

- **Board of Directors**
Water Planning, Quality and Resources Committee

March 11, 2003 Board Meeting

10-3

Subject

Report on the Innovative Supply Program

Description

The purpose of the proposed Innovative Supply Program is to pursue new methods of developing water supply for Southern California. The ISP is in accordance with the tenants of Metropolitan's new Public Business Philosophy:

- Stewardship
- Added value
- Respect for local water rights and the rights of local communities
- Adaptability

The program is also consistent with the objectives embodied within the Integrated Resources Plan of achieving supply reliability through a diverse resource portfolio, and it is being modeled after the very successful Innovative Conservation Program. ISP would provide a mechanism to objectively consider proposals from organizations and individuals on new ideas. The program would start next fiscal year.

ISP would provide grants to stimulate submittal of new innovative supply ideas. A formal request for proposals would be issued to individuals, and public and private entities. An evaluation team would rank the proposals to identify those that show the most promise of benefiting our regional supply picture. Successful candidates would have approximately one year after entering into an agreement to use Metropolitan grants to conduct small projects that assess and report on the merit of their innovative concepts. Results would be considered in future water supply planning exercises.

The purpose of this letter is to keep the Board fully informed, and at this time no board action is needed. In its first year, ISP will be a pilot program that will identify and resolve any unforeseen issues. After one year, staff will return to the Board to report on the findings of the projects, and with recommendations regarding whether or not to pursue a long-term program.

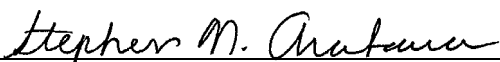
Specifics regarding the proposed ISP action plan are addressed in [Attachment 1](#).

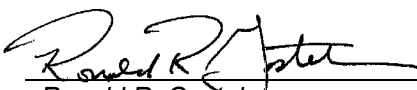
Policy

By Minute Item 44974, dated August 20, 2002, the Board has supported proceeding with similar programs in the past, and authorized the Innovative Conservation Program.

Fiscal Impact

\$200,000 will be budgeted for FY2003/04 and \$50,000 for FY2004/05.

	2/13/2003
Stephen N. Arakawa Manager, Water Resource Management	Date

	2/16/2003
Ronald R. Gastelum Chief Executive Officer	Date

Attachment 1 – Innovative Supply Program Action Plan and Schedule

BLA #2183

Innovative Supply Program Action Plan and Schedule

Objective

The Innovative Supply Program is a new approach consistent with the objectives of the Integrated Resources Plan to identify potential new sources of water supply benefiting Metropolitan. It is a mechanism to constructively respond to organizations and individuals regarding their creative new supply ideas. Results will provide a basis to assess further development of promising concepts.

Overview

ISP will provide \$250,000 in grants to stimulate new innovative supply ideas. Successful candidates will have one year to use Metropolitan grants to conduct small-scale projects that assess and report on the merit of their innovative concepts. Selected applicants will be compensated 80 percent of the grant up front and the remaining 20 percent will be paid upon completion.

Who Can Apply

1. Individuals
2. Public and private entities including water suppliers
3. Project partnerships
4. Joint ventures

Eligible Projects

Projects must produce a discrete product advancing the objective understanding of an innovation for new water supply for Metropolitan. ISP excludes projects that are participating or are under consideration for participation in Metropolitan's traditional programs (e.g. Local Resources, Seawater Desalination, and Innovative Conservation Program).

The Selection Process

A review panel will evaluate each proposal using the scoring criteria shown below. The review panel will select a project or mix of projects with the best potential to benefit the region and judged to provide Metropolitan with the best return on grant investment. This process will include the flexibility to negotiate the scope of work and grant amount with the grant applicant.

Review Panel

The review panel is proposed to consist of one representative from each of the following categories:

1. Member agencies
2. University/Business entities with a venture capital background
3. Community-based organizations or universities
4. Research institutions or laboratories
5. Metropolitan Staff

Scoring Criteria

Maximum points

- 30** 1. Innovation of project – is the concept new or different
- 30** 2. Potential Regional Water Supply benefits – pros and cons
- 30** 3. Adequacy of work plan, product and capability to complete ISP grant project
- 10** 4. Potential cost of water to region - estimated cost per acre-foot of yield for fully mature innovation

100 points total

GRANTS

\$250,000 (total for all grants awarded)

FY03/04: 80 percent paid up front

FY04/05: 20 percent payment of retention

SCHEDULE

- Mar 2003** Informational board letter on proposed ISP action plan
- Apr 2003** Issue solicitation for grants proposals (90 days)
- Aug 2003** Evaluate applications and select grant proposals (60 days)
- Oct 2003** Management approves final selection
- Sep 2003** Informational board letter on selected ISP projects
- Nov 2003** Negotiation and execution of contracts and up front payment (60 days)
- Nov 2004** Project completion