

State Water Contractors

Perspective on State Water Project 2026 Budget & 2027 Cost Planning



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Who are the State Water Contractors?

- Public water agencies holding contracts with the California Department of Water Resources for State Water Project participation and water supplies
- The 29 State Water Project Contractors fund the water-supply costs of the State Water Project.
- SWP water supports urban communities, businesses, and agriculture throughout California
- The State Water Project is one part of each contractor's broader water-supply portfolio

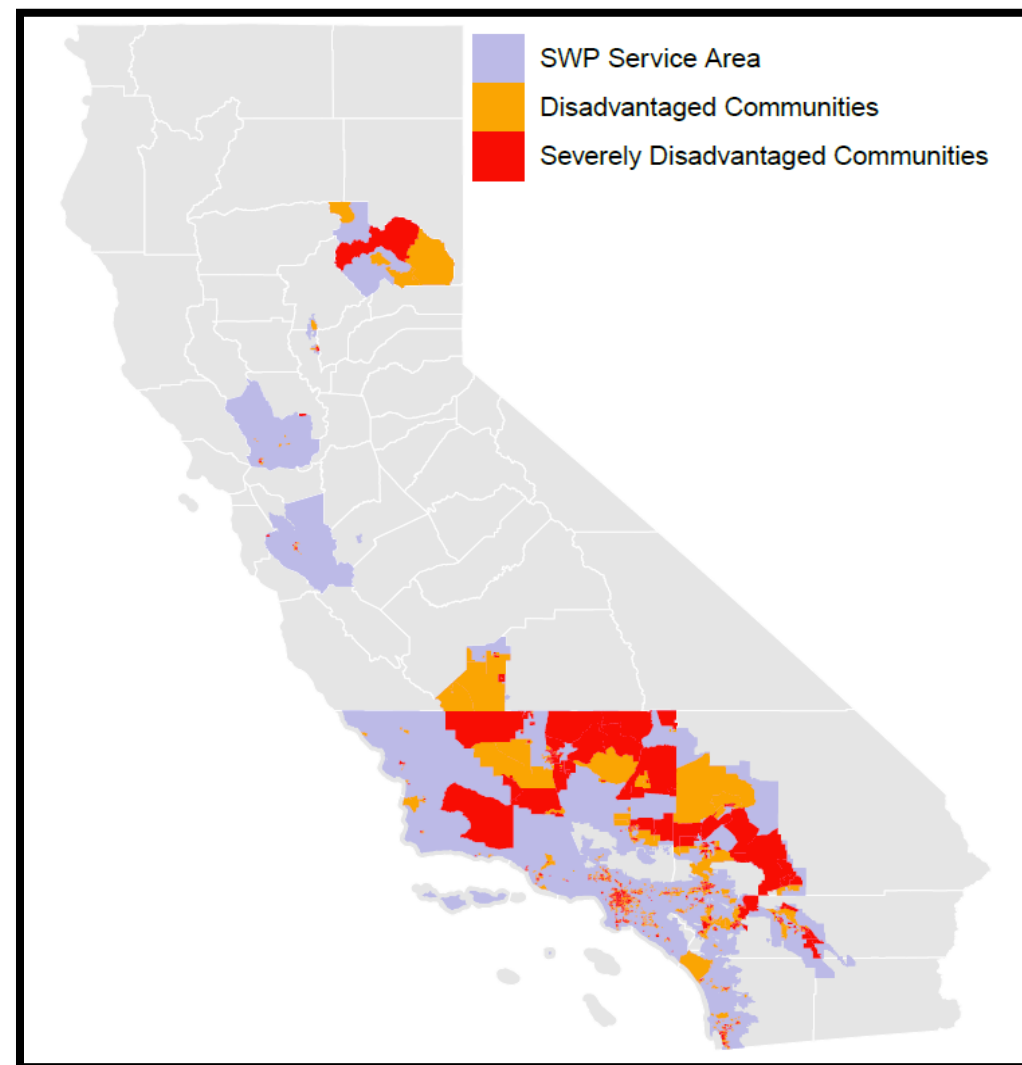


Affordability has statewide community impacts

Last year we highlighted that approximately three-quarters of California disadvantaged communities, using DWR's income-based definition, are located within the SWP service area. This continues to be true.

This is why long-term SWP affordability is not an abstract finance issue. It affects the rates and investment capability of public water agencies serving communities and agriculture across the state.

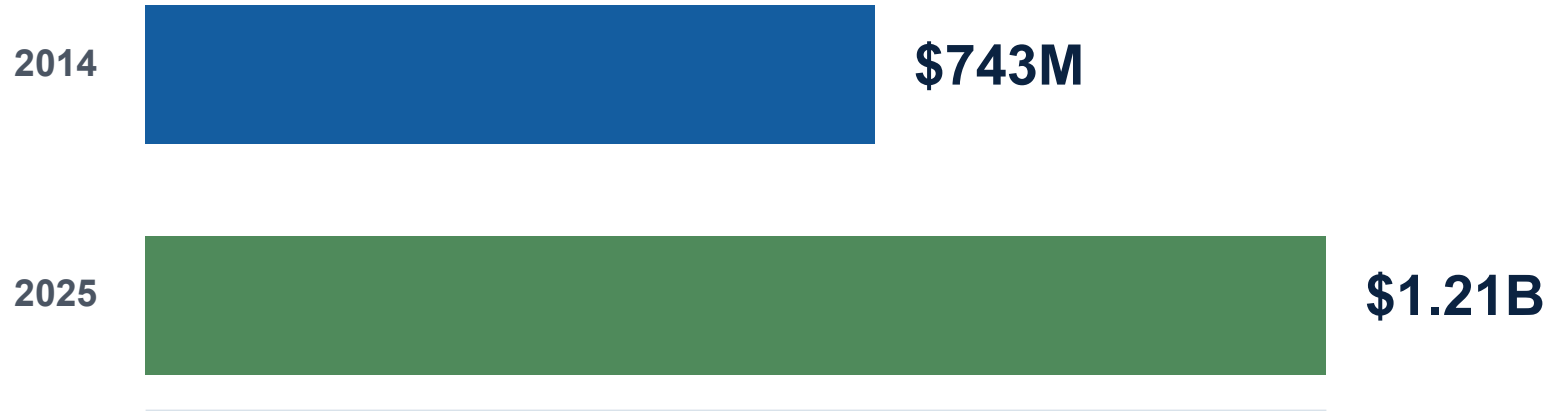
Affordability and reliability must be managed together.



Affordability is a system-level challenge



DWR historical reimbursable cost categories



Cost pressure affects local rate plans and investment capacity across the SWP service area.

+63%

increase in reimbursable SWP costs from 2014 to 2025.

Cost growth reflects major infrastructure investment and regulatory requirements:

- Oroville spillway
- Fire modification
- Subsidence
- Lake Perris and Castaic seismic retrofit improvements
- Dam safety

SWP Contractors support continued investment.

Our perspective in one slide

The SWP needs continued reinvestment. Maintaining affordability will require ongoing coordination on how future investments are planned, sequenced, financed, and allocated.

1

Invest in reliability

Maintain and modernize critical SWP infrastructure. The SWP is the backbone of California water infrastructure.

2

Strengthen multi-year cost forecasting

Build on existing planning efforts with a coordinated 5–10 year cost outlook to support contractor financial and rate planning.

3

Explore funding partnerships for broader public benefits

Work together to identify funding sources for the broader benefits provided by the SWP.



Invest in reliability — with coordinated sequencing

Contractors support necessary SWP reinvestment. Continued coordination on project sequencing, scope, and financing can help manage rate impacts for public water agencies and their customers.



Prioritize investments based on reliability risk and system benefit

Coordinate project scope, schedule, and cost expectations

Integrate affordability considerations as projects are sequenced

Share early visibility into major cost and funding implications

Continue strengthening multi-year cost forecasting

Additional information that can support contractor planning

- A coordinated 5 –10 year cost outlook.
- Project-level cost, schedule, funding assumptions, and context as major plans evolve.
- Early visibility to support contractor budgeting and local rate planning.



Funding broader public benefits



Non-chargeable Public benefits

Statewide / Other Beneficiaries

- Flood control
- Recreation
- Fish & wildlife enhancement

Recreation, Fish and Wildlife Enhancement example:

Range of annual costs:

\$25M–\$53M

Average annual cost:

~\$40M/yr

State funding:

~\$10M/yr

**SWP revenues help bridge the
remaining public-benefit
funding need**

**Current funding for non-chargeable public benefits includes
State appropriations and SWP revenues.**

A sustainable SWP requires partnership

Contractors support continued investment in the State Water Project. Long-term sustainability will depend on continued partnership among DWR, contractors, the State, and other beneficiaries to address reliability, affordability, and funding responsibility.

1 Invest for reliability

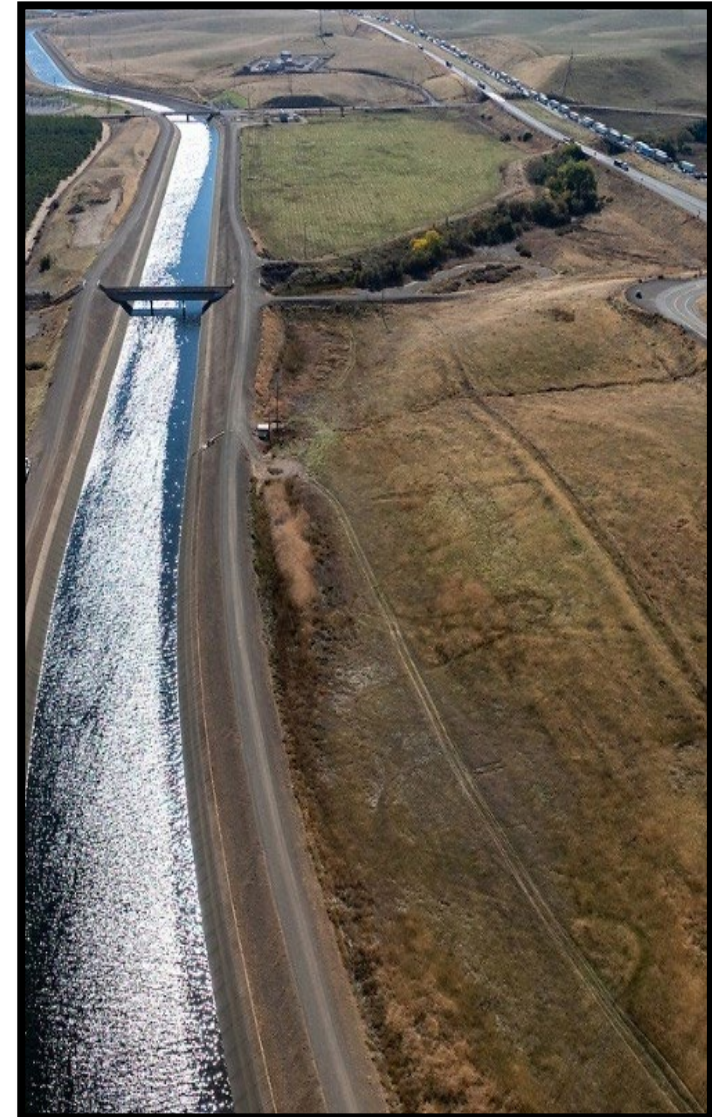
Maintain and modernize critical SWP infrastructure to ensure the backbone of California's water system is adaptable and reliable for years to come.

Plan collaboratively

Continue strengthening multi-year cost forecasting to support contractor planning.

3 Explore funding partnerships for broader public benefits

Work together to identify funding sources for the broader benefits provided by the SWP.



THANK YOU



SWC supports working with DWR and the California Water Commission to preserve the value of the SWP for the next generation of Californians.