CONTRA COSTA WATER DISTRICT

Delta Diablo Sanitation District

December 8, 2006

Ms. Tracie Billington
Planning & Local Assistance
Department of Water Resources
PO Box 942836
Sacramento, CA 94236-0001

Subject: Comments on the Draft Funding Recommendations, Proposition 50, Chapter 8, Integrated Regional Water Management Implementation Grants

Dear Ms. Billington:

Contra Costa Water District (CCWD) and Delta Diablo Sanitation District (DDSD), on behalf of all the partners in the East Contra Costa County Integrated Regional Water Management (IRWM) grant application, offer the following comments on the Draft Funding Recommendations issued by the Department of Water Resources (DWR) and State Water Resources Control Board (SWRCB) on November 13, 2006.

The East Contra Costa partners appreciate the responsiveness of both DWR and SWRCB staffs throughout the lengthy grant process and commend them for achieving a significant milestone with issuance of the draft funding recommendations. We are, of course, disappointed in the outcome. Several high priority projects in the East County application cannot move forward without additional funding and will now have to be postponed or abandoned. With the remaining Proposition 50, Chapter 8 funds for Northern California limited and no specific allotment of Integrated Regional Water Management (IRWM) funds under Proposition 84 for the Delta Region, the prospect of obtaining additional funding within a reasonable timeframe is bleak. Given this situation, the East County partners ask that you consider the following comments.

1. **Fund additional Step 2 applications in Round 1.**

   All the applicants invested significant time and money in preparing submittals for each of the two application steps. In East County, as in other regions, the community has embraced the plan as one that reflects the needs of the area. Many of the applicants, like East County, have projects that are ready to proceed, but need additional funding. The State would maximize regional and Statewide benefits by investing the remaining Proposition 50, Chapter 8 funds now. The purpose of having two funding cycles was to reserve funding for IRWM plans and projects that were not ready to proceed by the Round 1 deadline. With approval of Proposition 84, one billion dollars will be

available for IRWM programs throughout the State obviating the need for such a reservation. Finishing the Proposition 50 IRWM grant program now would also simplify implementation of Proposition 84 as there would be no need to integrate the disparate programs.

2. **If additional applications cannot be funded now, the Round 1 finalists should be carried over to Round 2, with an option to enhance their applications.**

   A carry over process is consistent with other State grant programs where funding lists are maintained from year to year. Funded projects are removed, and new proposals are added to the list as appropriate. This would ease the financial burden of competing again in a two-step process for Round 1 finalists that did not receive funding, but provides an opportunity for new applicants to participate.

3. **Certain elements of the East County proposal should be evaluated further.**

   After thorough review of the Proposal Evaluation provided by the State, and discussion with a representative of DWR at the November 16, 2006 Public Workshop, the partners believe some of the scoring does not accurately reflect the information in the proposal, and in some cases the explanations provided appear contrary to State policies. The East County partners understand that even if a scoring adjustment is made, it might not affect the funding recommendations in this Round. Nonetheless, we believe it is in everyone's interest to ensure the scores are sound. The partners request that the following sections be evaluated further.

   Work Plan. The Proposal Evaluation says that California Environmental Quality Act (CEQA) documentation is missing resulting in a limited degree of certainty that those projects can be implemented. However, the submittal contained a CEQA document for every project included in the proposal (see Attachment 8) except the Dutch Slough Tidal Restoration Project that was just beginning the CEQA process. At the time of the application, three of the projects had completed CEQA and four of the projects had draft CEQA documents. Currently, six projects have completed CEQA and another is on schedule to complete the CEQA process in 2007. Design or implementation is underway on the projects that have completed CEQA. The only uncertainty about the East County projects is related to funding.

   The Evaluation states that the work plan does not have sufficient detail for two of the projects. But when we asked more about this comment at the Workshop, the types of details the reviewer wanted were in fact provided in the submittal. For example, on the Habitat Conservation Plan, the reviewer questioned why a "jump start" was needed, why the State was being asked to pay for "mitigation" and why the developers were not paying for all the land needed. The project description on Page 61 of Attachment 5 clearly addresses these issues.

Schedule. The Evaluation contains some general observations and several statements that milestones or supporting documents are missing from the application. For example, it states that none of the projects included a final report and most do not include a QAPP. However, all the projects that require a QAPP have included one in their schedule. It is not clear what kind of final reports are thought missing—most construction projects do not result in a final report, but include important milestones such as 100% design, bid package, as-builts, start-up testing, operational plans, etc. These types of documents or activities are included in the schedules where appropriate. It also should be noted that quarterly reporting is included for all projects and development and implementation of a PAEP is included for all projects.

The Evaluation also states that schedules for permit acquisition "may" be unrealistic. As mentioned above, all the projects are on schedule with environmental documentation (finished on six projects), permitting and design. The agencies sponsoring the projects have long histories of successfully completing projects with complex environmental and permitting requirements. There is no basis for finding the permit schedules are unrealistic.

Economic Analysis. Based on the Proposal Evaluation and discussion with the reviewer, the primary issues with the economic analysis related to whether the emergency storage and water quality benefits of the Alternative Intake Project (AIP) were appropriately represented.

The emergency storage benefits were accurately stated. A desalination plant would provide reliability for treated water customers but would not obviate the need for surface storage that benefits all customers. Analysis for the AIP demonstrates that there is significantly more storage in Los Vaqueros Reservoir with the AIP than with a desalination plant. Supporting data was included in an appendix to the EIR/EIS (now final and certified) for the project.

The issue with the water quality benefit is not very clear, but evaluators seemed to question whether the project really provides a water quality benefit and whether that benefit is worth the cost. Extensive modeling was done for the AIP that demonstrates the water quality benefits that will be achieved with the project. The AIP is a priority CALFED drinking water quality project, and is included in the Delta Improvements Package. The modeling is included as an appendix to the EIR/EIS which was included in Attachment 8 to the submittal. The region has determined that improving water quality is a high priority for the area as demonstrated in construction of Los Vaqueros Reservoir, relocation of agricultural drains and numerous other projects that total over $850 million. Second-guessing that commitment to water quality by discounting the value of significantly decreasing the amount of time water quality goals are not met is not appropriate.

Other Expected Benefits. The Proposal Evaluation includes two rather startling comments, both contrary to established public policy.

First, the Evaluation states: "Habitat benefits cannot be realized without permanent commitment to reduce water intake from the Delta." This is inconsistent with the policy of Federal and State fisheries agencies whose adaptive management programs rely on operational changes. It also contradicts scores of biological opinions issued by the fisheries agencies (including the CALFED ROD, endorsed by DWR and the SWRCB, which relies upon the Environmental Water Account that specifically does not reduce water intake from the Delta). The fisheries benefits identified in the East County application related to the Canal Replacement Project and the Alternative Intake Project have been confirmed by the fisheries agencies and documentation of these benefits is included in the application. It is inconceivable that DWR and SWRCB would establish a contrary standard for this grant program, particularly when it appears to directly conflict with State policy.

Secondly, the evaluators opined that green and lush landscaping resulting from the use of recycled water in public parks and open spaces during droughts creates negative consequences not taken into account in our analysis. We, and others, believe there is no evidence that having green parks during a drought causes other parties to water more. In fact, drought reliability is a key selling point for many recycled water projects. Providing landscape water when it would otherwise be unavailable maintains an expensive community asset and avoids significant negative financial consequences. Again, such a standard runs counter to prior grant reviews and to State policy regarding recycling.

During our discussion at the Workshop, the reviewer also indicated that maintaining green golf courses during drought did not provide a benefit to the general public. This assumption is inaccurate in its application to the East County grant proposal. The recycled water projects in the East County application would convert ten municipal parks from potable water to recycled water and serve two municipally owned golf courses. The City golf courses are operated to meet the cities' recreational demands, are open to the public and contribute to the economic vitality of the community.

4. **Several community supported projects in the East County proposal cannot move forward without IRWM Program funding.**

The City of Pittsburg Urban Reuse project, in particular, will most likely be abandoned without additional State funding. The project has a local funding pledge of $2.5 Million from the City of Pittsburg's redevelopment account, which is a significant commitment considering the numerous competing needs in the community. The SWRCB has committed to funding $1.2 million of this high priority project through its Proposition 50, Chapter 7 competitive grants program. While the project is at 100%

design and ready for public bid, the SWRCB has had to allow a schedule extension due to a lack of outside funding. This extension is only valid until July 2007. Chapter 8 grant funding, awarded in a time frame that meets requirements for the Chapter 7 funding already committed, is essential to move the Pittsburg project into construction.

The East County partners are strongly supportive of the State's programs encouraging development of integrated regional water management plans. We look forward to continuing to work with you as the IRWM grant programs under Propositions 50 and 84 are further developed. If you have any questions, please contact Fran Garland, Principal Planner, Contra Costa Water District at (925) 688-8312, Greg Gartrell, Assistant General Manager, Contra Costa Water District at (925) 688-8100, or Gary Darling, General Manager, Delta Diablo Sanitation District (925) 778-4040.

Sincerely,

Greg Gartrell
Assistant General Manager
Contra Costa Water District

Gary Darling
General Manager
Delta Diablo Sanitation District

FG/rlr

cc: Jerry Johns, DWR
Mark Cowin, DWR
East Contra Costa IWMP Partners
Jim Jakel, Antioch City Manager
Marc Grisham, Pittsburg City Manager