



Elaine M. Howle State Auditor

CONTACT: Margarita Fernández | (916) 445-0255 x 343 | MargaritaF@auditor.ca.gov

Department of Water Resources

The Unexpected Complexity of the California WaterFix Project Has Resulted in Significant Cost Increases and Delays

Background

In 2006, the Department of Water Resources (DWR), with other state and federal entities and local water agencies, began collaborating to develop an approach to restore the Sacramento-San Joaquin Delta (Delta) and improve water reliability, referred to as the Bay Delta Conservation Plan (BDCP). DWR also initiated a conservation and conveyance program to evaluate how to implement the BDCP and identified the California WaterFix project (WaterFix) as its preferred approach. WaterFix focuses on the construction of a new water conveyance facility to improve water reliability and separates the large-scale Delta restoration effort originally included in the BDCP into a separate program called California EcoRestore.

Our Key Recommendations

The Legislature should require agencies to publicly report significant changes in the cost or schedule of large and complex infrastructure projects.

- The DWR should do the following:
 - Implement a project-reporting policy that requires documenting and justifying decisions to proceed with large infrastructure projects if they are expected to exceed budgets by 10 percent or schedules by 12 months. DWR should make these decisions publicly available and submit them to the California Natural Resources Agency for approval.
 - Fully comply with state contracting law and ensure that it competitively selects qualified architectural and engineering consultants and that it documents the qualifications of all contractors and subcontractors.

Key Findings

- The costs and timeline of the planning phase increased significantly due to the scale and unexpected complexity of the project—as of June 2017, the planning phase cost had reached approximately \$280 million.
- Although DWR used a robust selection process to select its first program manager, it later used other methods to select a replacement program manager.
 - DWR directed its contractor to replace their program manager with a specific vendor without demonstrating that this new program manager was qualified to provide such services or had the required professional license.
 - DWR later awarded this new program manager its own contract without a competitive process, and the program manager has had to subcontract many of the program management functions for which DWR is generally paying a markup of 5 percent.
- DWR has not ensured that it is prepared for the transition of WaterFix to the design and construction phase.
 - It has not completed either an economic or a financial analysis to demonstrate the financial viability of WaterFix.
 - It has not fully implemented a governance structure for the design and construction phase of the project.
 - It has not updated required program management documents for the planning phase yet WaterFix has evolved since it began.

Four Entities Contributed Most of the Funding for the Program

