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Judge Sides with DWR, Rejects Plaintiffs' Challenge to Extension of State Water Project Contracts

Decision Highlights Negative Impact of Pursuing Costly and Unnecessary Litigation Over Collaboration

Sacramento, CA – On March 9, 2022, Sacramento Superior Court Judge Hon. Kevin R. Culhane handed down his final decision in which he ruled in favor of the California Department of Water Resources (DWR) on every claim asserted by plaintiffs in [California Department of Water Resources Vs. All Persons Interested in the Matter \(Case No. 34-2018-00246183\)](#). This well-reasoned and strongly worded decision represents a significant milestone in the lengthy effort to extend the long-term water contracts DWR currently has with 29 public water agencies (Contractors) and to implement other changes aimed at improving the fiscal integrity and financial management of the State Water Project (SWP) moving forward.

First entered in the 1960s, these contracts have 75-year terms that end between 2035 and 2042, depending on when each was executed. Under the provisions of the contracts, the SWP Contractors are responsible for nearly all of the capital, operations and maintenance costs of SWP – the water infrastructure that two thirds of the State depend on to keep their taps flowing. To keep these costs manageable, capital expenditures typically are financed using 30-year bonds. However, in the absence of a contract extension, DWR has been limited to issuing bonds with maturity dates no later than 2035. Today, the longest financing period for bonds issued by DWR is just 13 years.

This compressed repayment period has very real impacts on water rates for SWP customers throughout the State. Implementing these contract extensions will allow DWR to again sell bonds with 30-year terms or longer, commensurate with the economic life of the capital project or expenditure being financed, thus ensuring the debt service on these bonds remains affordable to SWP Contractors and their water customers.

“This is an obvious, simple administrative step that must be taken to ensure water affordability for Californians,” **said Jennifer Pierre, General Manager of the State Water Contractors.** “The reality is that California’s public water agencies will always need to pay for the operations and rehabilitation of the SWP, and it is always in the best financial interest of the ratepayers – everyday Californians like you and me – for the SWP to get the best possible terms they can in financing the bonds.”

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