

# Upper Santa Margarita Watershed Integrated Regional Water Management Planning Region Regional Water Management Group

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Submitted by email: [Keith.Wallace@water.ca.gov](mailto:Keith.Wallace@water.ca.gov)

Subject: Comments for IRWM Grant Process Improvements for the 2014 Expedited Drought Solicitation and the 2015 Implementation Solicitation (Round 3)

Dear Mr. Wallace:

The Regional Water Management Group (RWMG), of the Upper Santa Margarita Watershed (USMW) Integrated Regional Water Management (IRWM) Region, appreciates the opportunity to provide comments and input on the 2014 Expedited Drought Solicitation authorized with the passage of Senate Bill (SB) 104 on February 27, 2014.

This letter represents the collective comments, suggestions, and recommendations of the USMW RWMG on process improvements for the forthcoming Proposition 84 Expedited Drought Solicitation, as well as the subsequent 2015 Implementation Solicitation (balance of Round 3).

We understand SB 104 authorizes \$200,000,000 of the \$472,500,000 of IRWM Implementation Round 3 funding to be available for IRWM grants through an expedited solicitation round for projects that provide immediate regional drought preparedness, increase local water supply reliability and the delivery of safe drinking water, assist water suppliers and regions to implement conservation programs and measures that are not locally cost effective, or reduce water quality conflicts or ecosystem conflicts created by the drought.

We also understand that DWR is required to develop the Expedited Drought Grant Program by July 1, 2014 and is working toward revised Guidelines and a Proposal Solicitation Package (PSP) for release in early June 2014. Further, that DWR anticipates providing a two-month application preparation time from release of the PSP, with applications due in August 2014, followed by a two-month application evaluation period by DWR.

In most, if not all, IRWM regions, development of an IRWM grant application is preceded by a project review and prioritization process. This process is essential to select projects that have the highest quality, multiple benefits, ready-to-proceed, and integrated projects for the grant application. While IRWM Regions maintain an IRWM Plan Project List, the Project List can change over time and the status of projects may not be appropriately represented. Therefore, there is some preliminary project review and selection work to be done before beginning the grant application development.

- ✓ **Expedited Schedule:** We support the proposed Expedited Drought Solicitation schedule with the exception of the two-month grant application period to submission. We propose that DWR provide, at a minimum, two and half months (or 75 days) to allow additional time for project review, prioritization and selection for the solicitation.
- ✓ **Allocation to Each Funding Area:** Since SB 104 does not specifically state the Expedited Drought Solicitation should be on a 'statewide competitive basis', we support an allocation to each Funding Area consistent with Funding Area (hydrologic region and sub-regions) allocations in the Proposition 84 bond language (refer to PRC §75027).
- ✓ **Streamlined Project Selection Process for Non-Competitive Funding Areas:** For non-competitive Funding Areas (such as the San Diego Funding Area where the IRWM planning regions of the Tri-County Funding Area Coordinating Committee have agreed on equitable apportionment of the Funding Area allocation, our commitment to inter-regional coordination, and development of cross-watershed projects), we recommend allowing regions to solicit, select, award, and contract for projects that meet the SB 104 definition of drought-related projects using their Project Selection Process defined in their adopted and DWR-approved IRWM Plan. Offering this type of streamlined grant process for non-competitive Funding Areas encourages regional cooperation, coordination, and collaboration between IRWM regions throughout the State, reduces the time commitment and cost of preparing a grant application, and reduces DWR's workload.
- ✓ **Regional Representative Involvement:** We further recommend DWR Regional Representatives be closely involved in this non-competitive regional Project Selection Process to verify the region is following statutory and Guideline requirements. This would greatly streamline the Expedited Drought Solicitation, eliminate redundant efforts associated with proposal solicitation and evaluation, expedite the funding to the project proponents, and get the projects into construction faster.
- ✓ **Evaluate Streamlined (Regional) Project Selection Process:** Subsequent to the 2014 Expedited Drought Solicitation, the Regional Project Selection Process could then be assessed for level of achievement when establishing the 2015 Implementation Solicitation, and adjustments made where necessary.

- ✓ **Reimbursement Date:** We recommend and support the date of grant reimbursement for the 2014 Expedited Drought Solicitation be set at the date of the Governor's Drought Declaration, and funding match remains for cost share performed after September 30, 2008, consistent with all Proposition 84 funding agreements.
- ✓ **Suspend Funding Match for Drought Solicitation:** For the Expedited Drought Solicitation, we support full elimination of the local funding match to expedite drought-related projects. If full elimination is not possible, we would support a reduction of the local funding match from 25 percent to 10 percent, and maintain no required funding match for disadvantaged communities (DACs).
- ✓ **Suspend DAC Benefit Percentage for Drought Solicitation:** Many IRWM regions will have excellent drought-related projects ready to go, but meeting the 10 percent benefit to DACs' requirement will be challenging, if not unattainable, on the expedited timeline of the Drought Solicitation. We recommend and support suspension of the 10 percent DAC benefit requirement for the Expedited Drought Solicitation.
- ✓ **DAC Benefit Percentage for Implementation Solicitation:** While DACs are highly engaged in the planning efforts of many IRWM regions, including the USMW IRWM Region, it can be and has been challenging to implement DAC projects at the level of 10 percent benefit within the region. Particularly, Within the USMW IRWM Region, the Anza Community – the largest DAC area within the region – is 100 percent dependent on groundwater and has no connection to imported water. As a result, regional projects that conserve imported water do not benefit the Anza DAC area, but may benefit other small DACs areas within the region. For the Implementation Solicitation, we support continuing the 10 percent DAC benefit statewide, and do not support any change to an assigned percentage DAC benefit at the region level.
- ✓ **Streamlined Work Plan in Application:** The required Work Plan in an application should mirror closely what will be required in the resulting funding agreement – tasks and deliverables. Prior solicitations required rigorous explanation of each detail of each task of a proposed project, information on how a project meets regional management strategies and objectives, and a summary overview of all the proposed projects and how they are integrated, all resulting in extensive explanations and lengthy work plans that ultimately get reduced to action items and deliverables in the funding agreement. We recommend the application Work Plan be streamlined to include an introduction summary listing the projects included, and confirmation that each project went through the region's rigorous project selection process that includes criteria for meeting integration, objectives, and strategies of the region. The Work Plan would then provide the tasks/action items and deliverables for each proposed project.
- ✓ **Reduce Excessive Economic Analysis:** The requirements for detailed economic analysis in prior Implementation solicitations were excessively burdensome in both process and costs for the regions. Both the lead

applicant and the project sponsors have determined that hiring economic analysts to obtain the high level of information needed and develop the economic analysis is the only way to be competitive. Particularly burdensome for non-governmental organizations (NGOs) and DACs, the economic analysis deters them from seeking and hopefully obtaining IRWM funding for their projects. While some have the capability to invest the time and money and are awarded funding, many have made this same investment without a return. This economic analysis requirement is excessive, particularly for non-competitive regions with funding allocation agreements.

We recommend and support a streamlined grant application process that does not include detailed economic analysis for regions and Funding Areas that are non-competitive and that have used a collaborative, valid, and transparent method of prioritizing their project lists.

To make the economic analysis more reasonable for competitive regions, we support modifying to a simplified analysis that still accomplishes the intent of the Proposition 84 bond language. DWR might consider phased analysis to demonstrate each project's cost-benefit. For example, if a water conservation program can be shown to reduce per capita water consumption and therefore the benefits associated with purchasing less imported water supplies are greater than the costs associated with implementation of the water conservation program, then the required documentation should be limited to a simple cost-benefit analysis. Additionally, if a project's funding match is larger than the grant request, it clearly demonstrates a minimum 1:1 cost-benefit ratio in terms of State vs. local dollars spent on project implementation. DWR should also consider allowing this simplified criterion to justify project benefits. Detailed analysis of avoided costs and other intangible cost savings should only be required if necessary to demonstrate cost-effectiveness not shown in the simplified method or if competition between regions within a Funding Area dictates more rigorous scoring.

Reducing the excessive economic analysis to a qualitative discussion or simplified cost-benefit analysis – as has been implemented by other State agencies for other Proposition 84 chaptered grant programs – will still provide the information DWR needs, reduce the costs incurred by IRWM regions, may allow more DAC participation, and reduce DWR's workload.

- ✓ **Grant Application Preparation as Allowable Grant Reimbursement Expense:**  
We highly support the cost of preparing grant applications to be an allowable grant reimbursement expense for both the 2014 Expedited Drought Solicitation and the 2015 Implementation Solicitation. Development of IRWM Implementation Grant applications are escalating to an unsustainable cost. Analysis has shown that it costs approximately \$20,000 per project to prepare an IRWM Implementation grant application. For an application with a suite of three to eight projects, this can cost a region \$60,000 to \$160,000. In many cases, larger public agencies are carrying the financial burden for disadvantaged communities, non-profits and other agencies and

organizations with a region. Making the cost of preparing grant applications to be an allowable grant reimbursement expense would free up substantial amounts of money to apply toward project implementation.

- ✓ **Self-Certification of Regulatory Requirements:** We understand and support the requirement to meet relevant eligibility criteria, including a groundwater management plan, an urban water management plan, an agricultural water management plan, surface water diversion reporting, AB 1420 (water conservation) compliance, water meter compliance, and California Statewide Groundwater Elevation Monitoring (CASGEM) compliance.

We recommend and support that all IRWM grant applications include the ability to self-certify compliance with each regulatory requirement by a simple statement of compliance. Extended details on each of these plans or programs is not needed in the application since each of these are state requirements and DWR can easily verify, and would otherwise verify, compliance.

- ✓ **Aligning Statewide Priorities with Updated 2013 California Water Plan:** We understand that DWR will be updating the Statewide Priorities in the revised IRWM Implementation Guidelines to align more closely with the 2013 California Water Plan. Included in these items are the human right to water and strengthening drought mitigation/water conservation.

**Define Human Right to Water:** Chaptered in September 2012, AB 685 established that “it is the policy of the state that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.” DWR is required “to consider this state policy when revising, adopting, or establishing policies, regulations and grant criteria when those policies, regulations and criteria are pertinent to the uses of water described above.”

We recommend and support the IRWM Grant Program Guidelines and PSP to include a reference to the ‘human right to water’, and we support the inclusion of additional language stating that this does not obligate the state to require the expenditure of additional resources to develop water infrastructure beyond the obligations that exist, that this does not apply to water supplies for new development, and that this does not infringe on the rights or responsibilities of any public water system.

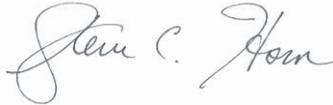
**Strengthen Drought Mitigation/Water Conservation:** We understand and support ‘strengthen drought mitigation’ includes implementation of Drought Contingency Plans. We support inclusion in the revised Statewide Priorities for the IRWM Implementation Guidelines. Further, upon completion of the Expedited Drought Solicitation, we recommend that DWR finds this Statewide Priority satisfied and that the subsequent 2015 Implementation Solicitation waives any requirement to meet this Statewide Priority.

We appreciate DWR's open process to receive comments and suggestions about the IRWM Grant Program and process improvements. We are looking forward to continuing to partner with DWR on the Upper Santa Margarita Watershed IRWM Program and its implementation projects.

If you have any questions, please direct them to our Upper Santa Margarita Watershed IRWM Program Manager, Denise Landstedt, at [landstedtd@ranchowater.com](mailto:landstedtd@ranchowater.com) or (951) 296-6916.

Sincerely,

**Upper Santa Margarita Watershed Regional Water Management Group**



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