

June 1, 2000

Via Facsimile (916) 557-7848
Original to follow Federal Express

Colonel Michael J. Walsh
District Engineer
Sacramento District
U.S. Army Corps of Engineers
1325 J Street
Sacramento, CA 95814-2922

Dear Colonel Walsh:

Subject: Guadalupe River Project, Downtown San Jose (3015)—Assertion of Financial Intent to Participate in Modified Project

This letter asserts the Santa Clara Valley Water District (District) intent to participate in the U.S. Army Corps of Engineer's modifications to the federally authorized Guadalupe River Flood Control Project (Project) in downtown San Jose, California, as the non-Federal sponsor.

The Project is authorized by Section 401(b) of the Water Resources Development Act of 1986, Public Law 99-662. The District will continue to participate in the cost-sharing and financing of the Project in accordance with the terms of the Local Cooperation Agreements (No. A1380 and No. A1381) dated March 30, 1992.

The District has established a mission statement and statement of responsibility that include providing flood protection for the community of San Jose. Consistent with protecting the environmental quality of the Guadalupe River, the District supports the primary purpose of the proposed modifications to provide improved flood protection for downtown San Jose.

The District understands that the estimated total cost of the recommended plan, as reflected in the Draft General Reevaluation Report/Supplemental Environmental Impact Statement/Environmental Impact Report, is approximately \$205.5 million. The estimated remaining project cost is approximately \$114.4 million. The estimated annual cost of the operation and maintenance is approximately \$2.5 million. In addition, the District acknowledges that it will have responsibility for all project lands, easements, rights of way, relocations, and dredged material deposit sites, excluding relocation of railroad bridges and approaches thereto.

The District proposes to budget its share of the remaining project cost from Capital Reserves to meet the remaining local share of the Project costs. The District continues to be in a strong financial position to meet the local cost obligations for the Project. Annual revenue sources for 1999-2000 are \$4.6 million *ad valorem* property tax, \$7.6 million benefit assessments, and \$3.2 million interest income. In addition, on May 26, 2000, the District received State Subventions Program reimbursements of \$10.7 million of which \$5.5 million are reimbursements for the Project. The District also issued Certificates of Participation in March 2000 with net proceeds of \$10 million for work on the Guadalupe River. We are pleased to receive very high bond ratings for this issuance—a Standard and Poors bond rating of AA+ and a Moody's rating of Aa2.

In conclusion, the District is financially sound to meet the local Project costs and committed to the timely completion of this important project.

Sincerely,



Stanley M. Williams
CEO/General Manager