



THE CITY OF SAN DIEGO



April 1, 2016

Sent via Electronic Mail: commentletters@waterboards.ca.gov

Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

Reference: Comment Letter—Proposition 1 Groundwater Grant Program Funding Guidelines

Dear Ms. Townsend:

Thank you for the opportunity to provide comments to the State Water Resources Control Board (SWRCB) related to the Proposition 1 Groundwater Grant Program Funding Guidelines. The City of San Diego (City) greatly appreciates the opportunity to provide input to the Board regarding the draft Guidelines, and offers comments and requests clarification on specific items as follows:

Section 1.—Purpose & Overview

The City requests clarification as to whether the “groundwater plans” referenced in the last line of the first paragraph of this section refers to the planning required for compliance with the Sustainable Groundwater Management Act (SGMA), or some other plan. Although SGMA compliance will yield significant and thorough groundwater planning, full implementation of the Act will not occur for a number of years. As a result any requirement that funding applicants supply SGMA-compliant documentation could preclude eligibility for many potential projects.

Section 2.1.3(d)—Priorities Established in Proposition 1

This section outlines the prioritization criteria contained in Proposition 1. The fourth item listed under Section 2.1.3 is “The potential of the project to maximize opportunities to recharge vulnerable, *high-use groundwater basins* and optimize groundwater supplies.” (Emphasis added). It is unclear whether this phrase is meant to refer to the total number of users relying on a basin, to the volume of drinking water produced by that basin, or some other metric of use. The City requests that the phrase “high-use groundwater basin” be defined as “*a medium- or high-priority basin based on SGMA’s most recent Basin Prioritization results*”.

Section 2.2.2—Eligibility Requirements Established by the State Water Board for Implementation Projects

The City requests clarification on the phrase “[t]he project must be identified as *high priority* by the applicable State or federal regulatory agencies,” (emphasis added) through the incorporation by reference of the California Statewide Groundwater Elevation Monitoring (CASGEM)’s Basin Prioritization. This will provide clarity to funding applicants as to what



metric the Board is referring to when evaluating projects for possible funding. Also, Section 2.2.2 refers to a “project” and not a basin, though CASGEM prioritizes basins, not projects. The City requests clarification as to whether a project is eligible as long as at least one of the basins it addresses has been deemed high-priority.

Section 2.3(e)—Project Preferences Established by the State Water Board for Implementation Projects

This subsection refers to a “groundwater sustainability plan”. SGMA requires completion of Groundwater Sustainability Plans (GSPs), but those are not required to be completed until 2020, whereas these guidelines would require submission of a plan much sooner. Is the language in this provision meant to refer to the GSPs required by SGMA, or a different plan? As with prior items, the City requests clarification from the Board regarding the nexus between these Guidelines’ requirements and SGMA.

Section 4.2.3—Eligible Project Types

This subsection requires that funding applicants provide a description of how the project is consistent with the applicable sections of the Governor’s Five-Year Infrastructure Plan (Plan). However, the Plan itself contains few specifics regarding groundwater projects, and the word “groundwater” is only mentioned three times in the document. The City requests that the Board specify whether there are particular elements of the Infrastructure Plan that applicants are expected to incorporate into their project funding applications, or alternatively strike this requirement from the Guidelines.

Section 4.4—Implementation Projects

This section states that “All implementation projects must meet the following requirements,” and then states that implementation projects must “[m]eet two or more of the program priorities, requirements, and preferences identified in Section 2.” This seems to state that not all of the ‘requirements’ listed in Section 2.2 are actually required. The City requests clarification as to which elements Section 2 are optional as opposed to required.

In addition, on page 8 of the draft guidelines, Section 4.4 lists project types, including “[g]roundwater injection to prevent seawater intrusion.” This final listed item is footnoted, and the footnote states that one way the Board will evaluate projects to ensure they are not contributing to groundwater overdraft is if they are located in an adjudicated basin or have an approved Groundwater Sustainability Plan (GSP). As was mentioned in an earlier item, the difficulty with relying on compliance with SGMA-related requirements when evaluating applicants for this program’s funding is that the SGMA compliance is not required for a number of years, whereas this program is being implemented now. The City requests that these Guidelines be modified or clarified to provide alternative evaluation metrics in the event an applicant has not yet fully complied with SGMA.

Section 4.5—Drinking Water Treatment Projects

This subsection seems to state that projects will only be eligible for funding from this program if they provide groundwater cleanup that cannot be solely funded through the SRF, for reasons related to State Revolving Fund (SRF) programmatic requirements. The City requests more detail regarding the particular SRF provisions that are being evaluated by the Board in administering the Groundwater Grant Program and the policy reasons for limiting grant funding eligibility to only those projects that cannot be fully funded through the SRF loan program. On a practical level, grant funds are typically pursued prior to loan funds, but

this factor seems to require applicants to evaluate these funding mechanisms in the opposite order.

Section 4.7.3—Other Eligibility Considerations

Pursuant to this subsection, applicants may be required to provide information demonstrating that the water system's customers will receive the benefits of a project through a reduction/decrease in increase of rates commensurate with the grant funding provided. Compliance with this requirement could be unduly burdensome and expensive, and may consume a considerable amount of the funding provided to an applicant through this grant program. The City requests that public agencies and public utilities be exempted from this requirement, as we are not-for-profit organizations that are required to perform cost-of-service studies to support our rate structures and increases, and these studies address the policy concerns implicated by this factor.

Section 5.1—Funding Minimum and Maximum Amounts

The Guidelines state that there is no limit to the amount of funds an applicant may receive through this program for Implementation projects. This would unduly limit the geographic reach of the program in the event that fewer projects are funded with outsized awards. This would be inconsistent with the policy goal of Proposition 1 to ensure the remediation of watersheds throughout the state. This is especially pertinent in the context of groundwater, wherein considerable depletion has occurred in basins throughout the state as a result of the current drought, impacting both water quality and supply in nearly all regions. The City supports the imposition of a maximum grant limit for Implementation projects in order to expand the reach of the program and increase the number of critical projects that may secure financial assistance through the program. The City suggests the Board adopt a per-project cap of \$15 million, consistent with the caps adopted for the Proposition 1 recycled water program.

Table 2—Drinking Water Treatment Projects Serving a Disadvantaged Community or Economically Distressed Area

This table outlines the criteria the Board will be using to evaluate applicants' projects for DAC and/or EDA applicability. The City supports the Board's use of a factor that considers the 'Average Residential Water Rate as Percent of Median Household Income.' Taking into account the ratio of water bills to income neutralizes the regional variability that can impact both of these statistics, adopting what is essentially an Affordability criterion in lieu of a hard number or dollar figure. This helps to level the playing field for applicants from both urban and rural areas by considering a proposed project's impact on relative affordability for water ratepayers throughout the state. However, it appears that this affordability criterion is used in tandem with the standard DAC definition initially adopted through Proposition 50 in 2002, and is used only to determine the share of a project's cost eligible for funding. Unfortunately, evaluating affordability issues using this antiquated DAC formula significantly handicaps economically disadvantaged residents of urban areas in the state by hindering funding eligibility for projects benefitting them. Finally, for purposes of the criterion "Average Residential Water Rate as Percent of MHI", the City requests that the Board clarify that the reference is to *statewide* Median Household Income (MHI).

Section 10.15—Reimbursement of Costs

This item lists the various cost types that are precluded from reimbursement through grant funds, including item (g), "[e]xpenses incurred in preparation of the proposal". The City

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requests that the Board consider removing this preclusion, as proposal preparation expenses are typically eligible for reimbursement through grant programs like this one.

Conclusion

The City of San Diego has a long history of success in meeting the drinking water needs of its rapidly growing and diverse population. We are thankful for the opportunity to comment on the draft Proposition 1 Groundwater Grant Program Guidelines and look forward to continuing to work with the Board on the implementation of Proposition 1. If you have any questions in the meantime, please feel free to contact me at (858) 292-6424 or Carolyn Ginno at (858) 654-4286.

Sincerely,



Cathleen C. Pieroni
External Water Policy Program Manager

CG/mle