

MEETING MINUTES

OWOW STEERING COMMITTEE

September 30, 2010

PARTICIPANTS PRESENT

Ron Sullivan, Convener
Garry Brown
Bill Campbell
Beth Krom
Steve PonTell
Ali Sahabi

SAWPA
Orange County Coastkeeper
County of Orange, Supervisor
City of Irvine
Santa Ana Regional Water Board
SE Corporation

OTHERS PRESENT

Andrea Roen
Steve Runk
Beatrice Musacchi
Christina Leach
Chuck Hays
Don Allison
Jennifer Francis
Karly Gaynor
Lo Tan
Mark Tettermer
Matthew Hicks
Michael Gold
Mike Loving
Mike O'Donnell
Mike Thornton
Omar Dandashi
Omar Gonzalez
Robert Ennis
Robert Taylor
Scott Hilderbrandt
Terri Elliott
Tom Crowley
Tuan Truong
Umesh Murthy
Salvador Lopez
Celeste Cantú
Jeff Beehler
Dean Unger
Patti Bonawitz
Regina Patterson

DTA
DTA
Orange County Public Works
Ontario/Terra
City of Fontana
City of Menifee
City of Corona
Western Municipal Water District
Orange County Water District
Irvine Ranch Water District
Townsend Public Affairs
Orange County Sanitation District
City of Irvine – Council Member Beth Krom's Office
Rancon
TKE Engineering
Ontario/Lewis
San Bernardino County Flood Control
Orange County Water District
San Bernardino National Forest
Webb Associates
City of Huntington Beach
West Valley Water District
City of Huntington Beach
Orange County Sanitation District
Consultant
SAWPA
SAWPA
SAWPA
SAWPA
SAWPA

The Steering Committee Meeting was called to order at 3:20 p.m. by Convener Ron Sullivan at SAWPA, 11615 Sterling Avenue, Riverside, CA 92503. Convener Sullivan asked the Steering Committee members to introduce themselves. Then Convener Ron Sullivan invited public comments.

City of Fontana, Public Works Director Chuck Hays thanked the Steering Committee for the opportunity to speak about their project and for the opportunity to be involved in this competitive, transparent process. When the initial rankings were announced, their project was ranked Number 1, and then after the vetting process, it ranked Number 17. The project is a shovel-ready project consisting of three phases, with the first phase providing 2,000

AFY of recycled water. Phases 2 and 3 are planning projects, in which no points were received because they were planning projects. Fontana is very unique with a situation of being served by a for profit water company and its residents pay from 50% to 100% higher than the surrounding communities. Their service area contains approximately 65% of the city's low-income areas, so the poorest residents pay some of the highest rates in the Inland Empire. In planning for the future, he asked that Phases 2 and 3 of their application be reconsidered. This funding would allow Fontana to construct Phase 1 and free up money for Phases 2 and 3.

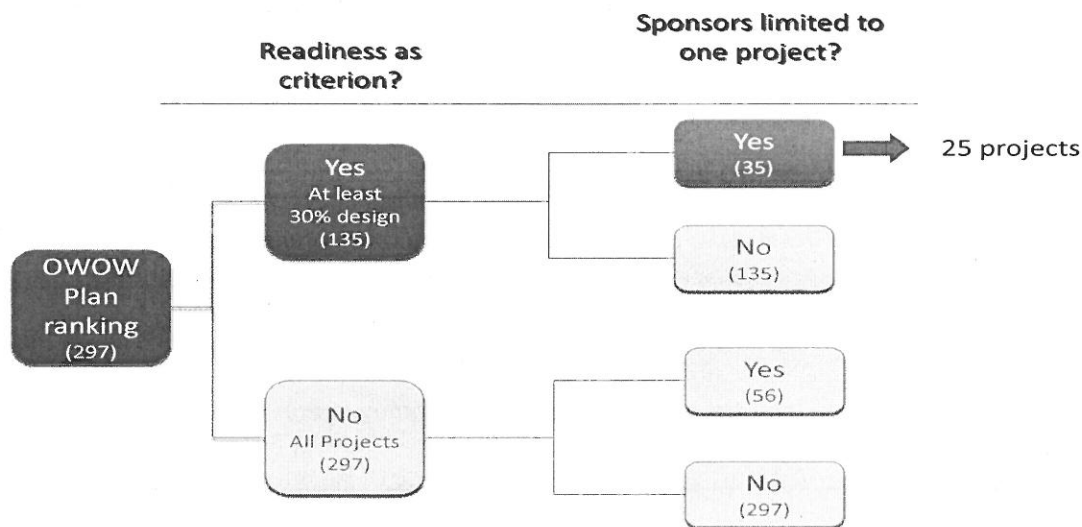
There were no additional public comments received.

Presentation of Project Portfolio Selection for IRWM Round 1 Funding (SC#0005)

Salvador Lopez presented the independent interview panel's findings of the top 25 ranked projects, reviewed three potential project portfolios for Proposition 84, Round 1 funding, provided a summary of public comments received, and discussed the next steps in the process.

Bill Campbell asked for an explanation of how the top 25 projects were defined. Salvador Lopez responded that the independent interview panel followed the Steering Committee's direction. The panel began by identifying the projects that had at least a 30% project design completed in ranked order of the total 297 projects. The projects were deemed ready for funding and 135 projects were eliminated. The projects then were limited to one project per project sponsor, which further reduced the list to 25. Then the top 25 of the final list were interviewed by the independent interview panel.

Top 25 projects were selected from the ranked OWOW master plan and based on Committee's policy guidance



The independent interview panel re-ranked the top 25 projects applying the vetted data to the Steering Committee's weighted criteria. Salvador Lopez reviewed how some projects moved up in the ranked list, while other moved down. For example during Western Municipal Water District (WMWD) interview it was determined that salt removal needed to be increased from 1 to 3,000 tons/year; City of Huntington Beach eliminated some double counting in water supply benefit (new net is 560 AFY), but their ranking raised relative to other projects; West Valley Water District increased water supply benefit from 0 to 2,240 AFY (2 mgd); and Irvine Ranch Water District reduced water supply from 12,660 to 6,330 AFY, and included salt removal benefit for 5,595 tons per year. The process allowed the panel to give credit where it was due. In discussions, it was discovered that WMWD was claiming very little or no water quality benefits for salt removal. This benefit was given to all desalting agencies. West Valley Water District was not credited for water supply benefits, only water quality benefits. Double counting for some of the water supply benefits was eliminated for Irvine Ranch Water District, but they were credited for salt removal.

Bill Campbell referenced projects on the original ranking list. Salvador Lopez clarified current ranking results and the definition of readiness was discussed. Bill Campbell asked if a “spend it or lose it” concept can be used with a timeframe of two years. Celeste Cantú said before anyone is allocated funds, they have to sign a contract that their project will be built. Bond sales are being done differently this year and DWR cannot tell us how long we have to spend the funds, but there will be a timeframe. It may not be unreasonable for this Committee to establish a 3-, 4- or 5-year timeframe.

Salvador Lopez presented three potential approaches: 1) should project readiness be a criterion for the allocation of funding; 2) should a project sponsor receive funding for only one project (top-ranked project) so that benefits are better distributed; and 3) how should limited funding be allocated -- in the amount requested, in equal amounts to all sponsors, or capped at 10 percent of available funds.

Salvador Lopez listed the statewide priorities - drought preparedness, efficient water use/reuse, climate change response, environmental stewardship, integrated management, protection of surface and groundwater quality, improve tribal water and natural resources, and equitable distribution of benefits. All, with the exception of tribal lands, is being addressed by this Portfolio 3. Portfolio 3 recommends a cap of 1,200,000 to the top ranked projects who are ready to proceed and is limited to one project per sponsor.

Beth Krom and Ali Sahabi expressed their appreciation of what staff has structured in such a short time. Garry Brown said at the last meeting, it was suggested that there be a fourth portfolio to cap everybody at \$1M, and those projects under \$1M give them 50% of the requested amount.

PORTFOLIO 4

\$1M Cap will fund 13 Projects

Ranking	Project No.	Agency	Project Cost	Requested Proposition 84 Amount	Requested Amount with \$1M Cap
1	1190	San Bernardino County Flood Control District	\$ 10,000,000	\$ 1,000,000	\$ 1,000,000
2	1272	Santa Ana Watershed Project Authority	\$ 8,600,000	\$ 2,000,000	\$ 1,000,000
3	1211	Orange County Sanitation District	\$ 100,000,000	\$ 1,000,000	\$ 1,000,000
4	1171	Eastern Municipal Water District	\$ 12,900,000	\$ 3,000,000	\$ 1,000,000
5	1240	Western Municipal Water District	\$ 6,700,000	\$ 1,675,000	\$ 1,000,000
6	983	City of Huntington Beach	\$ 5,500,000	\$ 3,200,000	\$ 1,000,000
7	1250	City of Ontario	\$ 20,000,000	\$ 10,000,000	\$ 1,000,000
8	1015	City of Menifee	\$ 6,000,000	\$ 3,500,000	\$ 1,000,000
9	1227	West Valley Water District	\$ 1,500,000	\$ 1,200,000	\$ 1,000,000
10	1136	Orange County Water District	\$ 23,218,000	\$ 5,804,500	\$ 1,000,000
11	1082	City of Corona	\$ 800,000	\$ 400,000	\$ 400,000
12	1278	Irvine Ranch Water District	\$ 38,000,000	\$ 3,000,000	\$ 1,000,000
13	1016	Santa Ana Watershed Association	\$ 1,167,846	\$ 875,000	\$ 600,000

Beth Krom stated that even if a project is shovel ready, if you have a \$5.8M project and we gave you \$1M, and you have no ability to secure the other \$4.8M, getting that million might help you leverage other dollars, but there are many variables that will affect the initial outcome. We want to understand the projects that get the funding are going to be projects that are truly going to be built.

Salvador Lopez said there were 32 process improvements suggested through public comments:

- Consider different project categories (e.g. planning, construction) in future funding rounds and allocate funds to each category;
- Implement vetting earlier in the process and allow for feedback loop;
- Accept comments on the scoring process;

- Cap funding to 50% of individual project cost;
- Set deadline for the start of construction of selected projects; and
- Project scoring criteria should match the requirements of the legislation.

Bill Campbell concurred with compliments to staff and overall appreciation was expressed to the four experts; Gerard Thibeault, Diego Rosso, David Cwiertny, and Salvador Lopez for their critical and analytical expertise.

Convener Sullivan commented that we have tried to make this an open and transparent process. It is not perfect, but the first round provides us experience as we to move into the second round. Beth Krom suggested that moving into the next phase, perhaps we should look at the ways to support the interests of agencies, watershed-wide, in pursuing other funding. The ability for the regions who have not historically worked collaboratively and having the various involvements of cities, agencies, counties, and the private sector should be encouraged to look for opportunities to leverage those relationships to help people better compete for available funds and encourage greater collaboration within the Watershed.

Steve PonTell inquired about the process if projects fall out, and whether or not funds would go to the next project on the list. Celeste Cantú said that could one option that would be taken back to the Committee. This is the first of three funding opportunities so that money stays in our fund and it will be available for the next funding opportunity, which is thought to be in late spring or early summer of next year. SAWPA needs to complete our application by December 15, 2010, and submit it to DWR by January 7, 2011.

Upon motion by Garry Brown, seconded by Bill Campbell, the motion unanimously carried:

SC/10-09-01

MOVED, approval to:

- Adopt Portfolio 4 (a \$1M cap) for funding strategy, which will afford two more projects, Irvine Ranch Water District and Santa Ana Watershed Association, for a total of 13 project sponsors to be invited to submit full applications for Proposition 84, Round One funding; and
- Forward the approved project list and portfolio funding strategy #4 to the SAWPA Commission for ratification at their next meeting.

Steve PonTell left the meeting room at 4:25 p.m.

Approval of Minutes from the Meeting of 8-26-10

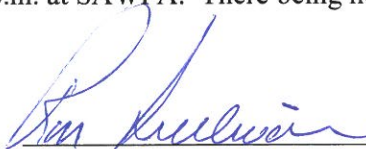
Upon motion by Bill Campbell seconded by Beth Krom, the motion unanimously carried:

SC/10-09-02

MOVED, approval of the Minutes from the Meeting of 8-26-10.

Announcements/Adjournment

The next meeting will be November 18, 2010, at 3:00 p.m. at SAWPA. There being no further business, Convener Sullivan adjourned the meeting at 4:26 p.m.



Ron Sullivan, Convener

APPROVED:

November 18, 2010