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Subject: Comments on Scoring of the San Luis Region Integrated Regional Water Management Program Proposition 50 Round 2 Step 2 Consolidated Proposal (PIN 13132)

Thank you for all of your efforts while working on the Proposition 50 grant proposals.

The proposal review details for the State's review of the San Luis Region's Integrated Regional Water Management (IRWM) Program Proposition 50, Round 2, Step 2 Consolidated Proposal are inconsistent with the June 2007 IRWM Grant Program Guidelines (Guidelines) and scoring criteria, and therefore warranting a higher score, in the following areas:

Scoring and Review Details for Work Plan:
State's Scoring: 3 out of 5 Weighted: 9 out of 15

> "Descriptions of the Flood Control and Morro Bay projects are detailed and thorough, and include appropriate work item submittals. $10 million in funding is requested for one component of the Los Osos project, financing the Disadvantaged Persons Assistance Plan (DPAP), which would assist low-income community members in paying assessments for the project. The proposal lacks sufficient detail to ascertain DPAP implementation and project eligibility. Documentation of what milestones or activities to expect and over what period grant funds are to be disbursed is insufficient. It is also unclear whether the DPAP proposal is consistent with the General Obligation Bond law requirements."

A description of the DPAP work completed before July 1, 2008, begins on page 20 of the Work Plan and documents that significant work has already been completed to identify the disadvantaged community members in Los Osos and the framework for developing and implementing (pages 22 and 24) the DPAP. The bottom of Page 26 specifically outlines "milestones or activities to expect and over what period grant funds are to be disbursed." Additional detail for work to be completed after July 1, 2008, and the associated milestone, is provided on pages 68 and 69 of the work plan.

Additionally, the guidelines state, on page 42, that "where requested funding is for a component of a larger project, this section must describe all of the components of the larger project and identify which project elements the IRWM grant is proposed to fund."

The larger project has been thoroughly described and the DPAP has been identified as the element of the project the IRWM grant is proposed to fund. The DPAP is clearly a small portion of the Los Osos Wastewater Project's financing plan for the project overall. Yet no credit for the overall project's detailed and extensive work plan has been given at all. The scoring criteria refer to the "project" and the "proposal"; not to the "grant funded portion" of the project.

Since the guidelines do not require proof of compliance of General Obligation Bond law requirements, there is no justification for lowering a score based on doubt of compliance. In addition, even if our unique approach **for the benefit of disadvantaged persons** is deemed to be not allowable by the State, the details of our proposal and project clearly have eligible costs that far exceed the grant request.

Scoring and Review Details for Monitoring, Assessment, and Performance Measures:
State's Scoring: 3 out of 5

> "However, for the Los Osos project, the application does not identify monitoring that would indicate success or value of the grant funded portion of the project. It is also unclear what targets for the DPAP program are expected during the life of the proposal."

The guidelines and scoring criteria do not state that monitoring, assessment and performance measures are required for the grant funded portion of the project. Again, no credit has been given for the complete and comprehensive monitoring, assessment and performance measures detailed for the Los Osos Wastewater Project.

Based on the inconsistencies and documentation of justification for higher scores in the areas outlined above, the San Luis Region's Step 2 Consolidated Proposal's true score is in line with those proposals recommended for funding, and should also be recommended for funding with a portion of the unallocated Proposition 84 funding, as described in the attached document. Funding these projects will directly benefit disadvantaged communities and community members, and address state-wide concerns by helping to ensure local control is maintained, consistent with the water quality, water supply and flood management goals of Propositions 50, 84 and 1E.

Thank you for the opportunity to comment.

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Justification for Additional Funding for Proposition 50 IRWM Grant Program Round 2 Applicants utilizing Unallocated Proposition 84 Funds

a) With the passage of Proposition 84, $1 billion was allocated for the IRWM Grant Program. Of that amount, $900 million was allocated to 11 funding areas throughout the State. The remaining $100 million was unallocated and could be used by the Department of Water Resources for various water-related efforts. This source of funding should be leveraged to provide additional funding now for projects submitted in Round 2, Step 2.

b) According to the IRWM Grant Program Proposal Solicitation Package for Proposition 50 Round 1 Implementation Grants, the original Proposition 50 Round 1 Implementation program was to award $150 million. After the evaluation process was completed and submitted to the State Water Resources Control Board and the Department of Water Resources for approval, the amount of funding for these grants was increased from $150 million to $307 million. The result was that the funding available for the Proposition 50 Round 2 Grant Program was reduced from over $220 million to $64.5 million. The State then reduced the funding for Round 2, Step 2 again by allocating $12.8 million to the AB 303 Local Groundwater Assistance Grant Program. The total amount remaining for Round 2 Implementation Grants was $51.7 million. These transfers indicate that the State has the flexibility to transfer funds between grant programs under various circumstances.

In addition, according to the Public Resources Code, Section 75026 (d) "The department shall coordinate the provisions of this section with the program provided in Chapter 8 of Division 26.5 of the Water Code and may implement this section using existing Integrated Regional Water Management Guidelines". Based on this Section, the State has the discretion to award the Round 2 applicants using Proposition 84 funds.

c) According to a recent Proposition 84 workshop presentation given by the State, funds under Proposition 84, Chapter 2 for IRWM implementation grants may not be released until 2010 at the earliest. It is very apparent that any delay in awarding these implementation funds will reduce the purchasing power of the grant funds as construction costs continue to escalate. Awarding the Proposition 84 funds now would support the economy throughout the State, providing economic stimulus and building the foundation for long-term economic growth. In addition, additional water resource projects would be built sooner, thus meeting the voter intent of generating new water supplies and improved water reliability in the State in a timely manner.

d) Although streamlined evaluation criteria were used to rank all proposals submitted for Round 2, Step 2 funding, the criteria were similar to the criteria used in Round 1, Step 2, which enables comparison of the scores of proposals from both rounds. All proposals from Round 2, Step 2 received scores that were well within the mix of scores of the proposals in Round 1, Step 2. Since all proposals from Round 1, Step 2 were funded, the State should consider funding all proposals from Round 2, Step 2, which were determined to be equally qualified proposals.