



April 8, 2016

Attn: Craig Cross
California Department of Water Resources
Division of Integrated Regional Water Management
P.O. Box 942836
Sacramento, CA 94236-0001

Subject: San Diego Region Comments on the Draft IRWM Grant Program Guidelines, Planning Grant Proposal Solicitation Package, and DAC Involvement Request for Proposals

Dear Mr. Cross,

The San Diego Regional Water Management Group (RWMG), representing the San Diego Integrated Regional Water Management (IRWM) Program, sincerely thanks the Department of Water Resources (DWR) for the opportunity to comment on the Draft IRWM Grant Program Guidelines, Draft Planning Grant Proposal Solicitation Package (PSP), and Draft Disadvantaged Community (DAC) Involvement Request for Proposals (RFP). Our Region and the State continue to benefit from DWR's efforts to encourage integrated solutions for regional water management issues.

Our comments on the three draft documents follow.

IRWM PROGRAM GUIDELINES

1) Employ New and Innovative Technology or Practices

We appreciate that DWR has included a new Program Preference for, "employing new and innovative technology or practices." By prioritizing these types of projects, DWR will allow for potential funding of planning and pilot efforts that are necessary to develop robust, integrated projects that align with goals of the IRWM Program. Because most benefits associated with these projects will be potential (not actual), we also request that DWR modify grant application requirements to lessen requirements associated with physically quantifying benefits for these types of projects. Although pilot projects may not have tangible physical benefits on a short-term basis, funding these types of projects is essential for developing innovative solutions to water management issues and conflicts in the long-term.

2) Streamlined Grant Application Approach

We appreciate that DWR has adopted a streamlined grant application approach for past rounds of Proposition 84 IRWM funding, which does not include a cost-benefit analysis. This modification is anticipated to save our Region both time and money given that the economic cost-benefit

analysis is estimated to have accounted for approximately 30% of our regional application costs in past rounds of funding. These reduced requirements will be particularly beneficial to our DAC and non-governmental organization (NGO) partners, who in the past have been hindered from participating in the IRWM grant program due to the complexity of required cost-benefit analyses and substantial materials required to complete a high-scoring application. We encourage DWR to continue this streamlined grant application approach for future Proposition 1 IRWM Grant funding.

3) Implement Further Grant Streamlining Measures

DWR could further streamline the proposal solicitation/review process by establishing maximum funding amounts proportional to the Funding Area allocations in Proposition 1 (refer to PRC §79744), directly award grant funding to planning regions that are part of a Funding Area that comprises one eligible region or has an adopted/executed funding agreement, and then implement a simplified proposal review before releasing the funds. The proposal submitted by a planning region would explain the projects it plans to fund and demonstrate how the projects satisfy the eligibility requirements established in the Guidelines and applicable Proposal Solicitation Package (PSP). This would allow the regions in an eligible Funding Area to directly solicit, select, award, and contract those drought response projects that help to meet State goals. A region that receives grant funding through this process would agree to report the actual projects it funds to DWR within 60 days of the grant award, along with task-oriented budgets and schedules for each project. This streamlined approach would allow DWR to issue grants, while still allowing IRWM regions to honor their local stakeholder processes.

4) Defer to Regional Project Selection and Review

Proposition 1 (PRC §79740) requires that eligible projects (1) be consistent with an adopted IRWM plan, (2) respond to climate change, and (3) contribute to regional water security. So long as regions can demonstrate that their IRWM Plans are sufficient and that the project review and selection processes meet the aforementioned requirements, DWR should defer to the list of projects selected by the regions and eliminate extensive scoring and ranking of Proposition 1 Implementation Grant proposals.

The Proposition 1 legislation does not support establishing minimum scores for various criteria, as is stated in Section E of the Draft Guidelines. Therefore, we request that DWR remove this language from the Final Guidelines, and keep scoring requirements to those indicated in the Proposition 1 legislation.

5) DAC Funding

There are two portions of the IRWM Proposition 1 legislation (Chapter 7) that specifically mention funding for DACs and economically distressed areas (EDAs):

- PRC §79742(d) states that, “not less than 10% of the funds authorized by this chapter shall be allocated to projects that directly benefit disadvantaged communities”.
- PRC §79745 states that, “the Department of Water Resources shall expend, either directly or for noncompetitive grants, no less than 10% of the funds from the regional allocations specified in Section 79744 for the purposes of ensuring involvement of disadvantaged communities, economically distressed areas, or underrepresented communities within regions.”

The aforementioned portions of Proposition 1 do not specify how DWR should measure how it achieve the goals established in PRC §79742(d) and PRC §79745. However, according to the DAC RFP and the Proposition 1 Guidelines, DWR intends to require that each Funding Area allocate 20% of its total funding to these communities. We request that DWR reconsider this requirement, and instead prioritize funding to areas where there is the greatest need, rather than evenly splitting funds across the State. In Proposition 84, the DAC funding requirement was applied across the State, and DWR was able to meet their overall statewide goal.

Further, we request that DWR distribute the 10% requirement mentioned in PRC §79742(d) through the IRWM Implementation Grant funding rounds, rather than through separate DAC-only solicitations.

6) Eligible Project Types for DAC Funding

One of the biggest challenges in DAC water resource management is the ability of small systems to achieve financial capacity. Most small communities do not have a reserve set aside to react to emergencies and/or plan for capital infrastructure. The need for technical assistance to ensure the ability of DACs to manage and operate infrastructure projects should be part of eligible project costs for DAC projects. Adoption of water/wastewater rates that recover the cost of services should be a condition of DWR grant funding, which should also comprise eligible project costs for DAC projects. Asset management planning and funding is critical for DACs to create sustainability in their water and wastewater system. We request that the final Proposition 1 Guidelines and DAC Involvement RFP reflect these specific DAC needs as eligible project costs.

7) DWR Liaison

During the scoping process for the Proposition 1 IRWM Program, DWR requested general comments based on prior experience. One of the comments that our Region made to DWR was that it would be valuable to provide “liaison” staff that could coordinate between the DWR Financial Assistance Branch and other State agencies to provide assistance for tracking and reporting grant contract requirements. During our local grant administration process, we have encountered instances when our Regional Service Representative (RASR) was not able to provide guidance on how to maintain compliance with requirements in our grant contract because those requirements are not under the guise of DWR’s Financial Assistance Branch. This has been problematic for our Region, because the information we receive regarding eligibility and reporting requirements is sometimes inconsistent and our local project sponsors (LPS) are unsure of how to properly track and report grant requirements. Therefore, we would very much appreciate if the RASRs had a point person of contact with other departments such as the Department of Industrial Relations that oversees Labor Compliance Programs, so that the information we provide to our LPS is consistent and we can be sure that all projects are appropriately tracking and reporting grant requirements.

8) Appendix G: Advanced Payment

The following are specific comments about the advanced payment process that DWR will implement as a result of Senate Bill 208, which is detailed in Appendix G of the Proposition 1 IRWM Program Guidelines. The comments provided below are intended to notify DWR about specific issues associated with LPS in our Region that will likely received advanced payments, and suggest modifications that can provide additional benefits to DACs and NGOs.

1. Appendix G states that DWR will provide 50% of the grant funds upfront (advanced funds), then distribute the remaining 50% grant funding through the traditional

reimbursement process. This proposed process will be detrimental to the DACs and NGOs that are eligible for advanced funds, because we have found the reimbursement process to be a significant financial hardship for organizations that have limited cash reserves. Therefore, we implore DWR to do away with the reimbursement process for DACs and NGOs that are eligible for advanced funds. We strongly recommend that once an LPS documents that it has spent the first 50% of grant funds, DWR provide the remaining 50% as long as the LPS is in compliance with DWR's established advance payment requirements outlined in Appendix G. This approach is within DWR's purview since SB 208 does not specify what happens once an LPS has spent the initial 50% in advanced funds,

2. Appendix G states that advanced funds must be spent within six months of receipt, and that DWR may waive this requirement. The requirement to spend funds within six months of receipt could be detrimental to DAC and NGO LPS, given that standard environmental compliance and permitting processes can take up to a year to complete, regardless of the size and scale of the project. Therefore, we urge DWR to waive this requirement for all projects that qualify for advanced funding, and instead require that funds be spent on a timeline that is flexible and is based upon the specific scope of work associated with each project.
3. One of the requirements for advanced funds is that the funds must be held in a non-interest bearing account. In other DWR-administered grant programs, advanced funds were allowed to be held in interest-bearing accounts, so long as any accrued interest was expended on project-related costs. We request that DWR implement this same requirement to ensure that maximum benefits are achieved with IRWM funding.

PLANNING GRANT PROPOSAL SOLICITATION PACKAGE

1) Eligibility for Activities that Will Improve Existing IRWM Plans

We appreciate that DWR has included “update or improve an existing IRWM Plan” as an eligible type of proposal to receive Planning Grants. As you are aware, planning projects can be difficult to fund through grants, yet planning studies and assessments are necessary to address changing conditions and needs, as well as establish implementation priorities. In the San Diego IRWM Region, a paradigm shift has occurred over the last few years (since our 2013 IRWM Plan was adopted) related to stormwater management, including a Statewide focus to use stormwater and dry weather runoff as a resource. In our region, there is potential to use planning grant funds to enhance our existing IRWM Plan with a greater analysis of the feasibility of planning, constructing, operating, and managing facilities that capture and use stormwater beneficially. This analysis would benefit stakeholders in our region, including DACs and EDAs, as it would set our region up to prioritize and quantitatively assess the benefits of stormwater projects that improve water quality, reduce localized flooding, and increase water supplies for beneficial uses and the environment.

2) Tie-Breaker Scoring for Planning Grants

Table 3 of the Draft Planning Grant PSP, which are evaluation criteria, does not indicate potential tie-breaker points. Given the small amount of planning grant funds available, there will likely be substantial competition for this grant funding. We request that DWR add potential tie-breaker points for proposals that meet Program Preferences listed in the 2016 Draft Guidelines. Adding this criterion will provide transparency to grant applicants with regard to how DWR will handle potential scoring ties for this funding stream. Furthermore, basing grant funding decisions

on Program Preferences will ensure that DWR provides grant funding to proposals that address identified Statewide needs and priorities.

3) Reimbursement Date

The draft Planning Grant PSP does not indicate a reimbursement date after which eligible costs can be incurred. We request that DWR establish the reimbursement date such that eligible costs that are incurred after January 22, 2016 (the release date for the draft Planning Grant PSP) are eligible for reimbursement.

DAC INVOLVEMENT REQUEST FOR PROPOSALS

1) DAC Needs Assessment

In recent workshops, DWR has indicated that a DAC needs assessment will be required for each IRWM Region, and that the information in the needs assessment will be used to establish a baseline of DAC needs across the State. While we understand the importance of preparing this baseline, our Region has already completed a DAC needs assessment through development of the *2013 San Diego IRWM Plan*. The needs assessment is published in Chapter 3 of our 2013 IRWM Plan, which was accepted by DWR in 2014. Given that our region has completed this requirement, we would prefer to spend our DAC Involvement funding on meeting the needs of our disadvantaged communities rather than on conducting a redundant needs assessment. Therefore, we request that DWR not require each IRWM Region to prepare a new DAC needs assessment, and instead provide flexibility for instances where a functional equivalent needs assessment already exists.

2) DAC Projects

We urge DWR to evaluate DAC projects based solely upon their ability to meet the needs identified in the applicable DAC needs assessment, and not by other metrics. DAC needs vary considerable between IRWM regions across the State, and therefore, each IRWM Region needs the flexibility to identify the greatest needs in their region in order to ensure that DAC Involvement funding is spent in the best manner possible.

3) Technical and Financial Capacity

We would like to call DWR's attention to a funding gap that continues to exist for DACs pertaining to technical and financial capacity. DACs in our region, especially rural DACs, may lack the technical expertise and financial stability to support long-term operations and maintenance activities. Unfortunately, operations and maintenance activities are ineligible for many grant and loan programs, including IRWM funding. Many DACs do not have a reliable funding source to support activities that would ensure long-term project sustainability and the viability of their water and wastewater systems. We request that DWR consider this funding gap in future IRWM solicitations, and that DWR and other funding agencies continue to work with communities to try and resolve this funding gap.

4) Contracting

Our Region has established a positive working relationship with neighboring IRWM regions in our Funding Area, and we have adopted a formal MOU to guide coordination efforts. It would be overly burdensome from an administrative point of view for one of our agencies to administer DAC Involvement funding to all three IRWM regions in our Funding Area. Given the contractual and administrative complexity of such an arrangement, we request that DWR agree to enter into three separate agreements with our individual IRWM regions. Our joint proposal for

the San Diego Funding Area will clearly delineate the scope, budget, and schedule for work within each IRWM Region, which will allow DWR to easily create three separate contracts for the work.

5) Advanced Payment

The Draft DAC Involvement RFP does not indicate whether funds will be eligible for advanced payment, which is outlined in Appendix G of the Draft IRWM Program Guidelines. Given that the DAC Involvement funding will be used solely on DAC projects, we implore DWR to include language that eligible projects may receive advanced funding and that the advanced funding be provided as the first 50% at project initiation and the remaining 50% after the project sponsor has appropriately documented spending the initial 50%.

6) Final Comments

DWR has indicated that there may be substantial changes to the DAC RFP between the Draft and Final versions, and specifically, we anticipate that DWR will explain the requirements for the DAC Needs Assessment in the Final RFP. Given that this information will not have been reviewed by the public, we request that DWR provide an opportunity to provide additional clarification and edits prior to finalization of the DAC RFP.

CONCLUSION

We appreciate the open process used by DWR to receive comments on the Draft IRWM Grant Program Guidelines and DAC Involvement RFP, and we are looking forward to continuing to work with DWR on implementation of our IRWM Program.

Sincerely,



Mark Stadler

San Diego IRWM Program Manager on behalf of the San Diego RWMG

Cc:

Senator Joel Anderson
Senator Patricia Bates
Senator Marty Block
Senator Ben Hueso
Assemblymember Brian Jones
Assemblymember Marie Waldron
Assemblymember Rocky Chavez
Assemblymember Brian Maienschein
Assemblymember Toni Atkins
Assemblymember Shirley Weber
Assemblymember Lorena Gonzalez
Secretary for Natural Resources, John Laird
Gary Bardini, Department of Water Resources
Paula Landis, Department of Water Resources
Tracie Billington, Department of Water Resources

Regional Advisory Committee

Regional Water Management Group

- Toby Roy (co-Chair) and Mark Stadler, San Diego County Water Authority
- Lan Wiborg (co-Chair) and Goldy Herbon, City of San Diego
- Ramin Abidi (co-Chair) and Stephanie Gaines, County of San Diego

Water Supply

- Greg Thomas and Julia Escamilla, Rincon del Diablo Municipal Water District
- Bill Hunter and Michael Bardin, Santa Fe Irrigation District
- Brian Olney and Mark Umphres, Helix Water District
- Jennifer Sabine and Ron Mosher, Sweetwater Authority
- Kimberly Thorner and Joey Randall, Olivenhain Municipal Water District

Water Quality

- Crystal Najera, City of Encinitas and Ligeia Heagy, City of Carlsbad
- Chris Helmer, City of Imperial Beach and Joe Kuhn, City of La Mesa
- Travis Pritchard and Kristin Kuhn, San Diego CoastKeeper
- Leigh Johnson and Loretta Bates, University of California Cooperative Extension
- Bob Kennedy, Otay Water District and Metropolitan Joint Powers Authority and Greg Humora, City of La Mesa
- Mike Thornton and Chris Trees, San Elijo Joint Powers Authority

Natural Resources and Watersheds

- Patrick Crais, California Landscape Contractors Association
- Phil Pryde and Jim Peugh, San Diego River Park Foundation
- Ronald Wooton and Jay Klopfenstein, Buena Vista Lagoon Foundation
- Al Lau and Arne Sandvik, Padre Dam Municipal Water District
- Kimberly O'Connell and Julie Hampel, UCSD Clean Water Utility

DAC/Environmental Justice

- Jennifer Hazard and Oscar Romo, AlterTerra
- Olga Morales, Rural Community Assistance Corporation

Other Members

- Mark Seits and Brinton Swift, Floodplain Management Association
- Michael McSweeney and S. Wayne Rosenbaum, Building Industry Association
- Eric Larson and Casey Anderson, San Diego County Farm Bureau
- John Flores, San Pasqual Band of Mission Indians
- Sarah Pierce, San Diego Association of Governments
- Ann Van Leer and Betsy Keithley, Escondido Creek Conservancy
- Robyn Badger and Kelly Craig, San Diego Zoo Global

Regulatory / Tri-County FACC (Non-Voting)

- Laurie Walsh, San Diego Regional Water Quality Control Board
- Jack Simes and Leslie Cleveland, U.S. Bureau of Reclamation
- John Simpson, USMC Camp Pendleton
- Justin Haessly, Rancho California Water District
- Marilyn Thoms, County of Orange
- Gloria Silva and Emily Fudge, U.S. Forest Service, Cleveland National Forest
- Sean Bush, U.S. Indian Health Services