

STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
APRIL 21, 2005

ITEM 3

SUBJECT

ADOPTION OF THE WATER RECYCLING FUNDING PROGRAM (WRFP) RANKING FOR ALLOCATION OF PROPOSITION 50 CONSTRUCTION GRANT FUNDS

DISCUSSION

The State Water Resources Control Board (State Water Board) adopted Resolution No. 2004-0064 on October 21, 2004, approving the Water Recycling Funding Program Guidelines (Guidelines). The Guidelines include the requirements and criteria for the administration of approximately \$42 million in construction grant funding provided by the Water Security, Clean Drinking Water, Coastal and Beach Protection Act (Proposition 50).

Subsequent to the adoption of the Guidelines, the Division of Financial Assistance (Division) posted a notice, dated October 26, 2004, requiring interested applicants to submit a detailed questionnaire using the State Water Board's online Financial Assistance Application Submittal Tool. The questionnaire provided data for Division staff to categorize projects according to the six categories specified in the Guidelines. This information was used to develop the Competitive Project List (CPL), which was subsequently adopted by the State Water Board on January 20, 2005.

Chapter 7, Section 79550(g) of Proposition 50 requires these funds be used for water recycling projects that meet CALFED Bay-Delta Program objectives. Therefore, in order to be eligible for these funds, an applicant must have its proposed project placed in Category I of the State Water Board-approved CPL. Placement of the proposed projects on the CPL is a requirement for funding, but does not constitute a commitment to fund the listed projects.

The WRFP accepts and processes applications on a continuous basis as per the Guidelines. Division staff process grant applications based on the submittal date of the application and a project's readiness to proceed. However, the Guidelines also set forth that complete application packages submitted prior to adoption of the CPL were considered to have been submitted on the date of adoption of the CPL, January 20, 2005.

Concurrent with development of the CPL, applicants were given the opportunity to submit grant applications for Proposition 50 funds. Division staff received a total of 45 applications for approximately \$127 million in funding assistance under Category I projects in the CPL. Out of the 45 Category I applicants, only 25 applicants submitted complete application documents that meet the requirements of the Guidelines. The complete applications amounted to approximately \$59 million, which exceeds the available construction grant funds of \$42 million. Therefore, in accordance with the Guidelines, Division staff used the following factors, in the order listed below, to further distribute and/or prioritize the construction grant funds:

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1. Reduce the maximum grant amount per project from \$5 million to \$4 million to distribute the available funds among a greater number of projects.
2. Provide preferences for projects that provide benefit to and/or are submitted by a disadvantaged community, (defined in Appendix H of the Guidelines).
3. Distribute the grant funds geographically by allocating:
 - a. a minimum of 40 percent of the funds to projects within the following Southern California Counties: Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura County,
 - b. a minimum of 40 percent of the funds distributed to projects within the remaining counties; and
 - c. the remaining 20 percent of the funds distributed to projects within any county.
4. Prioritize applications based on the type of project as follows (projects with multiple components will be prioritized based on the highest-ranking project type):
 - a. Recycled Water Distribution System
 - i) Component of a Regional Distribution System
 - ii) Local Distribution System
 - b. Groundwater Recharge Facilities
 - c. Recycled Water Treatment Facilities
 - d. Groundwater Reclamation

Based on the criteria above, Division staff has prepared a list of the highest ranking projects recommended to receive a preliminary funding commitment of Proposition 50 grant funds as they become ready to proceed ([Exhibit A](#)). The proposed project lists are divided into two geographical groups. This geographical division shows the funding order of the proposed projects for the six identified Southern Counties in one group, and in the other group are the unlisted Counties labeled as Northern California Counties.

Division staff proposes to review and process funding requests in the ranked order shown in Exhibit A for both the Northern and Southern groups and to approve acceptable applications for those projects that are ready to proceed until grant funds are exhausted. If grant funds become available, due to an applicant withdrawing their project or failing to meet a mutually agreed upon time schedule, Division staff will proceed to process projects in the following order:

1. Projects remaining on the Northern or Southern group, in ranked order, until all the projects in the specific group are processed or the 40 percent set-a-side has been exceeded.
2. Remaining projects that submitted complete applications from any group, processed in ranked order, as established by their readiness to proceed to construction.
3. Projects with incomplete applications, in the order they become complete and are ready to proceed.

Division staff will request preliminary funding commitments in accordance with the State Water Board's Resolution No. 2003-0042, which authorized the Executive Director, the Chief Deputy Director, or the Chief of the Division of Financial Assistance (Division Chief) to make funding commitments for routine, non-controversial projects that are consistent with the policies, regulations, and agreements that the State Water Board has adopted governing the internal management of the Water Recycling Funding Program. All projects will be reviewed for compliance with water-right fees prior to issuance of a funding commitment.

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Because Proposition 50 funds are intended to meet the CALFED Bay-Delta Program objectives, the California Bay-Delta Authority (CBDA) will be informed regarding funding activities. The Division's recommendation will be presented at a joint meeting with the Bay-Delta Public Advisory Committee and the CBDA on April 13-14, 2005. Any comments or recommendations from the CBDA will be presented to the State Water Board at the April 21, 2005 meeting.

POLICY ISSUES

Should the State Water Board approve the proposed water recycling project funding ranking for allocation of Proposition 50 grant funds as presented in Exhibit A, thereby allowing Division staff to process applicants in the order listed for Proposition 50 construction grant funding until grant funds are exhausted?

FISCAL IMPACT

Approximately \$42 million of Proposition 50 grant funds are appropriated to the State Water Board for the Water Recycling Funding Program. The complete applications received for projects contained in Category I have a combined funding request of \$59 million. Therefore, Proposition 50 funding applicants must compete for the limited grant funds based on the ranked order of the proposed projects listed in Exhibit A.

There are currently no funds available from the Proposition 13 or 1984 Bond Act loan repayment accounts for construction of water recycling projects.

RWQCB IMPACT

No Impact

STAFF RECOMMENDATIONS

The State Water Board adopt a resolution to approve the water recycling project funding review ranking presented in Exhibit A for allocation of Proposition 50 water recycling construction grant funds.

STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2005 -

ADOPTION OF THE WATER RECYCLING FUNDING PROGRAM RANKING FOR
ALLOCATION OF PROPOSITION 50 CONSTRUCTION GRANT FUNDS

WHEREAS:

1. The State Water Resources Control Board (State Water Board) adopted the Water Recycling Funding Program Guidelines (Guidelines) on October 21, 2004, and the Competitive Project List (CPL) on January 20, 2005;
2. Approximately \$42 million of Proposition 50, Chapter 7, Section 79550(g) funds have been appropriated to the State Water Board for the design and construction of water recycling facilities. Projects funded from these monies are required to meet CALFED Bay-Delta Authority program objectives;
3. The Guidelines set the criteria for eligible applicants and proposed projects allowed to compete for Proposition 50 grant funds;
4. The California Bay-Delta Authority (CBDA) concurred with the State Water Board's adoption of the CPL at its February 2005 meeting and recommended the State Water Board's approval of the proposed Category I projects funding ranking for allocation of Proposition 50 funds in the April 2005 CBDA meeting;
5. The estimated combined total cost of the projects in Category I of the CPL is approximately \$1.4 billion, with an estimated funding request of \$229 million. Division staff received complete funding applications with a combined eligible grant amount of \$59 million;
6. The Guidelines allow for funding requests of 25 percent of eligible construction costs up to \$4 million per project; and
7. Following criteria specified in the Guidelines, the Division proposes the water recycling project funding ranking shown in Exhibit A for Category I projects to compete for the available \$42 million of Proposition 50 funds until fully expended.

THEREFORE BE IT RESOLVED THAT:

The State Water Board approves the water recycling project funding ranking for allocation of Proposition 50 construction grant funds and authorizes the Chief of the Division of Financial Assistance to execute grant agreements.

CERTIFICATION

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on April 21, 2005.

Debbie Irvin
Clerk to the Board