



Public Comment
2016 Bay-Delta Plan Amendment & SED
Deadline: 3/17/17 12:00 noon



Helping Our Members Prosper!

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Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814-0100

Re: Comment Letter – 2016 Bay-Delta Plan Amendment & S.E.D.

State Water Resources Control Board,

Thank you for the opportunity to testify at the Modesto Hearing on December 20, 2016, and to submit written comments.

Our verbal comments from the Modesto Hearing are attached and are incorporated as part of these written comments. We believe that this combined information addresses the detrimental economic and social, tangible and intangible considerations (water code section 13000). This should lead the State Water Resources Control Board (Board) to again start over on the Substitute Environmental Document (SED). We have summarized some of the points we believe are most important for your consideration:

1. Pumping groundwater to mitigate the effects of this SED knowingly conflicts with your implementation of the Sustainable Groundwater Management Act (SGMA) This SED will increase the overdraft and reduce groundwater recharge, further reducing groundwater quality. The Board, as the regulator, must be consistent when implementing this SED and SGMA. Both the Board and the residents in the three counties know there will be less ground water pumped in the future even before the unimpaired flow proposal is considered.
2. The permanent impacts on the Central Valley economy in the dry years are not recaptured in the wet years, as a statement of simple averages implies. The SED Chapter 21 description of average "significant and unavoidable impacts" are misleading. The average of 14% water reduction sounds innocuous but the impacts in the critically dry years will be severe and permanent.
3. The SED does not disclose the loss of usable stored water as a direct result of this proposal. The SED does not address the new requirement to store water to maintain lower water temperature for fish.
4. The SED impact appears to be aimed at those who are less fortunate. There will be great harm done, to those working on the front line of production agriculture. The most impacted people will be those with less formal education, and their children.

5. Stanislaus and Merced Counties already include areas where 35% of the population live below the poverty level. The SED projected a \$60 million negative economic result. Other professional studies place the loss at many times that amount. What amount of socio-economic loss, is needed to re-evaluate human cost?
6. Reducing water for forage crops will eliminate those crops and income they generate. The loss of forage crops will reduce the acres needed to feed and manage the nutrient levels in the dairy industry. The dairy herds located in Merced, Stanislaus, and San Joaquin Counties, yield a nutrient level requiring an estimated 390,000 acres of growing forage crops for utilization. This effect on the Dairy Industry is not addressed in the SED.

We appreciate the opportunity to submit these comments and strongly recommend that the Board redraft the SED to address these critical areas.

Sincerely,



Leonard Van Elderen
President and CEO

Enclosure

Good afternoon. My name is Leonard Van Elderen. I am President and CEO of Yosemite Farm Credit.

First of all, I want to thank you for scheduling these additional hearings in the areas affected by this S.E.D. I appreciate the travel and logistics of making these hearings available to the people that will be most affected by your decisions.

THANK YOU FOR YOUR EFFORT

- Yosemite Farm Credit is an ag lending cooperative and our headquarters is in Turlock, which is located between the Tuolumne and Merced Rivers.
- We serve 4 counties. We have \$2 billion in ag loans in Stanislaus and Merced County. We also serve Mariposa and Tuolumne Counties for a total of \$2.4 billion in loans.
- 85% of our loans are real estate loans. We have had lending relationships with our borrowers for generations and we have loans that can typically span 25 years.
- We are a **LOCAL** business. We are not a multi-state or multinational company.
- However, our Member borrowers contribute substantially to the state economy.
- We serve ag employers (farmers), ag related marketing businesses, and ag related processing businesses. We employ 135 people in Stanislaus and Merced County at 6 different locations. Our budget for 2017 is approximately \$30 million that feeds into our local economy.
- We are geographically located within the 5 water districts that will be permanently impacted by the decisions which you will be making on unimpaired flow. We finance employers who rely on the water that comes down the Stanislaus, Tuolumne, and Merced Rivers to operate their family business operations.
- We have skin in this area... about \$2 billion worth of skin.
- The purpose of this background is to give a perspective as you carry out your obligation to balance the responsibilities under this water code section 13000 that talks about ...**beneficial and detrimental, economic and social, tangible and intangible** considerations...to attain the highest quality water.

I am here today, representing our 5000 member borrowers, who are residents of Stanislaus and Merced Counties. It is a great area. It is home.

The State Water Resource Proposal put forward will drastically alter the momentum that ag has brought to the economy of our region. While I say momentum it is with the perspective that our 2 county area still today wrestles with 25% + of the people are living below the national poverty level.

- This proposal will increase our risk as a local ag lender. What does that mean to people in our area:

- The families that depend on ag for their income, including the employees, suppliers, and employers, cannot sit out of farming during dry years and jump back in when there is water. Many of these employers own one parcel and rely wholly on District water. The impact will be felt by the small family employers. Most of them don't have the opportunity to lay off employees this year, let some or all of the ground lay fallow and restart the following year. In addition, our loans require monthly or annual payments. The investors that buy our bonds (which is where we get our money to lend) are not going to let us skip a payment in a dry or critically dry year.
- Employers who produce milk do not have the option of simply shutting down like a factory. Cows need to be cared for each day. Dairies are required to have more acres rather than less acres or reduced acreage due to a potential fallowing situation.
- Irrigated orchards that last 25-40 years cannot be dry farmed in the off years. Trees decrease in production and eventually die without water.
- Reducing the water supply will also hurt supporting industries in our area. Jobs for farm labor, feed companies, nurseries that grow trees, and labor at dairy and nut processing facilities will also be negatively impacted. Our local economy will be challenged with even higher unemployment.
- In addition, businesses that financially support farming in Stanislaus and Merced Counties will need to reassess the risk of extending credit in an area that lacks a reliable source of water. Our ag employers who hire people, buy seed, equipment, and other inputs have a high risk in this business if they do not know if there will be enough water to finish the growing season.
- Higher risk i.e. a less reliable water source will result in higher cost and less available capital for our employers. The laws of economics will mean higher interest rates for higher risk.

On average in the state of California it may not be a problem. It will be a problem in this area.

These are some of the direct impacts to the people that we finance. There are also other impacts.

The impacts that the models and assumptions show, are not the only things to consider in your decision. I respect the effort in the SED analysis but I don't agree with the conclusions. I think that there are also some of these "...**detrimental, economic and social, tangible and intangible**" considerations that lead to a different conclusion. Please consider:

- Without our current water supply we will see 4th and 5th generation businesses shut down-some of them will be in the production of food and fiber. Some of them will be on main street that support the farming employers in our area. Our younger, smaller farmers and their employees are the most vulnerable. They

can't afford to drill an expensive well. They can't afford to let all or part of their ground go fallow for one or multiple dry years.

- The effects of this S.E.D. will not be spread over our area evenly nor equitably.
 - According to the SED - On average there will be 290,000 less acre feet of surface water available. The assumption is that we will be able to pump enough water (or lay fallow acreage) to make up for this loss.
 - In the critically dry year the S.E.D. showed 614,000 acre feet less water available. These cutbacks will be primarily borne by ag and the employees directly and indirectly related to ag.
 - Averages can be useful, but the models on this particular topic need to be carefully reviewed, especially the dry and critically dry years. (Remember the SSJID/OID presentation) Please consider what the lean years mean to our struggling Central Valley economy. Average reductions don't show the full impact of this proposal.
 - Based on the studies it looks like all requests for water might be met in wet years.
 - The challenge is that if we get dry and critically dry years the loss for human benefit cannot be offset. A single year at higher pumping levels would be very challenging and 2-4 years back to back would be impossible.
 - With SED requirements for cold water storage it appears there will be less flexibility to store water for the dry years. As an example 50% of Don Pedro water will be required to be held back.
 - With this type of downside risk on water availability how can ag employers plan? The type of year, wet to critically dry, won't be known until well after crops need to be planted. How can we as a lender assess the risk of our investment with employers in this area?
 - Who will help these additional unemployed people? The local community at a 25% poverty level has little reserve. The primary one to bear the cost of these newly unemployed people will be the state of California in the unemployment benefits.
 - In addition, as the farming acreage is reduced the increase in food costs will be borne by a growing group of unemployed citizens even less capable of buying the food.
- Groundwater quality will also decrease for those in our area. This is true for those in these 5 water districts. It is also true for those outside these districts. Water basins will be tapped that are not aligned with irrigation districts.
- The reduced supplies for cities, counties, and their citizens, in town and out of town may drive a want to **“deepen existing wells or build more wells”** as part of the answer. However, we will not even be able to support the groundwater pumping we have today.

- We have financed deepening and digging of wells. Neither of these things guarantee that one can get the quality or the quantity of water that the study implies. We have people who have spent \$250,000 digging a well and ended up with no water, poor water quality, or lost wells due to the effects of subsidence-which is literally the twisting of a well casing. This **“deepening existing wells or building more wells”** is not a solution.
- We have spent the past two years talking to our borrowers about the pending changes in groundwater management as a result of SGMA.
 - It is very likely that we will be pumping less groundwater in Stanislaus and Merced Counties when SGMA is fully implemented. We are going to pump less groundwater even before the unimpaired flow proposal is considered.
 - ≡ Groundwater pumping is not a solution in an average year and certainly not in a critically dry year.
 - On one hand the SED implies there is groundwater to pump to offset surface water that is no longer available. The SED studies say that if you remove surface water it can be replaced with necessary pumping.
 - However, we need to put that next to the science used for the S.G.M.A. implementation. The new groundwater law would not have been approved by the Governor if everyone thought that current pumping levels are at a sustainable level.
 - If we say pumping is the answer in critically dry years to replace the removal of 614,000 acre feet of surface water, there has to be an assumption that our groundwater basins are currently sustainable.
 - I ask you as a Board to please look at the science. It certainly appears that the S.E.D. and S.G.M.A. projections may not be in alignment. I have also heard suggestions that the implementations of S.G.M.A. should include an adjustment for global warming reducing our future rain and snow projections.
 - We are looking at the same 2-3 counties in both the unimpaired flow discussion and the groundwater discussion. I would encourage the Board to ensure that future water predictions be consistent when we discuss both of these topics side by side.

IN CONCLUSION:

- The net result of less water for our region, as provided for in this proposal, will mean:

- Degraded groundwater quality. Groundwater quality in our area is already challenged. Removing 14% of the clean surface water will reduce the quantity and the quality of recharge. We have already seen examples of this in the Southern San Joaquin Valley towns.
- More unemployed citizens as ag and related employers reduce or close down their businesses in Stanislaus and Merced Counties. There will be a higher cost to this state's taxpayers to support these newly unemployed people.
- A reduction of income to our region due to decreased farmable acres and higher expenses. Our ag employers in this area will need to own more acres in the wet years to withstand the substantial decrease of surface water in dry and critically dry years.
- In addition, please consider what the employers we finance have just faced. It includes:
 - New overtime rules
 - New minimum wage rules
 - Pending, new air quality regulations
 - Groundwater milestones that are rapidly approaching
 - With this SED they face even a greater reduction in water.
- Reducing the water supply will also hurt supporting industries. Jobs for farm labor, feed companies, nurseries that grow trees, and labor at dairy and processing facilities will also be reduced. We will be facing additional unemployment.

The reverberations on this water reduction will rumble through a struggling economy in our area.

For the sake of the economy in Stanislaus and Merced Counties I would ask that you look for different solutions than the proposal that is in front of you. I would encourage you as a Board to collaborate with others in this local area as you attempt to increase the fish population. Consider the predatory issue that has been raised. Consider reaching out to the Irrigation Districts who know these rivers and dams. Consider other measures available to you.

Please think about the area you are in today and the people that live here. Our local economy and society need a place on the scale as you make decisions that are fair and balanced.

Thank you for the opportunity to speak today.