

## **GOVERNOR'S 2018-19 PROPOSED BUDGET**

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In his final year as governor, Jerry Brown is using his last budget proposal to boost some of the programs he's championed while stashing away billions of dollars in reserves that would help his successor weather a recession.

He's proposing a \$190.3 billion spending plan today that accelerates funding for his signature education law and uses new gas tax revenue to fund \$4.6 billion in new transportation projects.

His proposal would set aside \$3.5 billion for the state's rainy day fund, the reserve he championed in 2010 as a means for California to soften the blow of future recessions. That would leave the state with \$13.5 billion in reserves that it could use if the economy sours.

As in previous years, the notoriously frugal Governor warned of "leaner" times ahead due to the likelihood of an imminent recession, the recent federal tax reform and the uncertainty of the Affordable Care Act (ACA).

However, Brown is using some of a projected surplus to speed up the full funding of his 2013 education reform, the Local Control Funding Formula. His budget would hand schools a \$3 billion for the program, which they can use to augment resources for needy students.

But legislative Democrats still have a lot they'd like to accomplish in the state. Assembly Budget Chair Phil Ting has laid out numerous proposals for the projected budget surplus. They include increasing the earned income tax credit, expanding Medi-Cal to cover all the uninsured, making early education available to all 4-year-olds and putting more money into reserves.

Below is a quick summary of the prioritized policy issues in the proposed budget:

### **TRANSPORTATION**

- Local Streets and Roads—the 2017 Budget provided \$451 million to cities and counties for projects that begin addressing their highest repair needs on local streets and roads. Cities and counties are expected to begin receiving the new revenues together with their base road maintenance funding by early February 2018.

The Budget provides \$1.2 billion in new revenues to cities and counties to continue addressing the backlog of local road repairs.

- Transit and Intercity Rail Capital Program—The upcoming five-year program from new SB 1 revenues and existing Cap and Trade auction proceeds will provide \$2.4 billion in new transit project funding.
- New SB 1 Resources for Intercity and Commuter Rail Program—\$36 million Public Transportation Account from increased diesel sales tax revenues to be allocated by the Agency for operations and capital improvements of intercity and commuter rail services.

Allocation requests were received on December 15, 2017, for the three-year period ending 2019-20.

- New SB 1 State Transit Assistance Grants—\$355 million Public Transportation Account to local transit agencies for operations and capital costs.
- New SB 1 Transportation Project Funding—\$2.8 billion in additional funding for a range of programs, including \$1.2 billion for highway maintenance and repairs, with \$53.3 million for 400 new maintenance positions, \$400million for repairing state-owned bridges and culverts, \$330 million for local transit projects, \$306 million for improvements to the state’s trade corridors, \$250 million for projects to relieve commuter corridors, \$200 million in matching funds for the Local Partnership Program, \$100 million for active transportation projects, \$25 million for freeway service patrols, and \$25 million for local planning grants.

#### **Shared Revenues:**

- New SB 1 Local Road Maintenance Funding—\$1.2 billion in additional funding for cities and counties to be distributed by the State Controller.

#### **PARK BOND**

If approved by voters in June 20 18, SB 5 would authorize \$4 billion in general obligation bonds for California’s parks, water and flood control infrastructure, ocean and coastal protection, safe drinking water, groundwater management and climate preparedness and resiliency.

The Budget proposes \$1.02 billion for the first year of implementation should the voters approve the bond measure. Of this amount, \$123 million will be dedicated to climate resiliency and adaptation programs, including coastal protection. Projects funded by the bond measure in 2018-19 will be prioritized to support existing programs, “shovel-ready” projects, and a phased-in approach for newly established programs

#### **SUSTAINABLE GROUNDWATER MANAGEMENT ACT (SGMA)**

- SGMA Implementation—\$61.8 million from SB 5 for DWR to support groundwater sustainability agencies through three key efforts: (1) providing technical assistance to aid in the development and evaluation of their plans, (2) supplementing existing planning grants to support a groundwater sustainability agency's responsibility to define a path to achieve sustainable groundwater management, and (3) providing grants directly supporting implementation of groundwater projects.
- Groundwater Treatment—\$84 million from SB 5 for the State Water Board to support regional groundwater treatment and remediation activities that prevent or reduce contamination of groundwater that serves as a source of drinking water, including \$10 million for technical assistance for drought and groundwater investments.

- Flood Management Multi-Benefit Flood Control Projects—\$98.5 million from SB 5 for flood control projects that achieve public safety and fish and wildlife improvements, as well as funding for a new Floodplain Management, Protection and Risk Awareness Program to protect California’s alluvial fan, coastal, and riverine floodplains.

## **SAFE AND AFFORDABLE DRINKING WATER**

Safe and Affordable Drinking Water Fund—Establishes a new special fund for the State Water Board to assist communities, particularly disadvantaged communities, in paying for the short-term and long-term costs of obtaining access to safe and affordable drinking water.

The Administration is proposing statutory language, consistent with the policy framework of SB 623, introduced in the 2017-18 legislative session, to establish a program that provides grants, loans, and administrator contracts or services to assist eligible communities and households in securing access to safe and affordable drinking water.

The Budget proposes \$4.7 million in 2018-19 for the State Water Board and the Department of Food and Agriculture to take initial steps toward implementation of this new program, including (1) developing and implementing fee collection systems, (2) conducting an assessment to estimate the level of funding needed to assist water systems in the state to ensure the delivery of safe and affordable drinking water, and (3) developing and making available a map of high-risk aquifers used as drinking water sources

- Safe Drinking Water Projects—\$63 million from SB 5 for the State Water Board to provide grants to public water systems in disadvantaged communities for infrastructure improvements to meet safe and affordable drinking water standards, including both drinking water and wastewater treatment projects.

## **FIRE PROTECTION**

In recognition of the state’s recent catastrophic year, the 2017 Budget Act included: (1) additional ongoing permanent funding of \$42.4 million to expand the state’s firefighting capabilities and extend the fire season, and (2) \$200 million of Cap and Trade funds to support healthy and fire resilient forests.

## **LOCAL NEIGHBORHOOD PARKS**

SB 5 includes over \$1 billion for multiple programs that improve and rehabilitate local park facilities, as well as expand access to neighborhood parks. The Budget proposes \$464 million to begin implementation of these local park programs, provided that voters approve the bond measure in June 2018, including:

- Safe Neighborhood Parks—\$277 million to provide grants for the creation of new parks and recreation facilities, as well as the rehabilitation of existing local parks, in critically underserved communities throughout California, consistent with the Statewide Park Development and Community Revitalization Program.

- Per Capita Grants—\$186 million to provide for the acquisition and development of neighborhood, community, and regional parks and recreation lands and facilities in urban and rural areas.

The Budget proposes \$11.5 million State Emergency Telephone Number Account (SETNA) to modernize the state's current antiquated 9-1-1 system with a Next Generation 9-1-1 system, and improve public safety during emergency events

## **HEALTH & SOCIAL SERVICES**

Continuum of Care Reform — The Budget includes \$238.2 million (\$179.7 million General Fund) to continue implementation of Continuum of Care reforms. This funding reflects ongoing support for child and family teams, approval of resource families, and family retention, recruitment, and support.

- Home Visiting Initiative—The Budget includes \$26.7 million for a voluntary Home Visiting pilot program, which will continue through 2021 for young, first-time parents in the CalWORKs program.
- Single Allocation Methodology—The Budget includes a one-time augmentation of \$187 million for the county single allocation until a revised budgeting methodology is adopted to address the cyclical nature of the caseload changes and impacts to county services. The Administration will continue to work with representatives of counties and the County Welfare Directors Association to develop recommendations for revising the single allocation budgeting methodology by the May Revision.

## **INCOMPETENT TO STAND TRIAL (IST)**

Budget proposes \$117.3 million (\$114.8 million General Fund) to further develop the state-county partnership to address the growing number of IST commitments referred to the Department. Nearly \$100 million General Fund will be available over three years for community alternatives to increase diversion of mentally ill offenders and decrease county IST referrals to state hospitals. The goal is to strengthen existing local mental health treatment efforts, develop or enhance robust diversion programs, and reduce IST referrals by up to 30 percent

## **PUBLIC SAFETY**

The Budget includes \$26.6 million General Fund to establish a Firefighter Training and Certification Program for ex-offenders to provide the necessary education and training to become a firefighter.

- Rehabilitative Programming Grants—\$4 million Inmate Welfare Fund to provide rehabilitative programming grants to non-profits that provide programs that have demonstrated success and focus on offender responsibility and restorative justice principles.

- The Budget dedicates \$3.1 billion General Fund to health care services programs, resulting in inmates having continued access to mental health, medical and dental care that is consistent with the standards and scope of services appropriate within a custodial environment.

## **HOUSING**

Veterans and Affordable Housing Bond Act of 2018 proposes a \$4 billion bond on the November 2018 ballot. The first \$3 billion of the bond will support various existing housing programs, including affordable multifamily housing, farmworker, transit-oriented development, infill infrastructure, and homeownership programs, as well as matching grants for Local Housing Trust Funds. These funds are anticipated to be awarded over five years. The remaining \$1 billion will be available to support home ownership for veterans, with down payment assistance, reduced fees and closing costs, and competitive interest rates. The Budget includes \$277 million local assistance for the Multifamily Housing Program, assuming passage of the Veterans and Affordable Housing Bond Act of 2018. The Multifamily Housing Program assists with new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households.

## **VETERANS**

The Budget also includes \$571,000 from the California Central Coast State Veterans' Cemetery at Fort Ord Operations Fund for the working drawings phase for the continuation of the California Central Coast Veterans Cemetery project in the City of Seaside.

## **VOTING REPLACEMENT SYSTEMS FOR COUNTIES**

The Budget includes a one-time augmentation of \$134.3 million General Fund to support the purchase of all necessary hardware, software, and initial licensing for the replacement of voting systems and technology in all 58 counties. This funding represents a 50-percent state share of total voting system replacement costs; counties will be responsible for the other 50 percent

## **CANNABIS**

The Budget continues funding as approved in the 2017 Budget Act for cannabis regulatory activities, including the processing of licenses and permits, enforcement, laboratory services, information technology, quality assurance, and environmental protection. California's three state cannabis licensing authorities have emergency regulations in place for commercial medicinal and adult-use cannabis, which includes state-licensed cannabis activity that became effective on January 1, 2018.

Proposition 64 specifically delineated the allocation of resources in the Cannabis Tax Fund, which are not subject to appropriation by the Legislature. Pursuant to Proposition 64, expenditures are prioritized as follows:

- Regulatory and administrative costs necessary to implement, administer, and enforce the Cannabis Act. The Administration will use the initial revenues into the tax fund to repay the \$135 million General Fund loan used to support these activities from last year.

Given the timing of the legalized market's opening and the release of the Governor's Budget, the Administration is deferring all cannabis-related budget proposals until the May Revision. While only a limited amount of data will be available at the May Revision, the Administration will use the updated information to make more informed decisions about future resource needs.

## **LIBRARIES**

The California State Library collects, preserves, generates, and disseminates information. The Library administers programs funded by state and federal funds to support local public libraries and statewide library programs.

- Augmentation for Literacy Program—an increase of \$2.5 million General Fund ongoing to expand the existing California Library Literacy Services program.
- One-Time Funding for Broadband Grants—\$5 million General Fund one-time for broadband equipment grants, with the expectation that \$2 million would support connection for public libraries who lack access to the broadband network and \$3 million would expand capacity for libraries already connected.
- One-Time Funding for Online Service System—\$1.5 million General Fund one-time for online systems for use by public libraries to support efficient access to resources.

## **2020 CENSUS**

The Budget includes \$40.3 million for statewide outreach and other activities related to the 2020 Census count. Statewide coordination of the multi-year, multi-lingual effort is critical to obtain a complete and accurate count of California residents.

# Legislature Takes a Big Step Forward by Passing SB 5

In the final hours of this year's legislative session, the Legislature took action to protect and restore California's state and local parks; coastal, forest, and other natural resources; and water quality and supply by passing SB 5 (de León) The California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018. Under the leadership of Senate Pro Tem Kevin de León (D-Los Angeles) and Assemblymember Eduardo Garcia (D-Coachella), both the Senate and Assembly worked with the Governor's administration to reach a deal on the \$4 billion park and water bond proposal.

## **Funding provisions in SB 5:**

Senator de León's bill allocates \$2.83 billion in funding for parks and natural resources projects including over \$1 billion to local parks throughout the state with the majority going to fund new parks in neighborhoods that are park poor. The bill also provides critically needed funding to protect the state's natural resources and wildlife with funding to protect coastal redwoods, Sierra forests, and rivers, lakes, and streams in all parts of the state.

SB 5 invests in improving California's resilience to climate change. It includes a broad portfolio of investments that address the challenges to protecting our coastal resources and maintaining healthy natural systems that provide clean air and water.

The measure also allocates \$1.27 billion in funding for water related investments including safe drinking water projects, groundwater cleanup and management as well as funding to better protect California communities from the twin threats of drought and flood. A more detailed breakdown of funding allocations in SB 5 is attached.

## **Looking forward:**

SB 5 will appear on the ballot in June 2018.

**SB 5 (de Leon) The California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018**  
**Total: \$4 billion\***

**Parks and Natural Resources Funding: \$2.83 B**

**Chapter 2: Investments in Environmental and Social Equity, Enhancing California's Disadvantaged Communities**

- \$725 M to DPR for parks in park-poor neighborhoods

**Chapter 3: Investments in Protecting, Enhancing, and Accessing California's Local and Regional Outdoor Spaces (\$285 M)**

- \$200 M to DPR for local park grants on a per capita basis
- \$15 M to DPR for park and recreation grants for jurisdictions with a population of 200,000 or less
- \$30 M to DPR for competitive grants to local park districts, open space districts, and open space authorities to create, expand, or restore parks
  - o \$5 M for projects in units of the state park system managed by nonprofits
- \$40 M to DPR for grants to local agencies that have approved local park revenue measures

**Chapter 4: Restoring California's Natural, Historic, and Cultural Legacy**

- \$218 M to DPR for existing state parks and improving public access
  - o \$10 M available for enterprise projects
  - o \$5 M for local agencies that operate a unit of the state park system
  - o \$18 M for fairground facility improvements
  - o \$30 M for low cost coastal accommodations
  - o \$25 M for natural resource projects in state parks

**Chapter 5: Trails and Greenway Investment**

- \$30 M to CNRA for competitive grants for non-motorized infrastructure development and enhancements that improve access
  - o Up to 25% for innovation transportation programs that expand outdoor experiences to disadvantaged youth

**Chapter 6: Rural Recreation, Tourism, and Economic Enrichment Investment**

- \$25 M to DPR for competitive grants to non-urbanized areas (Roberti-Z'berg-Harris Urban Open-Space and Recreation Program)

**Chapter 7: California River Recreation, Creek, and Waterway Improvements Program**

- \$162 M for the River Parkways and Urban Streams Restoration Programs.
  - o \$37.5 M to Santa Monica Mountains Conservancy
  - o \$37.5 M for Lower Los Angeles Rivers and Mountain Conservancy
  - o \$16 M for the Santa Ana River Conservancy Program
  - o \$10 M to the Lower American River Conservancy Program
  - o \$3 M for the Los Gatos Creek and Guadalupe River
  - o \$3 M for the Russian River
  - o \$10 M Santa Margarita River
  - o \$5 M Clear Lake
  - o \$10 M River Parkways Program
  - o \$10 M Urban Streams Restoration Program
  - o \$20 M river parkway projects in Glendale
  - o The remainder to the CNRA for grants.

**Chapter 8: State Conservancy and Authority Funding (\$767 M)**

- \$30 M to the Salton Sea Authority
  - o \$10 M for New River
- \$180 M to state conservancies for drought/water investments:
  - o \$6 M to Baldwin Hills Conservancy
  - o \$27 M to California Tahoe Conservancy
  - o \$7 M to Coachella Mountains Conservancy
  - o \$12 M to Sacramento-San Joaquin Delta Conservancy
  - o \$12 M to San Diego River Conservancy
  - o \$30 M to Lower Los Angeles River and Mountains Conservancy
  - o \$6 M to San Joaquin River Conservancy
  - o \$30 M to Santa Monica Mountains Conservancy
  - o \$30 M to Sierra Nevada Conservancy
  - o \$20 M to State Coastal Conservancy (Measure AA match)
- \$137 M to the Wildlife Conservation Board
  - o \$5 M development of RCISs

- o \$52 M for Natural Community Conservation Planning
- o Up to \$10 M to the UC Natural Reserve System
- \$200 M to CNRA for voluntary settlement agreements
- \$50 M to Department of Fish and Wildlife (DFW) for deferred maintenance
- \$170 M to CNRA for Salton Sea

**Chapter 9: Ocean, Bay, and Coastal Protection**

- \$175 M for the protection of coastal and ocean resources
  - o \$35 M to Ocean Protection Trust Fund
  - o \$30 M to the State Coastal Conservancy for low cost coastal accommodations
  - o \$85 M State Coastal Conservancy for protection of coastal watersheds
    - 25% to the SF Bay Area Conservancy Program
  - o \$20 M for coastal forests
  - o \$5 M for coastal habitat associated with estuarine lagoons and designated wildlife areas

**Chapter 10: Climate Preparedness, Habitat Resiliency, Resources Enhancement, and Innovation (\$443 M)**

- \$18 M to WCB for direct expenditures and grants
- \$30 M to remove barriers to between habitat areas and increase connectivity
  - o \$10 M for the California Waterfowl Habitat Program
- \$25 M to restore rivers and streams in support of fisheries and wildlife
  - o \$5 M salmon and steelhead projects in Klamath-Trinity watershed
- \$60 M to improve wildlife or fish passage
  - o \$30 M to the DFW for southern California steelhead habitat
- \$60 M for upper watersheds in the Sierra Nevada and Cascades
- \$30 M to DFW to improve conditions for fish and wildlife in streams
- \$40 M Ocean Protection Trust Fund
  - o 35% to the SF Bay Area Conservancy Program
  - o 12% to the West Coyote Hills program
- \$30 M for innovative farm practices that improve climate resilience
  - o \$10 M to CDFA for grants to improve climate change resiliency
  - o \$20 M to DOC to enhance natural working lands
- \$50 M to the Department of Forestry & Fire Protection
  - o 30% of this shall be for urban forestry projects
- \$40 M to the California Conservation Corps
- \$60 M to CNRA to restore Native American natural resources, convert former fossil fuel power plants to open space, and other projects
  - o \$20 M multibenefit green infrastructure benefitting DACs

**Water Funding: \$1.27 B**

**Chapter 11: Clean Drinking Water and Drought Preparedness**

- \$250 M for clean and safe drinking water
  - o \$30 M for regional supply projects in San Joaquin area

**Chapter 11.1: Groundwater Sustainability**

- \$80 M for groundwater cleanup

**Chapter 11.5: Flood Protection & Repair**

- \$550 M total for flood protection and repair
  - o \$350 M for flood protection facilities and levee improvements
    - \$50 M for delta levee repairs
    - \$300 M multibenefit flood projects
  - o \$100 M for stormwater, mudslide, and other flood-related protections
  - o \$100 M for urban multibenefit flood projects

**Chapter 11.6: Regional Sustainability for Drought and Groundwater, and Water Recycling**

- \$290 M total for regional sustainability
  - o \$50 M for groundwater sustainability plans
  - \$100 M for water recycling
    - o \$20 M CDFA for SWEEP program

As amended 9-10-17 \*Note that the bond allocates \$100 million of unissued bonds from Props 1, 40, and 84, so the total amount of allocations in SB 5 adds up to \$4.1 billion.





We appreciate the opportunity provided by the authors of AB 1668 and SB 606 to discuss various technical issues required for successful implementation of these bills. This document identifies a number of technical issues with the legislation, which must be addressed for successful implementation, and details the requested amendments to resolve each issue. This document also identifies remaining policy concerns related to the bills and outlines requested amendments that are required to address those concerns.

### Technical/Implementation Issues and Requested Amendments

Issue	Requested Amendment
Indoor Water Use Standard	That the legislation require the evaluation of and report on the impacts of reducing the indoor water use standard below 55 GPCD on water, wastewater and recycling/reuse systems, infrastructure, operations and supplies.
Outdoor Water Use Standard	<p>That the language in the legislation be clarified so that there is no confusion as to what the “principles” of MWELo mean and what factors the SWRCB shall consider when setting the standards for both outdoor residential and outdoor CII water use.</p> <p>Factors that should be considered in setting the standards include, but are not limited to, the amount of water different plant types need to remain healthy; levels of irrigation system efficiency; the composition of existing urban landscapes, including swimming pools, spas and other water features; evapotranspiration; the unique water needs of special landscapes, including landscapes irrigated with recycled water; and the impacts of soil and water quality on water needs, etc.</p>
Water Loss	<p>That the legislation exclude water loss from the urban retail water use objective as existing law already addresses this issue. Under SB 555, the SWRCB is required to adopt rules requiring urban retail water suppliers to meet performance standards for the volume of water losses.</p> <p>Also, that water use and loss cause by a disaster (e.g. fire or earthquake) be expressly excluded from the compliance calculation.</p>
Variances	That the legislation include language requiring the SWRCB to adopt variances/processes for calculating variances for a variety of anomalous situations, including irrigation with recycled water in areas having high levels of total dissolved solids, seasonal populations, environmental uses, etc. Whether a specific variance is applicable to an urban retail water supplier will be a factual determination.
Data	To make retail-level water budgets effective and implementable, that the legislation require DWR to provide the data urban retail water suppliers need to calculate an urban water use objective at regular intervals, and that the data provided be reasonably accurate.
Reporting Compliance	To ease the annual reporting burden on urban retail water suppliers, as has been done in other bills (e.g. SB 555), that the legislation allow suppliers to report water use on either a fiscal or calendar year basis. To allow for this and, if water losses remain a factor in the compliance calculation, to allow for data from water loss audits to be used in the

	compliance calculation, that the annual reporting deadline be moved to November 1 of each year.
Providing for Unique Situations Affecting Calculation of Urban Water Use Objectives	That the legislation grant DWR or the SWRCB the authority to develop alternative methods for calculating an urban water use objective where unique conditions make it technically, economically, or administratively infeasible to calculate the objective using the standard method developed.
CII Performance Measures	That feasibility and cost-benefit be listed in the legislation as the key factors DWR and the SWRCB must consider in the development of performance measures that urban water suppliers will be asked to implement for the CII sector.
Separation of Mixed CII Meters	That recommendations related to separating mixed CII meters only be applicable where feasible and cost-effective.
Recycled Water Irrigation Sites	That the legislation include a recognition that the outdoor irrigation standard for sites irrigated with recycled water should be set at no less than the standard contained in MWEL0.
Drought Planning	That the planning horizons for urban water management plans, water shortage contingency plans, drought risk assessments, and water supply and demand assessments be clearly defined and that vague language, such as “or more,” which leaves the planning horizon opened, be removed from the legislation.

**Policy Concerns and Requested Amendments**

<b>Issue</b>	<b>Requested Amendment</b>
Enforcement	That the legislation be modified to ensure a “glide path” approach is taken to enforcement and that the enforcement guide path incorporate remedial actions plans, which would be utilized before conservation orders and fines. Conservation orders and fines should result only if a supplier does not take the actions detailed in a SWRCB-approved remedial action plan.
Potable Reuse Credit	That the legislation be amended to include a potable reuse credit cap higher than 10%.
Drought Resilient Water Supplies	That the legislation, in a manner that does not limit the Governor’s power and authority to respond to emergencies, expressly provide that upon proclamation of a drought emergency: <ul style="list-style-type: none"> <li>• The SWRCB shall defer to locally adopted water shortage contingency plans to the extent practicable and allow suppliers to implement their plans based on the level of shortage being experienced locally; and</li> <li>• Recycled water (including potable reuse), emergency, desalination, and other drought resilient supplies identified in an urban water supplier’s water shortage contingency plan not be restricted during a declared drought emergency, but instead used efficiently for beneficial uses.</li> </ul>

### **Funds Available to Monterey County**

Total: 54.5% of the bill's funding. Other funds go to state-level programs which will benefit Monterey County indirectly (i.e. IRWM coordination, water data management) while the rest goes towards regional funds, conservancies, or specific projects. Funds that Monterey County would be at priority to receive are bolded. As is normal in state water measure, the regional area of significant funding is Delta and its tributaries, given its role in water provision to the majority of the state's population. Further information on the bill, including a comprehensive breakdown of the bill's funding, can be found at our website, <http://www.waterbond.org/>.

These state bond measures often benefit Monterey County, exemplified by the \$15 million allocation to Pure Water Monterey from the 2014 water bond, Prop. 1, as well as a \$1.7 million allocation to the Farmworker Housing Complex, also from Prop 1. (the most recent state water bond bill).

In addition, to respond to one of the board's queries on disadvantaged communities, disadvantaged communities are defined in our bill as having a median income lower than 80% of the state's median income, while severely disadvantaged communities as having 60% of the state's median income.

### **FUNDS**

Safe Drinking Water – \$750 million (sec. 86004)

Wastewater Recycling - \$400 million (sec. 86020)

Urban Water Conservation – \$300 million (sec. 86030)

Agricultural Water Conservation – \$50 million (sec. 86032)

Stormwater Management – \$440 million (sec. 86050 a & e)

Watershed Restoration (sec. 86080)

- **\$135 Coastal Watersheds**
- **\$10 Carmel River Watershed**
- \$300 Forest/Land Watershed restoration (WCB)
- \$150 State Parks
- \$60 DOC Agricultural/conservation easements
- **\$100 Ocean Protection Council**
- \$50 Urban Streams
- \$20 Urban Forestry
- \$20 Non-motorized River access
- \$50 Calfire mitigation

**SGMA implementation – \$640 million**

**Groundwater Desalination – \$400 million (sec. 86021)**

Land Management – \$100 million (86090)

Conservation Corps \$40 million (860105)

Flood Control – \$100 million (86041)

Fish & Wildlife– \$720 million (part of sec. 86120-86123)



# Monterey One Water

## Providing Cooperative Water Solutions

ADMINISTRATION OFFICE: 5 Harris Court, Bldg D, Monterey, CA 93940  
MAIN: (831) 372-3367 or (831) 422-1001 FAX: (831) 372-6178  
WEBSITE: [www.montereyonewater.org](http://www.montereyonewater.org)

December 7, 2017

United States, Bureau of Reclamation – Mid Pacific Region  
Attn: Mr. David Murillo, Regional Director  
Federal Office Building  
2800 Cottage Way  
Sacramento, CA 95825 - 1898

Re: Funding Criteria for WIIN projects

Dear Mr. Murillo,

Thank you and the other staff from the Bureau for meeting with us last week in Anaheim. We know how important your time is and we appreciate you calling in to listen to our meeting.

As we mentioned in the meeting, not being selected for WIIN funding was disappointing. As you know the Pure Water Monterey project is model of innovative thinking to help urban and agriculture sectors utilize more water to better serve their constituents.

Rating the applications with the new criteria was an area of concern for us going into this FOA. With the short turnaround time, we took a significant risk to leverage precious resources to help prepare our application. As we reviewed the scoring criteria, we were optimistic that a project like Pure Water Monterey could compete due to the innovative and coordinated approach to using water & renewable resources to benefit multiple parties and the environment. However, we did have some concerns over the new rating criteria, which in retrospect appear to have manifested. To that end, we summarize our comments on the rating criteria below:

Attached is a graphic we shared at the meeting in Anaheim showing a comparison of the WaterSmart FOA of October 2016 (in blue) and the WaterSmart WIIN FOA from June 2017 (in red). I would like to briefly describe how the new rating criteria actually hurt a new, small, innovative project like ours.

**Renewable Energy & Energy Efficiency:** A reduction in points from 12.5% to 8% discounted our long-term agreement to utilize landfill gas to power the project instead of standard grid-based electricity.

**Environment & Water Quality:** Again, a reduction in points discounted the benefits of this project which removes discharge of nitrate-laden water from surface waters of the State, reduces discharge of wastewater to a National Marine Sanctuary, as well as makes for a smaller desalination facility being developed in partnership which reduces the carbon footprint and brine discharge to a National Marine Sanctuary.

Readiness to Proceed and Progress Towards Completion: These evaluation criteria were both eliminated, as you can see from the chart. Pure Water Monterey is already under construction, hence would have scored well under these criteria. Our project is unique in that the cost of water plays a significant part in a water sales agreement. Without any construction cost reductions, like a WIIN grant, we are dangerously close to exceeding the per acre foot cost in the agreement. Grant monies, even as little as \$1 Million would go a long way in reducing the cost of water. Now we will scramble to find cost savings elsewhere to ensure project delivery.

Cost per Acre-Foot: This criterion is challenging for a project like ours for two reasons. The criterion says "points will be awarded based on the cost per acre-foot... and how the cost compares to a non-recycled water alternative." First, as a new project, all of our initial fixed costs of construction will be reflected in the cost of water. Contrast this to an existing facility such as Orange County Sanitation District's which sought funding for an add-on project. OCSD's initial costs were already absorbed previously and are not reflected in an incremental expansion. Second, the cost of our water compares very favorably to the only alternative, non-recycled water project available – desalination. To a reviewer, \$2,000 per acre-foot cost looks high when compared to other leaner legacy projects submitted during this FOA. It would only be natural for the reviewer to have concerns over our cost per acre-foot of water, even though we have only one expensive alternative.

Economic Analysis: This entirely new criterion accounted for 25% of the review. The criterion refers to Reclamation's Directive and Standard, *Title XVI Water Reclamation and Reuse Program Feasibility Study Review Process, WTR 11-01* for guidance on how a reviewer should assess the application. However, a traditional engineering economic cost-benefit analysis compared to an alternative project does not always tell an adequate story for a multi-region, multi-benefit project such as Pure Water Monterey. While the Reclamation Manual, Section 5 B (5) (a) through (e) provides the guidance, only sub-section (e) mentions social and environmental factors, and only in a qualitative way. It is difficult to underscore the importance of combatting seawater intrusion, reducing groundwater pumping to meet the safe yield requirements of California's new *Sustainable Groundwater Management Act*, reducing use of and discharge of agricultural fertilizers, reducing discharges to a National Marine Sanctuary, reducing the size of a high carbon emitting desalination facility, creating opportunities for additional farm-worker housing, among other things. Such a heavy emphasis on traditional economic analysis in this rating criterion undercuts the benefits of this project that are difficult to quantify.

In summary, special consideration should be given to projects that are:

- First-time projects that have to build everything and absorb high fixed costs
- Which are multi-region and multi-benefit, such as agriculture in conjunction with M & I
- Smaller projects or projects where there is no supply available from other sources such as Cal-Fed, Colorado River, water transfers, or large-scale storage
- Projects which have only high-cost, high-impact alternatives such as desalination
- More environmentally and social preferred

We hope that you can relay our concerns regarding the scoring criteria to OMB, the Denver office and policy makers in D.C. in order to re-evaluate smaller projects, such as Pure Water Monterey, so that they are as competitive against larger more cost-effective projects. Perhaps a public review and comment period on the evaluation criteria might be desirable.

As stated at the meeting, we believe Pure Water Monterey represents the Future of Water and combining this philosophy with the Bureau of Reclamation's commitment to Managing Water and Power in the West, collectively this one project could be the model for Managing the Future of Water and Green Energy in the West.

Sincerely,



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Paul A. Sciuto  
General Manager  
Monterey One Water



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David J. Stoldt  
General Manager  
Monterey Peninsula Water Management District

**Differences in Point Allocation in Percentages Relative to Their Total Number of Points  
FOA October 2016 (200 Points) and FOA July 2017 (100 Points)**

