contribution to regional output, value added, and employment by expanding the geographic scope of the ESP to beyond the legal Delta.** For example, the IMPLAN modeling done for Delta agriculture is based on the entirety of the five counties – Contra Costa, Sacramento, San Joaquin, Solano, and Yolo -- that intersect with the legal Delta even though much of the land area, population, and business activity in these counties falls outside of the legal Delta.⁴ The economic multipliers used to assess Delta agriculture are applied to the entirety of each county, rather than to just the workers and businesses within the Delta.⁵

Delta Recreation and Tourism

- **The draft ESP's visitor-day estimates are largely conjectural.** The fact is the report's authors do not know how much recreation occurs in the Delta. The last comprehensive survey, done by DPR, was conducted in the mid-1990s. That study estimated 12 million visitor-days annually.

³ This was confirmed with the author of the underlying salinity study, Dr. David Sunding, on June 21, 2011.

⁴ The recreational analysis also expands the geographic scope of the ESP beyond the legal Delta.

⁵ If expanding the geographic scope is driven by data and modeling constraints (e.g. county-level IMPLAN data), the ESP should clearly state this and how it affects the presented results.

The draft ESP asserts the same level of Delta recreation in 2011, even though population in what the ESP defines as the Delta's primary and secondary market areas has increased nearly 20% since the time of the last survey.⁶

- **The draft ESP's estimated regional impacts of Delta recreation are low compared to results from other studies.** For example, Goldman et al. estimated that Delta boating recreation alone accounted for 8,000 jobs in the Delta region, about three times more than the authors estimate for all types of Delta recreation.⁷ Goldman et al. estimated \$413 million (adjusted to 2011 dollars) in regional value added from boating recreation whereas the draft ESP estimated only \$284 million for all forms of Delta recreation.
- **Estimated changes in Delta recreation under the ESP's alternative land use, water conveyance, and flood protection scenarios are purely conjectural.** They are not analytically derived and at best should be characterized as "expert" (if authors are identified) opinion. Following are examples of the type of purely conjectural statements about changes in Delta recreation under alternative land use, water conveyance, and flood protection scenarios:
 - "The conversion of agricultural lands to habitat will decrease hunting opportunities and private facilities, but increase hunting opportunities in public lands. Nevertheless, this will most likely result in an overall decrease in hunting." (p. 141)
 - "[Six Island Flooding]...could potentially reduce boating use by 30-50% in the Delta." (p. 143)
 - "It is estimated that [isolated conveyance intake facilities] could reduce [Delta-as-a-Place recreation and tourism]...by 25-30%." (p. 143)
 - Boating and fishing recreation will decrease by at least 10-15% with isolated conveyance. (p. 143)
 - Tidal habitat restoration in the South Delta will reduce boating, fishing, and hunting in the Delta by 5-10%. (p. 143).
 - Increased habitat and wildlife friendly agriculture could increase wildlife viewing in the Delta by 20-30%. (p. 143).

Again, such unsubstantiated statements undermine the ESP's credibility.

- **The draft ESP's conclusions regarding the relative size and importance of recreation to the Delta economy are premature and potentially misleading.** Given the current uncertainty in Delta recreation visitation and expenditure estimates, comparing the relative importance of agriculture to recreation in the Delta (p. 182) is both premature and potentially misleading. Whereas the ESP estimated there are 5 jobs supported by Delta agriculture for every 1 supported by Delta recreation, using results from Goldman et al, suggests a ratio that is less than 2 to 1. Moreover, such comparisons imply a zero-sum-game where Delta agriculture is somehow in competition with recreation for investment dollars, which is clearly not the case.

⁶ Oddly, the ESP expects population growth in the primary and secondary market areas to drive future demand for Delta recreation services (p. 138), so why past population growth was assumed not to have had a similar impact is a mystery.

⁷ Goldman, George, Bruce McWilliams, Vijay Pradhan, Cheryl Brown, "The Economic Impact of Recreational Boating and Fishing in the Delta," Department of Agricultural and Resource Economics, University of California at Berkeley, November 1998.

Both sectors are and will clearly remain important to the Delta's economy, and the ESP should focus on a strategic vision for both sectors going forward.

ESP Policy Scenarios

- **The draft ESP's policy scenarios are not reflective of current proposals or plans under development and as such have limited policy relevance.** The ESP views Delta conveyance, habitat restoration, and flood protection as distinct and separable actions when in reality they will be integral elements of a broader Delta Plan. Separating potential regional economic impacts, even if done correctly, will obfuscate the net impact of an integrated program of conveyance, environmental restoration, and flood protection. The ESP, in its current draft, leaves to the reader the task of trying to figure out how future changes in Delta conveyance, land uses, and resource management will, in combination, impact the region's economy.
- **The draft ESP overstates impacts for Delta farmland by excluding conversion of farmland to tidal habitat in the baseline scenario.** The ESP assumes that current biological opinions will govern water conveyance under the baseline scenario. These same opinions also require a variety of other actions for covered species, including establishment of 8,000 acres of tidal habitat in the Delta. However, the ESP baseline assumes that "none of the habitat conservation measures outlined in the BDCP drafts would be implemented." (p. 72) This shifts impacts of already required land conversion out of the baseline scenario and into the habitat conversion scenarios, thereby inflating estimated impacts.
- **The draft ESP's policy scenario's focus almost exclusively on potential negative impacts of BDCP actions.** For example, Chapter 7 provides lengthy discussions on potential changes in agricultural land uses in the Delta that may result from BDCP CMs. At the same time, it ignores BDCP CMs that don't support the ESP's negative view of the BDCP. For example, one of the BDCP CMs deals directly with funding for and expansion of aquatic vegetation eradication in the Delta, yet the ESP does not discuss it, even though invasive aquatic vegetation is identified in Chapter 8 as an important physical constraint for Delta recreation.
- **The draft ESP's conveyance and habitat restoration scenarios systematically overstate negative impacts to the Delta economy by purposely excluding from the analysis the impacts to regional output, value added, and employment from investment of tens of billions of dollars associated with construction of new Delta conveyance and restoration of Delta habitat. This is a fatal flaw which results in a distorted projection of the future.**

Thank you for the opportunity to provide comment on the Draft report. We will continue to work with the Commission and others toward development of a realistic Delta Plan that achieves the State's coequal goals of providing a more reliable water supply for California and protecting, restoring and enhancing the Delta ecosystem in a manner that protects and enhances the unique cultural, recreational, natural resource and agricultural values of the Delta as an evolving place.

Sincerely,

A handwritten signature in black ink, appearing to read "Byron Buck", written in a cursive style.

Byron M. Buck
Executive Director

Cc: Delta Stewardship Council
Delta Conservancy
Dr. Jerry Meral, Assistant Resources Secretary