



April 22, 2010

Attn: Joe Yun
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 PSP, Implementation Grant PSP, and Stormwater Flood Management PSP

Dear Mr. Yun,

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 your recent release of the Draft IRWM Grant Program Guidelines, Planning Grant Proposal Solicitation Package (PSP), Implementation Grant PSP, and Stormwater Flood Management PSP. Our Region and the State continue to benefit from DWR's efforts to encourage integrated regional strategies for water resources management by providing funding for planning and implementation activities.

Our comments on the draft Guidelines and PSPs follow.

1) IRWM Grant Program Guidelines

We request that DWR avoid making the IRWM Grant Program Guidelines a 'moving target' and commit to the final draft for the entire Proposition 84 bond cycle. The San Diego Region supports the goals and program preferences in the draft Guidelines released in early March. Our Region has already begun addressing key issues and topics presented in the draft Guidelines with our RWMG and Regional Advisory Committee (RAC). For example, our October 14, 2009 RAC meeting addressed adaptation and mitigation for climate change and our April 7, 2010 RAC meeting addressed the relationships between water managers and land use planning. Therefore, we would like to maintain consistency in the final Guidelines.

2) Grant Application(s) Phasing

We understand that DWR intends to release the Implementation and Planning Grant PSPs concurrently. However, given the current state of the economy, limited availability of funds at the State and local level, and costs associated with putting together a comprehensive grant application we recommend that the final PSPs and application processes be phased. The San Diego Region would prefer release, approval, and execution of the planning grants prior to release of the final Implementation Grant PSP. Basing the Implementation Grant project

selection decisions on an updated IRWM Plan will enable the regions to define a better and more comprehensive list of priority projects that meets current water resources needs and issues, including those necessary in response to recent legislative changes (e.g., SB x7, AB 1420).

3) Proposition 50 Grant Obligations

The San Diego Region appreciates DWR's commitment to encouraging integrated regional strategies by providing funding for planning and implementation activities. However, we request that DWR ensure adequate cashflow to support existing Proposition 50 grant obligations prior to release of new Proposition 84 grant opportunities. We understand that limited funding has been appropriated for the existing Proposition 50 grant contracts in fiscal years 2010 and 2011, and would like DWR to ensure that those grant contracts can be fully implemented and grant reimbursed as new commitments are made. Please clarify how DWR intends to prioritize grant distributions for existing and future Proposition 50 and 84 contracts.

4) Implementation Grant Funding Schedule

The San Diego Region requests that DWR distribute a funding schedule for the remainder of the Proposition 84 implementation funding not distributed in Round 1. The IRWM regions need to know when Rounds 2 and 3 will be offered and funding amounts in these rounds, in order to better plan for our project prioritization, ranking, and selection processes.

5) Streamlined Implementation Grant Application

The Implementation Grant application requirements should be streamlined for non-competitive Funding Areas. While we agree with DWR's efforts to ensure funding of truly integrated water resources projects, there is no need for extensive scoring and ranking of proposals in non-competitive Funding Areas. Proposition 84 (PRC §75028(a)) states that DWR

“shall defer to approved local project selection and review projects only for consistency with the purposes of §75026.”

Section 75026 requires that eligible projects (1) be consistent with an adopted IRWM plan or its functional equivalent as defined in the IRWM Guidelines; (2) provide multiple benefits; and (3) contribute to DWR's program preferences.

As such, DWR should request only information necessary to confirm consistency of grant application project(s) with the local IRWM Plan and any Memorandum of Understanding (MOU) adopted by the region or Funding Area. Extensive development of supporting information and attachments beyond those necessary to comply with the Public Resources Code should be eliminated.

The Tri-County Funding Area Coordinating Committee (Tri-County FACC), which includes all three regions within the San Diego Funding Area, have an MOU adopted by all nine RWMG agencies that outlines our commitment to inter-regional coordination (demonstrated through ongoing Tri-County FACC meetings), development of cross-watershed projects (planning is currently underway), and equitable allocation of the Proposition 84 bond funding. Our grant applications will be aligned with our agreed-upon allocation, will not exceed the Round 1 maximum, and will not be competitive. This mutual agreement will enable DWR to honor our approved local project selection processes and review our grant applications in a more streamlined manner.

Offering a streamlined grant application process for non-competitive Funding Areas will encourage regional cooperation, coordination, and collaboration between IRWM regions throughout the State and will reduce DWR's workload.

We recommend that a streamlined grant application for non-competitive Funding Areas include work plans, budgets, schedules, discussion of performance measures, and outreach to disadvantaged communities (DACs) for each proposed project in order to demonstrate consistency with local IRWM Plans and priorities. However, in accordance with PRC §75028(a), once each region has prioritized and approved its project list, additional economic analysis and assessment of impacts and benefits should not be necessary. Development and review of these materials are time consuming and overly burdensome on both DWR and local RWMGs.

6) Project Eligibility

The draft Implementation Grant PSP (page 9, Eligible Project Types) notes that eligible projects must be consistent with an adopted IRWM Plan (PRC §75026(a)). We request that DWR honor amendments to adopted IRWM Plans that have occurred prior to release of the draft PSP. Updating the project list associated with an adopted IRWM Plan is an essential component of each grant application cycle. So long as the evaluation and prioritization criteria remain as described in the adopted IRWM Plan, the actual list of projects may change over time as agencies and organizations implement their water management projects. In order to develop the best possible Round 1 grant applications, regions that have addressed the need to update their project lists should be able to do so.

In 2009, the San Diego RWMG adopted amendments to our IRWM Plan to clarify the process for periodic updates to our list of water management projects as new funding opportunities arise. We request that DWR honor this amendment and allow our Region to update our project list.

7) Implementation Grant Maximum Amount

In the draft Implementation Grant PSP, DWR presents the anticipated and maximum implementation grant amounts in Table 2 (page 10). Outlining two different sums – anticipated and maximum amounts – in the PSP provides uncertainty for the regions and overall Funding Areas as we are developing our grant applications. The San Diego Region would prefer that the Implementation Grant PSP be released as a larger consolidated grant (rather than the proposed 1/9th Round 1 amount). We suggest a \$25 million allocation for Funding Areas that are fully ready to proceed, consistent with the Proposition 50 implementation grant cycles. This will reduce overall administrative costs associated with preparation and review of grant applications and keep local stakeholders interested and engaged in the IRWM planning process.

We understand that DWR must implement a Statewide IRWM program that accommodates the needs of regions in differing phases of IRWM planning and program development. However, this penalizes strong regions that have already done good integrated, collaborative planning. The San Diego Region (and Funding Area) is ready to proceed with IRWM Plan implementation and we request a larger implementation funding amount.

8) Implementation Grant Project List

We understand that DWR may also allow the regions to submit applications with a 'base' suite of projects for the anticipated grant amount and present additional projects if the maximum amount becomes available. It would be cost-prohibitive for IRWM regions to develop extensive application materials (namely economic analysis and assessment of impacts and benefits) for projects that may or may not be granted funded. The San Diego Region requests that basic

project description, budget, and ranking information be provided for the additional projects; if additional funding does become available, DWR may then request more detailed project information from the RWMGs. Further, if additional funding does become available, we request that DWR contact all parties in the Tri-County FACC to allow us to define priorities and funding allocation appropriate for our Funding Area.

9) Grant Solicitation Schedule

The San Diego Region requests that DWR allow a minimum of 16 weeks after release of the final PSP for development of implementation grant applications. If the implementation grant cycle occurs prior to completing the IRWM Plan Updates, a 16-week schedule would allow the regions to engage local stakeholders in timely project identification, ranking, and selection processes to develop the best suite of projects possible. Without a near-term grant solicitation schedule in hand, the IRWM regions may need to begin the project prioritization and selection process prior to release of the final PSP or rush the project selection process if they wait until the final PSP is released. As a result, IRWM regions may have difficulty soliciting and selecting strong integrated projects that can wait for funding to become available.

10) Combined Proposition 84/1E Applications

DWR had originally indicated that the Proposition 84 and Proposition 1E grant applications would be combined. This saves time and resources for the regions, as only one combined grant application has to be prepared. Separation of the Implementation Grant PSP and Stormwater Flood Management PSP into two separate grant application processes puts greater burden on the regions to pay for preparation of two application cycles. The San Diego Region requests that DWR reconsider combining the two grant applications into one.

11) Reimbursement of Costs

The draft IRWM Guidelines (page 28, V. Proposal Selection, K. Reimbursement of Costs) state that planning costs incurred between September 2008 and grant contract execution may count toward the planning grant funding match; the planning grant will only pay costs incurred *after* grant contract execution. The draft IRWM Guidelines further state that project costs incurred between grant award and grant contract execution may count toward the implementation grant funding match; the implementation grant will only pay costs incurred *after* grant contract execution. Reimbursement of costs only *after* grant contract execution will delay project implementation due to the instability of the IRWM funding source, particularly for smaller agencies and non-governmental organizations. In order to implement ‘ready to proceed’ integrated projects, local project sponsors (LPS) need certainty that their ongoing activities will be grant reimbursable.

Our experience with the Proposition 50 grant contracts included a long delay between award of the grant (June 18, 2008) and actual contract execution (May 12, 2009). However, the “date certain” for cost eligibility allowed projects to move forward while waiting for contract execution. The San Diego Region requests that the Guidelines and Implementation Grant PSP be revised to include “grant reimbursement of eligible activities dating back to March 8, 2010 when the draft Implementation Grant PSP was released.”

12) IRWM Plan Adoption

The draft Implementation Grant PSP (page 17, Attachment 2) and the draft IRWM Guidelines (page 31, Appendix B. Definitions) are in conflict regarding IRWM Plan adoption requirements. The Implementation Grant PSP requires the IRWM Plan to be adopted consistent with CWC

§10543, which requires “the regional water management group [to]... adopt the plan in a public meeting of its governing board.” In contrast, the IRWM Guidelines state that “At a minimum, each project proponent named in an IRWM grant application must also adopt the IRWM Plan.” Please clarify who must formally adopt the IRWM Plan.

The San Diego Region requests that only RWMG governing bodies be required to adopt the IRWM Plan. Requiring each LPS to adopt the IRWM Plan prior to being included in an implementation grant application would be difficult given the short timeline associated with submittal of the grant applications, and may prohibit priority projects from being included in the implementation grant application due to inadequate time for formal hearings.

13) For-Profit Eligibility

The draft IRWM Guidelines (page 15, III. Eligibility Requirements, A. Eligible Grant Applicants) state that “Other IRWM stakeholder or partner entities, including non-profit or for-profit organizations, and tribal governments, may be part of the proposal as a project sponsor...” The San Diego Region fully supports inclusion of the tribal governments as eligible LPS. However, please clarify what type of for-profit organizations would be appropriate and eligible for IRWM funding made available through issuance of State bonds?

14) Eligible Project Types

The San Diego Region supports the list of eligible projects types presented in the draft IRWM Guidelines (page 17, III. Eligibility Requirements, B. Eligibility Criteria), including watershed protection, wetlands enhancement, and multipurpose flood management project types that support our regional IRWM goals in the Proposition 84 bond cycles.

We request expansion of the list of eligible projects types (page 17) and the definition of water conservation and reuse projects (page 56) to include “Potable reuse, including groundwater recharge and reservoir augmentation.” Throughout the State, IRWM regions are exploring various forms of potable reuse in order to diversify supply sources and meet regional demands. These project types will be essential contributors to our regional IRWM Plan objectives in the upcoming grant cycles.

15) Financial Statements

The draft IRWM Guidelines (page 28, V. Proposal Selection, I. Grant Agreement) state that prior to execution of the grant agreement, the Grantee must submit “copies of the most recent 3 years of audited financial statements, for each agency or organization proposed to receive grant funding.” In Proposition 50, only the agency serving as grant applicant was required to submit audited financial statements. The San Diego Region suggests revising the statement to state that “financial statements may be provided *upon request* by DWR.”

16) Economic Analysis

The requirement for detailed economic analysis (in Implementation Grant PSP Exhibit C: Economic Analysis Water Supply, Exhibit D: Water Quality and Other Expected Benefits, Exhibit E: Economic Analysis Flood Damage Reduction, and Exhibit F: Proposal Project Costs and Benefits Summaries) is excessive for regions not in direct competition due to documented Funding Area agreements. As stated above, we request consideration of 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, please consider modifying these sections to allow simplified analysis that still accomplishes the intent of the Guidelines. 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. Detailed analysis of avoided costs and other intangible cost savings should only be required if necessary to demonstrate cost effectiveness.

The Implementation Grant PSP (page 24, Table 5, Economic Analysis/Benefits) includes a description of the economic analysis sections that are inconsistent with Exhibits C-F. Please clarify the submittal requirements and scoring criteria.

17) Funding Area Balance

To encourage regions to collaborate more effectively, we recommend DWR establish criteria for Funding Area Balance (page 22, Table 5, Funding Area Balance Points). We recommend:

5 points = Funding Area has documented and implemented a consensus agreement approved by the governing boards of all RWMG entities for planning, coordination, and funding

2 points = Funding Area can demonstrate cooperation, but no specific agreements for planning, coordination, or funding

1 point = Letters sent to surrounding IRWM regions in Funding Area, but no specific planning or coordination activities

0 points = No communication between multiple IRWM regions in a Funding Area

18) Program Preferences

The Planning Grant PSP (page 19, Table 5, Program Preferences) allows for a range of 0-10 points possible and the scoring criteria state that "points are awarded for each program preference that is specifically included in the work plan, schedule, and budget." However, there are only 8 program preferences listed in the draft IRWM Guidelines (page 12, II. Introduction and Overview, F. Program Preferences). Please clarify how a maximum of 10 points could be achieved based on 8 program preferences.

19) Stormwater Flood Management Funding Match

The San Diego Region is concerned about the substantial funding match required in the draft Stormwater Flood Management PSP. This 50% funding match requirement is biased toward large agencies with the financial ability to identify up to \$15 million in non-State funds. We are concerned that smaller agencies and non-profit organization will be constrained by this required match and therefore ineligible for Proposition 1E grant funding.

Conclusion

We appreciate the open process used by DWR to receive comments on the draft IRWM Grant Program Guidelines and PSPs. We have mirrored this transparency by asking our RAC for their input on this comment letter. We have also continued our commitment to on-going coordination with the Tri-County FACC by working together on comments of mutual interest.

Again, we appreciate the opportunity to comment on the draft IRWM Grant Program Guidelines and PSPs, and we are looking forward to continuing to work with DWR on development our IRWM Program.

Sincerely,

San Diego Regional Water Management Group



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Marsi Steirer, Interim Assistant Director, Business Support, Public Utilities Department
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Cc:

San Diego Regional Advisory Committee

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- Marsi Steirer, Deputy Director of Water Policy and Strategic Planning, City of San Diego
- Ken Weinberg, Director of Water Resources, San Diego County Water Authority

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- Linden Burzell, General Manager, Yuima Municipal Water District
- Mark Rogers, General Manager, Sweetwater Authority
- Mark Weston, General Manager, Helix Water District
- Lori Vereker, Director of Utilities, City of Escondido

Water Quality

- Neal Brown, Director of Engineering and Planning, Padre Dam Municipal Water District
- Mike Thornton, General Manager, San Elijo Joint Powers Authority
- Kirk Ammerman, Principal Civil Engineer, City of Chula Vista
- Anne Bamford, Industrial Environment Association

Natural Resources and Watersheds

- Craig Adams, Executive Director, San Dieguito River Valley Conservancy
- Doug Gibson, Executive Director, San Elijo Lagoon Conservancy
- Rob Hutsel, Executive Director, San Diego River Park Foundation
- Megan Johnson, Project Manager, California Coastal Conservancy
- Judy Mitchell, District Coordinator, Mission Resource Conservation District
- Kathy Viatella, Senior Project Director, The Nature Conservancy

Members At Large

- Linda Flournoy, Sustainability Consultant, Planning & Engineering for Sustainability
- Gabriel Solmer, Legal Director, San Diego CoastKeeper
- Lisa Gover, Campo Kumeyaay Nation
- Dave Harvey, Rural Community Assistance Association
- Eric Larson, Executive Director, Farm Bureau of San Diego County
- Richard Pyle, San Diego Regional Chamber of Commerce
- Shelby Tucker, Regional Planner, San Diego Association of Governments
- George Loveland, Board Member, SD Regional Water Quality Control Board
- Jeremy Jungreis, U.S. Department of the Navy
- Iovanka Todt, Floodplain Management Association

Non-Voting Members

- Laurie Walsh, SD Regional Water Quality Control Board
- Greg Krzys, U.S. Bureau of Reclamation
- Perry Louck, Rancho California Water District (Tri-County FACC)
- Marilyn Thoms, County of Orange (Tri-County FACC)