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June 27, 2025

The Honorable Mike McGuire  
President Pro Tempore  
State Senate

The Honorable Robert Rivas  
Speaker of the Assembly  
State Assembly

Joint Legislative Audit Committee  
1020 N Street, Room 107  
Sacramento, CA 95814

The Honorable John Harabedian  
Joint Legislative Audit Committee  
chair  
State Assembly

The Honorable John Laird  
Joint Legislative Audit  
Committee vice-chair  
State Senate

The Honorable Carl DeMaio  
Joint Legislative Audit Committee  
State Assembly

The Honorable Gregg Hart  
Joint Legislative Audit Committee  
State Assembly

The Honorable Josh Hoover  
Joint Legislative Audit  
Committee  
State Assembly

The Honorable Sharon Quirk-Silva  
Joint Legislative Audit Committee  
State Assembly

The Honorable Rhodesia Ransom  
Joint Legislative Audit Committee  
State Assembly

The Honorable Angelique Ashby  
Joint Legislative Audit  
Committee  
State Senate

The Honorable Josh Becker  
Joint Legislative Audit Committee  
State Assembly

The Honorable Sabrina Cervantes  
Joint Legislative Audit Committee  
State Senate

The Honorable Dave Cortese  
Joint Legislative Audit  
Committee  
State Senate

The Honorable Megan Dahle  
Joint Legislative Audit Committee  
State Senate

The Honorable Suzette Martinez  
Valladares  
Joint Legislative Audit Committee  
State Senate  
*Submitted electronically*

**Re: Clarifying Information for the Reconsideration of Audit of the Department of Water Resources  
on Spending for the Delta Conveyance Project and the Voluntary Agreements**

Members of the Joint Legislative Audit Committee:

Restore the Delta is a 501c3 non-profit organization that works in the areas of public education, research, program and policy development, and outreach so that all Californians recognize the Sacramento-San Joaquin Bay Delta as part of California's natural heritage, deserving of restoration. We interface with local, state and federal agencies to advance this vision.

**Restore the Delta respectfully submits this letter to the Joint Legislative Audit Committee (“JLAC”), urging members to reconsider the audit of the Department of Water Resources (“DWR”) on spending for the Delta Conveyance Project (“DCP”) and the voluntary agreements (“VAs”). The information that we are sharing in this letter is detailed but clear, and we believe that as the committee reviews the record, the urgent need for an audit of DWR spending on the DCP will become apparent.**

On June 18, 2025, the California Joint Legislative Audit Committee [heard](#) and conferred on the request to audit DWR’s spending and actions related to the DCP. Following fervent opposition by both the Governor’s Office and the State Water Contractors, including active interference during the hearing, the audit did not pass committee. The audit request [received](#) six “aye” votes, one “no” vote from Senator Valladares, and the remaining legislators abstained. The audit was not “rejected,” but is instead proposed for a re-vote on July 15, 2025.

Several points were raised during the hearing which deserve clarification. Responses to those points in opposition of the audit are highlighted below.

**Direct Nemeth points to the [2016 audit](#) of a prior iteration of the Delta Conveyance Project (“DCP”) known as WaterFix**, stating that the findings were “mild” and that the primary findings were related to the improper hiring of consultants.

- **Economic and Financial Analysis.** The 2016 audit found that “DWR has not completed either an economic or financial analysis to demonstrate the financial viability of WaterFix.” To date, DWR has not completed a financial analysis for the DCP, as noted by Director Nemeth herself during the April 3, 2025 [Budget Subcommittee 3 Hearing](#). While DWR has put forth its [Benefit-Cost analysis](#) for the DCP, economists such as Jeff Michael have [critiqued](#) this analysis stating that it overinflates the benefits when compared to the costs. Among Jeff Michael’s findings, he notes that the benefit to farmers is far less than the overall costs, posing the question of the financial viability of the project.
- **Predictable Delays and Cost Increases.** The audit also found that the planning phase of the WaterFix project experienced delays, resulting in significant cost increases. We are already seeing significant delays across all aspects of the DCP planning phase, which Director Nemeth stated is now expected to exceed the construction period during the May 20, 2025 [Budget Subcommittee 4 Hearing](#). No updated cost analysis has been conducted, meaning the anticipated \$20 billion cost is before inflation, tariffs, extended permitting periods, court rulings, and other unforeseen delays. Director Nemeth has noted numerous times, including during the April 3, 2025 [Budget Subcommittee 3 Hearing](#), that this project is now costing approximately **\$1 million each day**. Such exorbitant spending without a financial plan in place deserves oversight.
- **Audit findings include actions contrary to state law.** What Director Nemeth called “mild” during the JLAC Hearing on June 18th was in fact a finding of illegal action by DWR during the planning of WaterFix. DWR inappropriately hired Hallmark Group without going through the proper channels, which includes 1) advertising a request for qualifications, and 2) evaluating the qualifications of the organization. In conjunction with these actions, DWR saw more than a 200% increase in Hallmark’s contract, from \$4.1 million to \$13.8 million. While Director Nemeth

[purports](#) that there is no “waste, fraud or abuse...now,” an audit can seek to clarify if DWR has in fact corrected course following the findings of this 2016 audit.

In 2022, another [audit](#) of DWR’s operation of the State Water Project was conducted. Although the findings are not specific to the Delta Conveyance Project, there is one important point raised that applies directly to planning and design.

- **Forecasting and Climate Change.** The 2022 audit found that DWR had made “limited progress in accounting for the effects of climate change in its forecasts,” relying instead on historical climate data when developing forecasts. This deficiency has been applied directly to the planning and development of the DCP, seen most evidently in DWR’s [modeling](#) on both the impacts and the benefits of the DCP. It is unclear how DWR can draw conclusions regarding the impacts of climate change when the information relied upon was deemed insufficient for the wider SWP just three years ago.

**Director Nemeth claims the DCP will have an “enormous public benefit, including economic prosperity and stability to the people of California.”** This is a sweeping statement that fails to take into account the economic impact to the Delta, the cost to Southern California ratepayers, and the potential impact to taxpayers.

- **Costs to Ratepayers.** During the [November 18, 2024](#) Metropolitan Water District meeting, a 6% increase in rates was approved for 2025. An estimated 8% increase due to the tunnel alone is anticipated by 2025, with an overall increase of approximately 17%. These are significant increases for an agency whose ratepayers include a significant number of disadvantaged communities ([nearly half according to MWD](#)).
- **DCP Bonds.** DWR is currently involved in a bond validation suit, where they seek to secure bonding authority for the DCP. Integration of the DCP into the SWPs system threatens the fiscal integration of the system by incorporating an entirely new project as noted by Public Agencies involved in the bond validation suit. There are no proposed caps on revenue pledged, which immensely raises the risk to ratepayers. Furthermore, revenue bonds must be repaid regardless of revenue generated.
- **Risks to Taxpayers.** In the instance that contractor payments do not meet funding requirements, for which there is an active 12% gap in funding, DWR may compel SWCs to levy property taxes to close this gap under the [Burns-Porter Act](#). Without a financial plan in place, and with comprehensive funding secured, taxpayers remain at risk under this project proposal.
- **State Water Contractor Funding.** Multiple water agencies are supplying funding for the DCP planning and design phase, with plans to potentially fund construction down the road. These funds come directly from ratepayers, who are already seeing significant rate increases as noted in Metropolitan Water District’s [November 18, 2024](#) Meeting. While water agencies ultimately assess whether they would like to continue funding, Karla Nemeth herself stated on [April 3, 2025](#) at the Budget Subcommittee 2 hearing that “[i]f the SWC decided they did not want to pay for this project, the Department could insist that they do,” although said situation would be difficult to move forward.
- **Delta Economy.** The Delta currently makes up a nearly \$7 billion economy, including \$5 billion in agriculture, \$1.5 billion in commercial salmon fishing, and \$780 million in recreation. To date, DWR has offered only \$200 million in a community benefits package, falling far short of the

potential impacts to the region's economy. The DCP will have a direct impact on Delta agriculture through the conversion of approximately [2,300 acres of prime farmland](#), and could potentially impact water quality and other important agricultural factors.

**DWR's actions on the DCP thus far raise numerous additional questions regarding spending and planning.** Those discrepancies, and our reasons for requesting this audit, are outlined below.

- **Total Tunnel Spending.** DWR recently shared the total spending over the last six years on the DCP, totaling \$285.5 million. According to LAO reports from [2013](#) and [2015](#), spending on the BDCP and WaterFix reached nearly \$400 million as of 2014. This cost in addition to the approximately \$300 million DWR has spent thus far on the DCP approaches \$700 million in spending total. As noted above, WaterFix faced an [audit in 2016](#) that found substantial financial deficiencies. This audit would seek to determine if DWR has rectified these deficiencies, and clarify spending on the DCP.
- **Delta Reform Act.** The plain language of the Delta Reform Act states that “[t]he policy of the State of California is to reduce reliance on the Delta in meeting California’s future water supply needs through a statewide strategy of investing in improved regional supplies, conservation, and water use efficiency.” Throughout the [Delta Plan](#), the importance of water agencies to reduce reliance on Delta imports is underscored, which can be achieved through local resiliency projects, and fortification and preservation of existing SWP. Focusing funding on new infrastructure, as opposed to preserving existing infrastructure such as the deteriorating [California Aqueduct](#), underscores the question of fiscal responsibility and long-term sustainability.
- **DWR has failed to comprehensively and efficiently meet deadlines in the CPOD Water Rights Hearing before the Water Board.** DWR submitted the supplemental information requested as of May 27th, 2025. However, the information provided still left significant gaps in the underlying data, resulting in additional requests from the AHO as well as protestants for the information. Some of this information regarding the Incidental Take Permit will not be submitted until **July 11, 2025**. This underscores another key finding of the [2022 audit](#): “DWR has not maintained sufficient documentation to demonstrate that some releases...were appropriate in volume.” Although the audit is specific to Lake Oroville reservoir, sufficient documentation compounding with delayed deadlines remains a significant question and concern for the ongoing water rights proceeding. The audit should seek to determine whether DWR has appropriately updated their documentation as well as maintenance of records to comply with the findings of the 2022 audit.
- **Water Agency Refunds.** According to the [November 18, 2024](#) Metropolitan Water District Meeting, the water district is owed approximately \$75 million in SWP refunds. Based on the contents of the meeting, this appears to be an “agreed amount” as opposed to the “total amount owed,” which is closer to \$200 million. While this refund is specific to SWP operations, **DWR has explicitly proposed these refunds be applied to payments for the DCP, as discussed during the November 18, 2024 Metropolitan Water District Meeting.**
- **Perfecting DWR’s water right.** DWR itself acknowledges that there is a timeline for “perfecting the water right,” which for the SWP, expired in 2009. DWR initially withdrew their petition to extend this time frame, resubmitting their request on January 21, 2025, over a decade after the deadline expired. Regardless of semantics, DWR does not have a valid water right under which to operate the DCP.

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- **Environmental Impact Report.** DWR asserts that they have a lawful EIR, however there is ongoing litigation challenging whether the EIR is lawful and complete. Some key gaps include the lack of comprehensive analysis on various environmental impacts and what measure they are using for “less than significant” impacts (especially in cases where they float mitigation for significant impacts); and the evaluation of scenarios with and without the tunnel without considering potential alternatives to the DCP.

DWR coordinates and orchestrates all the funding for the DCP/DCA across all the State Water Contractors. DWR is the nexus and center for the DCP funding, coordinating across the DCP/DCA and all State Water Contractors. DWR is the primary driver of this project. This audit seeks to ensure complete transparency and accountability for this massively expensive project, answering key questions both the public and legislators have raised. The June 18, 2025 hearing saw substantial pushback from the beneficiaries of this project, with 22 State Water Contractors voicing their opposition during the public comment period. This narrow opposition by organizations that are not the subject of the audit request raises questions about why these water districts are so vehemently opposed to transparency and accountability of a state agency. The more important question is: why is a state agency opposed to oversight and transparency, especially for what DWR calls an “essential” project?

For these reasons, we ask that you please reconsider the proposed Audit of the Department of Water Resources on Spending for the Delta Conveyance Project and the Voluntary Agreements.

Sincerely,



Morgen Snyder  
Policy Manager  
Restore the Delta



Barbara Barrigan-Parrilla  
Executive Director  
Restore the Delta

CC: Senator Jerry McNerney, SD-5, co-chair of the Delta Caucus  
Assemblymember Lori Wilson, AD-11, co-chair of the Delta Caucus  
Assembly Majority Leader Cecilia Aguiar-Curry, AD-04  
Assemblymember Maggy Krell, AD-06  
Assemblymember Josh Hoover, AD-07  
Assemblymember Stephanie Nguyen, AD-10  
Assemblymember Rhodesia Random, AD-13  
Assemblymember Anamarie Avila Farias, AD-15  
Senator Jesse Arreguin, SD-7  
Senator Angelique Ashby, SD-8  
Senator Tim Grayson, SD-9  
Wesley Opp, Joint Legislative Audit Committee  
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