

DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO, CA 94236-0001
(916) 653-5791



DEC 08 2009

Mr. Stein M. Buer
Executive Director
Sacramento Area Flood Control Agency
1007 Seventh Street, 7th Floor
Sacramento, California 95814-3407

Dear Mr. Buer:

This is in reply to recent e-mail and telephone inquiries regarding continued funding for the Natomas Levee Improvement Program (NLIP). In a letter dated June 12, 2009, the Department of Water Resources (DWR) informed the Sacramento Area Flood Control Agency (SAFCA) that based on proceeds from sales conducted in March and April that DWR would be able to provide funds in the amount of \$99.7 million for construction of the NLIP in 2009. SAFCA is currently seeking similar assurances from the DWR for the continuation of construction activities for the NLIP in 2010.

As we discussed during our conference call on December 2, 2009, the State recently conducted additional bond sales in October and November. Based on the results of these bond sales, DWR should be able to provide funds in accordance with your request of \$78 million dollars for continuing construction of the NLIP in 2010.

Unless we receive direction from the Administration that impacts our ability to expend these funds, you can be assured that the funds would be available for payment under the terms of the existing Funding Agreements for the NLIP. I would remind you that SAFCA's Funding Agreement requires that an Operation, Maintenance, Repair, Replacement and Rehabilitation Agreement be executed in the near future for funding to continue.

DWR also understands that SAFCA is seeking assurances for an additional \$59.87 million by August of 2010 to continue the construction through 2010 and possibly into 2011. DWR will continue to work with the State Treasurer's Office, State Controller's Office, and the Department of Finance to secure additional funding for our bond projects and expects to be able to commit the additional \$59.87 million requested by August 2010.

We consider the NLIP to be one of our highest priority projects and are committed to funding it to the best of our ability, within any constraints that may develop in the future. If you have any questions, please contact me at (916) 654-7180 or your staff may contact Eric Koch, DWR's Chief of the FloodSAFE Program Management Office at (916) 574-0385.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark W. Cowin".

Mark W. Cowin
Deputy Director