



DELTA WETLANDS PROJECT

March 10, 2008

John Kirlin, Delta Vision Executive Director
California Resources Agency
1416 Ninth Street
Sacramento, CA 95814

RE: Delta as Place and Strategic Finance

Dear Mr. Kirlin,

The following comments relate to the work of the Blue Ribbon Task Force, in the Delta as Place and Governance and Strategic Finance Workgroups. They make two points:

- Unlike some problems facing the Delta, stabilizing the Delta land form is within our competence to do with a high degree of confidence, and;
- The ability to afford such fixes will be enhanced by supporting land uses that add economic value to the Delta.

We believe that these facts suggest a direction for Delta policy. Challenges in pursuing such a policy direction include: determining compatible, high value land uses and activities, creating incentives for such uses and activities, and developing mechanisms to capture a portion of the value to fund sustainability efforts.

We will continue working with the Delta as Place and Governance and Strategic Finance Workgroups to further develop these concepts.

Sincerely,

Anson B. Moran
General Manager, Delta Wetlands
Member, Delta Vision Stakeholder Coordinating Group

Anson B. Moran, General Manager
1660 Olympic Blvd., Suite 350
Walnut Creek, CA 94596
Telephone (415) 730-5637

Sustaining the Delta Land Form

A great deal of public and political attention has been drawn to the fact that the existing Delta land form is threatened. Factors contributing to this threat include sea level rise, subsidence due to oxidation of peat soils, increasing flood risk due to global warming, and seismicity. Drs. Mount and Twiss of the University of California estimated the probability of a massive change to the Delta landscape in the next 50 years as 67% if we continue with current management practices. That is sobering. And, in conjunction with the memory of hurricane Katrina, it is alarming.

Failure of the physical Delta is just one of the threats facing the Delta. Declining pelagic and anadromous fisheries, loss of wetlands important to aquatic and terrestrial species, and the impact of impaired water quality on agricultural operations are examples of others.

These combined threats prompted the Governor to establish a Blue Ribbon Task Force (Task Force) to develop a long term plan for dealing with the Delta. Their first product is a vision statement that establishes the Delta ecosystem and a reliable water supply as co-equal goals, and recognizing that the Delta is a unique and valued area deserving of special protection.

The most remarkable aspect of the testimony submitted to the Task Force is the fact that we don't know how to fix the ecosystem. For all of the academic and in-the-Delta experience, we just don't understand what is causing population declines. And, we don't know what to do to fix it. We have science based theories and strategies, but no certain knowledge to apply.

This is in distinct contrast to the problem of stabilizing the Delta land form. We know much more about dirt than we do about fish. We know that we can change current land management practices and engineer physical solutions that will stabilize the Delta land form. The Dutch provide us with one example. The problem presented by such physical solutions is their cost.

Analysis of the economic impact of a failed Delta is dominated by the potential impact on water supplies to much of California. In 2006, DWR estimated the economic impact of a 30 breach scenario at between \$30 and \$40 billion over five years. This leads to two branches of thought. The first is the importance, and economic value of taking steps to make sure that such a failure doesn't happen. The second, is to justify various forms of self-help activities by those who are most threatened by a failure, to minimize the impact of such a failure. Examples of the former are investments in upgrades and maintenance of levees, and emergency response. Examples of the latter are regional self-sufficiency projects and

the renewed consideration of some form of isolated conveyance facility circumventing the Delta. All of these alternatives are expensive.

Financing Strategy

In essence, the problem of sustaining the Delta land form is an economic one. Dr. Seed has observed that initial estimates of the cost of strengthening levees will most likely come down as more attention is paid to the problem and more creative alternatives are identified. Contributing to cost containment is the increasing realization that not all levees require the same degree of improvement. Over time, we can expect that improvements in engineering and strategy will reduce the cost of stabilizing the Delta land form. The remaining question will be, how to pay for it.

Some have worried that the inevitable result of this economic pressure is either abandonment of the Delta, or the conversion of Delta land use to residential development as the only land use capable of sustaining the burden of levee upgrades and maintenance. This latter prospect is viewed with alarm by many because of its likely impact on environmental and community values as well as the residual risk posed to life and property.

What is right about the development solution is the notion that one way of paying for sustaining the Delta land form is to promote land uses and projects that create significant economic value in the Delta. Non-residential versions of that are habitat restoration, water storage, carbon farming, smelt rearing, boating, fishing, hunting, eco-tourism, transportation, water conveyance, and utility easements. Rather than transitioning such activities out of the Delta in the name of risk avoidance, we should consider a policy of promoting such activities as a way of creating economic value and taking some of the sting out of a "beneficiaries pay" policy.

We believe that this is generically true and can provide the starting point for a policy to economically sustain the physical Delta. As one specific example, development of the Delta Wetlands Project, would finance improvements to 56 miles of levees, stop subsidence on 20,000 acres on four islands in the central Delta, and provide value from water deliveries, carbon reduction, boating, fishing, hunting and habitat improvements.