



GROUP DELTA

State Water Resources Control Board
1001 I Street
Sacramento, CA 95814

June 30, 2015

Attention: State Water Resources Control Board
gwquality.funding@waterboards.ca.gov

**Subject: Response to Scoping Questions
Proposition 1 Groundwater Sustainability and SB 445 Site Cleanup Subaccount
Groundwater Quality Funding Programs**

To whom it may concern,

Group Delta Consultants, Inc. (Group Delta) is pleased to present these responses to the Proposition 1 Groundwater Sustainability and SB 445 Site Cleanup Subaccount Scoping Questions.

Each question was addressed at the “50,000” foot level and should be considered a starting point during the scoping process. We would be happy to provide additional input during the subsequent scoping and budget allocation meetings if requested.

Please feel free to call us if you have any questions regarding these responses at 510-671-0011.

Sincerely,
Group Delta Consultants, Inc

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Proposition 1 Groundwater Sustainability: Scoping Questions

Q1: What type of projects should be eligible or given higher priority?

Per the priorities listed in Prop 1, the characteristics to consider include the threat posed to groundwater contamination to drinking water supply, the potential for the contamination to spread/impair, the potential of the project to enhance local water supply reliability, potential of project to recharge vulnerable high-use basins, and projects with no viable responsible parties.

Projects that exhibit all of the characteristics listed above should be given highest priority. Beyond this, a ranking system of the characteristics seems appropriate. The ranking system may change over time and depend on the range of applications submitted, along with the relative importance/urgency of each. An effective scoring system should be used, such as:

1. Threat posed (35 points)
2. Potential to spread (5 points)
3. Enhance Reliability (20 points)
4. Recharge high-use basins (10 points)
5. No viable RP (30 points)

The logic of the point allocation is as follows: The two most important characteristics include the threat of contamination (which includes type of contaminant, proximity to supply well, physical characteristics of the contaminant, etc) and the lack of a funding source (i.e., no viable RP). The potential to spread could almost be considered a sister to the overall threat posed, so the weight is minimal.

Reliable local water supply is also important and funds should be used for investigation/cleanup if a large population's limited water source is threatened by contamination.

Basin recharge is admirable, however the costs are generally very high relative to the benefits. Moreover, basin recharge is, generally, a very slow process and is not beneficial if the underlying soils/aquifers are already contaminated.

Q2: Should some funds be used for loans? If so, how much?

Yes. Some of the funds should be used for loans. Assuming a total budget of \$800M, a reasonable percentage should be allocated to loans. The exact amount is somewhat codependent on the number of applications for loans versus grants, their dollar amounts, and the relative prioritization of those projects.

Most importantly, the funds allocated for Operation and Maintenance (O&M) should heavily favor loans instead of grants, assuming that 1) the O&M system is currently being financed by a

business of good financial standing; and 2) the quoted interest rate of the loan is substantially less than free market interest rates. In other words, the vast majority of the total grant funding should be allocated to non-O&M activities like risk assessment, investigation, and more aggressive remediation technologies (e.g., in situ chemical injections, thermal treatment, ozone, etc). Loan funding should also be the primary source for treatment of naturally occurring contaminants.

Q3: How much funding should be set aside for technical assistance to disadvantaged communities? What kind of technical assistance is needed?

Not much input here. “Technical assistance” needs to be defined. Perhaps a good starting point is 5 or 10% of total funds allocated to projects located in disadvantaged communities.

Q4: What kind of limits should there be on grant funding amounts?

Grant funding limits should be based on the statistical distribution of the application funding amounts. This could be accomplished by segmenting the application amounts into quartiles and selecting a maximum dollar amount and number of projects from each quartile. The current amount of available funding should also be considered. Once these parameters are set, projects can be selected based on the priority outlined in Q1 for each quartile.

Q5: What factors should we consider in determining cost share? How should leveraging of private, federal, and local funds be considered in project selection?

The law states that local cost shares of greater than 50% are required. Therefore, proposed projects which are funded by more than 70% of non-Prop 1 monies should be given higher priority (assuming that the cost estimates have been validated by a third party).

Q6: What kind of project benefits should we look for or focus on?

This question is somewhat similar to Question 1 – maybe a little more “big picture”. Project benefits should be defined as the greatest benefit to human health per dollar spent. A simple way to quantify it (if the project involves remediation) is pound of contaminant removed/destroyed per dollar spent. The actual contaminant should also be considered (using the framework derived from Q11 below).

Q7: How should the timing of project completion and timeline for project benefits to be realized be considered in project selection?

This question depends on the time frame within which the funding shall be awarded. In order to incentivize more aggressive cleanup strategies, the majority (i.e., greater than 50%) of the total project benefit should be realized within one year of the funding award for smaller projects and

three years for larger projects. Another strategy along these lines is the pay-by-performance model using quantifiable milestones. In other words, project budgets should be *allocated* using the total project estimated cost and funds *awarded* based on quantifiable project milestones.

Q8: How should we assess the community's ability to pay for operations and maintenance of a facility funded by Proposition 1 funds?

A community's ability to pay should be determined by a select number of economic factors, including but not limited to, total tax revenue per capita, percentage of proposed project cost relative to total revenue and/or liability, total environmental liabilities (if applicable), credit rating/bonding capacity, and overall economic health relative to other communities in the state.

Q9: What would constitute a reasonable effort to identify responsible parties and recover costs by parties receiving funding?

A reasonable effort to identify RPs would include a thorough environmental assessment and investigation (if needed). "Cost recovery" is not recommended. In other words, spending money to cleanup a project prior to clearly defining the funding source(s) is not advised, mostly because there is no incentive for an RP to pay for a project if it is already completed and funded by another source. Instead, the RP could be incentivized to pay for a certain amount of the project by involving developers, municipalities, parks and recreation, transportation, etc that could demonstrate benefit via future purchase. Other entities that could facilitate cost recovery include lawyers and insurance companies.

Q10: How should responsible parties' unwillingness or inability to pay for the total cost of cleanup be evaluated?

The RPs "unwillingness" to pay should be evaluated by number/severity of notices of violation issued by the state and any legal actions taken against the RP. The RPs inability to pay should be determined by whether the entity is a business of going concern (i.e., not bankrupt or in the process of filing for bankruptcy), percentage of cleanup cost relative to annual net profit and/or liquid assets, credit rating, access to low-interest rate loans, etc.

Q11: When considering a potential project funded under this program should any of the contaminants listed in Proposition 1 or other contaminants not listed, be given higher priority?

Priority should be given to contaminants that present a greater risk to human health (i.e., higher toxicity) and physical characteristics that increase the likelihood of the contaminant ultimately degrading the quality of an aquifer (e.g., specific gravity, solubility, mobility, etc). Toxicity could be determined by using the established MCLs/PHGs for regulated contaminants in drinking water as a benchmark to establish acceptable cleanup goals.

Q12: What areas of the Groundwater Sustainability section of Proposition 1 should be further defined or clarified in the guidelines?

No comment.

SB 445 SCAP: Scoping Questions

Q1: What type of projects should be given higher priority?

See below.

Q1A: Of the considerations required in evaluating projects, should some be weighted more than others? What other information should be considered?

The four listed considerations include:

- 1) The degree to which human health, safety, and the environment are threatened by surface water or groundwater contamination at the location;
- 2) Whether the location is located in a small or financially disadvantaged community;
- 3) The cost and potential environmental benefit of the investigation or cleanup; and
- 4) Whether there are other potential sources of funding for the investigation or cleanup.

Other considerations could include project timeline/milestones, value-engineered remediation methodologies, etc.

Item 1) is obviously important but may prove difficult to quantify because it relies on multiple, complex variables (e.g., amount/concentration of the contaminant, proximity to domestic water well, physical characteristics of the contaminant, relative toxicity, etc). That said, these should be able to be estimated by a competent environmental professional.

Item 2) is relatively straightforward and can be assessed using the CalEPA OEHA "CalEnviroScreen 2.0" located at:

<http://oehha.maps.arcgis.com/apps/MapJournal/index.html?appid=4b03e3789a445b90cb166dbb821&webmap=279ecb0d5c7d470496d116a6ab6586c0>

This tool was developed to designate California communities as "disadvantaged" pursuant to SB 535 by using 19 indicators that relate to pollution exposures, environmental conditions, and population characteristics.

Item 3) can be quantified for remedial projects as pounds of contaminant removal/destruction per dollar spent. However, these calculations can only be performed after the remediation has occurred, so estimates could be used for fund allocation only and not award. Estimating the potential environmental benefit derived from an investigation prior to the investigation occurring is most likely not possible and/or very subjective.

Item 4) should be considered only if the requested funding amount is substantially greater than the median amount requested (i.e., top 20% overall).

Q1B: Should projects that address certain contaminants be given higher priority than others?

Yes. Priority should be given to contaminants that present a greater risk to human health (i.e., higher toxicity) and physical characteristics that increase the likelihood of the contaminant ultimately degrading the quality of an aquifer (e.g., specific gravity, solubility, mobility, etc). Toxicity could be determined by using the established MCLs/PHGs for regulated contaminants in drinking water as a benchmark to establish acceptable cleanup goals.

Q1C: Should projects that propose short-term solutions (whether due to emergency or non-emergency), ongoing operations and maintenance, and permanent solutions be prioritized differently?

Yes. Projects that propose short-term, permanent solutions should be given priority. In fact, omitting funding for ongoing operations and maintenance should be considered, assuming that the current funding source is an entity in good economic standing and/or a business of going concern. If necessary, a small percentage of the total funding could be set aside as a “rainy day” fund for emergency situations. This percentage would also act as a contingency fund for non-emergency projects.

Q1D: Should the timing of project completion compared with the timeline for project benefits be prioritized differently?

Yes. The timeline for project benefits should receive a greater priority than project completion. If feasible, funding awards could then be based on project benefits (i.e., achieved milestones) while funding allocation for projects lasting longer than one fiscal year to completion. This framework would incentivize the RP, consultant, and other project stakeholders to complete the project within the predetermined scope, on time, and under budget.

Q2: What kind of limits should there be on grant funding amounts?

Limits on grant funding amounts should be set according to the type of project (e.g., assessment, investigation, RI/FS, remediation, etc) as well as a statistical analysis of all proposal amounts (similar to Prop 1; Q4 above).

Q3: What kind of technical assistance is needed?

No comment – very project-specific.

Q4: The responsible parties' lack of sufficient financial resources to pay for the require response actions is a grant requirement. How should the Board evaluate a RP's ability to pay?

The RPs inability to pay should be determined by whether the entity is a business of going concern (i.e., not bankrupt or in the process of filing for bankruptcy), percentage of cleanup cost relative to annual net profit and/or current assets, credit rating, access to low-interest rate loans, etc. An analysis of available insurance products and grant/loan alternatives should also be performed.