

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

May 11, 2004 Board Meeting

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**10-4**

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**Subject**

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Report on selection of groundwater storage programs using remaining Proposition 13 funds

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**Description**

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In October 2000, the Board adopted a resolution to accept \$45 million in State Proposition 13 bond funds to help finance Southern California Water Reliability Projects targeting groundwater conjunctive-use within Metropolitan's service area. Subsequently, Metropolitan issued a Request for Proposals to its member agencies and, in April 2001, selected a shortlist of nine projects to receive funds. Since that time, Metropolitan has entered into five storage agreements and anticipates executing two additional agreements in 2004. Two shortlisted projects have been withdrawn by the participating Metropolitan member agency and returned a total of \$3.8 million of Proposition 13 funds back to Metropolitan. The original selection also identified two wait-list proposals; however, each of these projects had requested substantially more funding than has been returned.

On Dec. 9, 2003, Metropolitan issued a second Request for Proposals (RFP No. WRM-CU2) for participation in groundwater storage programs to reallocate the remaining \$3.8 million in Proposition 13 funds. As part of this second RFP process, Metropolitan held a pre-submittal workshop on Dec. 18, 2003, to highlight the objectives of the groundwater storage program and to answer questions by agencies interested in participating in the RFP process. By the RFP submission deadline of Jan. 29, 2004, Metropolitan received five proposals from the following member agencies: city of Compton, Long Beach Water Department, Municipal Water District of Orange County, San Diego County Water Authority, and Three Valleys Municipal Water District.

This second RFP to allocate Proposition 13 funds paralleled the process used in the original RFP. A Review Committee, composed of two staff and three independent water resource professionals, was formed to review and evaluate the proposals, and to recommend the best project(s). The Groundwater Conjunctive-Use Principles set forth by Metropolitan's Board of Directors in January 2000 were used as the scoring criteria. [Attachment 1](#) provides a brief description of this review process.

Upon evaluation of the five proposals submitted, the Review Committee recognized the proposals submitted by the city of Compton, Long Beach Water Department, and Three Valleys Municipal Water District as responsive and with good potential to be developed and implemented into successful conjunctive-use projects. The Review Committee scored the Compton and Long Beach Water Department proposals the highest. [Attachment 2](#) provides the Review Committee's recommendation. Staff proposes allocating \$2.43 million to the eligible portions of the city of Compton's proposal, and \$1.37 million to the Long Beach Water Department proposal. The balance of funds required by each project will be the responsibility of each member agency. Should either project be unable to proceed by the end of the year, funds will be offered to Three Valleys Municipal Water District for their proposed conjunctive-use project. [Attachment 3](#) provides the allocation of funds to the shortlisted projects. Any remaining Proposition 13 funds will be used to either expand an existing program, or be substituted for Metropolitan capital funds committed to existing Proposition 13 conjunctive-use projects. Staff will work to develop one or more agreements utilizing the terms and provisions consistent with those in executed Proposition 13 storage agreements, and will bring these to the Board for authorization by the end of 2004.

## Policy

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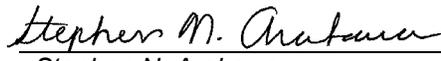
By Minute Item 43860, dated Jan. 11, 2000, the Board approved strategies for implementing Groundwater Storage Programs within Metropolitan's service area.

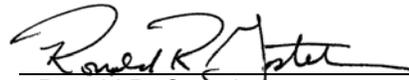
By Minute Item 44210, dated Oct. 17, 2000, the Board adopted Resolution 8706 to accept the grant for funds from Proposition 13.

## Fiscal Impact

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There is no fiscal impact to Metropolitan reallocating Proposition 13 grant funds. Failure to reallocate these funds would result in a loss of benefits for Metropolitan and the Southern California region.

	4/12/2004
Stephen N. Arakawa	Date
Manager, Water Resource Management	

	4/20/2004
Ronald R. Gastelum	Date
Chief Executive Officer	

**Attachment 1 – Brief Description of the Proposition 13 RFP Process**

**Attachment 2 – Review Committee Recommendation**

**Attachment 3 – Allocation of Funds To Shortlisted Projects**

BLA #2787

## **Brief Description of the Proposition 13 RFP Process**

### **I. Background**

In March 2000, 65 percent of California voters approved Proposition 13, authorizing the state of California to sell \$1.97 billion in general obligation bonds for water-related projects throughout the state. The Governor's Annual Budget Act, released in May 2000, appropriated to the Department of Water Resources (DWR) local assistance grant funds from Proposition 13. In June 2000, the Senate and Assembly approved a budget bill for fiscal year 2000/01. Allocated in this budget was \$69 million to help finance Metropolitan's groundwater conjunctive-use projects, water quality exchanges, and desalination research and innovation partnerships. Of the \$69 million allocated to Metropolitan, \$45 million was designated for Southern California Water Reliability Projects targeting groundwater conjunctive-use projects within Metropolitan's service area. These conjunctive-use projects will improve the water supply reliability for the entire region by creating additional dry-year supply.

In January 1996, Metropolitan's Board of Directors approved the Integrated Water Resources Plan (IRP) that forms the framework for meeting demands within the service area out to the year 2020. The IRP identified groundwater storage as a cost-effective way to meet projected dry-year demands, and Metropolitan is committed to developing groundwater storage projects within its service area. The 1996 IRP identified the need for 200,000 AF per year of dry-year yield from in-region groundwater storage by 2000, 275,000 AF per year by 2010, and 300,000 AF per year by 2020. The IRP Update presently under review maintains these targets for in-basin groundwater storage to provide dry-year water supplies. Groundwater storage projects funded by the Proposition 13 funds for groundwater storage are addressing the 2010 IRP target.

In January 2000, Metropolitan's Board adopted principles to guide the development of groundwater storage within Metropolitan's service area. These principles are: Regional Benefit, Partnership, Address Local Needs, No Negative Water Supply or Water Quality Impact, Financial Integrity, Phased Approach and Shared Risk.

In November 2000, Metropolitan advertised to its member agencies a Request for Proposal for Participation in Groundwater Storage Programs Using Proposition 13 Funds. The RFP was designed to promote an objective process for distributing the \$45 million. In April 2001, Metropolitan's Board approved nine short-listed projects to receive funds. Since that time, Metropolitan has entered five storage agreements and anticipates executing two additional agreements in 2004. Two short-listed projects have withdrawn by the participating Metropolitan member agency. The withdrawal of these programs allows for the reallocation of funds to other projects. Although the original selection identified two wait-list projects, each of these had requested substantially more funding than what has been returned.

As a result, a second RFP was issued to the member agencies on December 9, 2003 to reallocate \$3.8 million of the Proposition 13 funds. Proposals were due to Metropolitan by January 29, 2004. Five proposals were received under the second RFP. The city of Compton, Long Beach Water Department, Municipal Water District of Orange County, San Diego County Water Authority, and Three Valleys Municipal Water District each submitted a proposal.

**Table 1**

<b>Proposals Received</b>		<b>Dry-Year Yield</b> (AF/year)	<b>Requested Prop. 13 Funds</b> (\$)
Project Name:	Compton Conjunctive-Use Program	1,090	\$3,428,900
Submitting Agency:	City of Compton		
Sponsoring Agency:	City of Compton		
Project Name:	Long Beach Conjunctive-Use Program Expansion in Lakewood	1,200	\$3,100,000
Submitting Agency:	Long Beach Water Department		
Sponsoring Agency:	Long Beach Water Department		
Project Name:	Orange County Conjunctive-Use Program Expansion	2,500	\$3,800,000
Submitting Agency:	Orange County Water District		
Sponsoring Agency:	Municipal Water District of Orange County		
Project Name:	San Pasqual Valley Conjunctive-Use Program	15,000	3,800,000
Submitting Agency:	City of San Diego		
Sponsoring Agency:	San Diego County Water Authority		
Project Name:	Upper Claremont Heights Conjunctive-Use Program	1,000	\$1,228,375
Submitting Agency:	Three Valleys MWD		
Sponsoring Agency:	Three Valleys MWD		

## **II. The RFP Process**

For the RFP, agencies were required to submit proposals that conformed to a required format and contain specified project information. The format/content requirements were specified in RFP No. WRM-CU2. In addition, the submitting agencies were required to obtain sponsorship from their respective Metropolitan member agency to ensure that the projects submitted were developed within Metropolitan's service area. All proposals were required to conform to state of California and Metropolitan audit requirements.

## **III. Selection Process**

The Review Committee was comprised of five people, including two members of Metropolitan's staff and three independent water resource professionals (consultants). Metropolitan staff in the Review Committee included Anatole Falagan (Assistant Group Manager, Water Resource Management) and Kathleen Kunysz (Program Manager, Water Resource Management). The three consultants, Robert Potter, Neil Cline and John T. Scheliga, Jr., participated in the first RFP process and were invited back to provide additional statewide, local and technical perspective to the evaluation of the proposals, and apply their experience from the earlier selection process.

Robert Potter worked for DWR for 41 years, where he was appointed to four terms as DWR Deputy Director. While at DWR, Mr. Potter served as chairman of the San Joaquin River Management Program Council from 1990 to 1998, member of the Delta Protection Commission from 1992 to 1998, represented DWR on CALFED Policy Group from 1994 to 1998, managed the DWR emergency drought bank in 1991 and was District Chief of DWR's Southern District from 1985 to 1986.

Neil Cline has 44 years of experience in water resource management, planning and construction. He served as General Manager of the Santa Ana River Watershed Project Authority from 1990 to 1998 and as an elected director to the Coastal Municipal Water District from 1991 to 1998. Mr. Cline also served as Secretary Manager of the Orange County Water District from 1967 to 1986.

John T. Scheliga, Jr., has a 45-year professional experience as consultant in the field of water resources. From 1963 to 1992, Mr. Scheliga worked with various water resources consulting companies, including more than 10 years of professional experience devoted to international activities in Asia, Africa and South America as a consultant to the USAID, Asian Development Bank, Organization of American States, World Bank and various national governments. He was also Director of Engineering and Facilities with Rancho California Water District from 1979 to 1980.

The Review Committee evaluated the proposals using a set of basic criteria specified in the RFP as well as the scoring criteria provided below to rank project proposals. The basic criteria were used to ensure eligibility of selected proposal(s) and ability to fully utilize the Proposition 13 funds before they sunset in early 2009. The scoring criteria were based on Metropolitan's board-adopted principles for groundwater storage projects. Projects that scored zero in any of the categories listed below were disqualified.

### **Basic Criteria**

1. Project includes substantive new facilities to be used for conjunctive-use, and which are not under construction or part of an existing design-build contract.
2. Proposed project can be fully implemented with \$3.8 million or less of Proposition 13 funds, or includes firm commitment of other funds sufficient to fully fund the proposed project.

3. Proposal demonstrates that project can be approved, designed, fully constructed and operational no later than September 30, 2008.
4. Project will provide for groundwater storage of Metropolitan supplies and can produce those supplies for dry-year yield upon call by Metropolitan.

#### Scoring Criteria

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|---|----------------------|
| 1. Regional Benefit                           | (0-20 points)        |
| 2. Partnership (Local Support)                | (0-15 points)        |
| 3. Address Local Needs                        | (0-15 points)        |
| 4. Water Quality or Supply Impacts            | (0-15 points)        |
| 5. Protect Metropolitan's Financial Integrity | (0-15 points)        |
| 6. Meets Overlying Demand                     | (0- 5 points)        |
| 7. Shared Risk                                | <u>(0-15 points)</u> |

**Maximum Score: 100 points**

Metropolitan will develop conjunctive-use project agreements with the different sponsoring member agencies and various local proponents for each of the proposals recommended consistent with the provisions of previously executed Proposition 13 storage agreements. Upon completion and approval of environmental documentation by the project sponsor's governing body, per the California Environmental Quality Act, each project agreement will be forwarded to Metropolitan's Board for consideration. If approved by Metropolitan's Board, the agreement would be executed. Projects will be eligible to receive funding assistance only if an agreement for a groundwater storage project with Metropolitan is executed. Metropolitan will execute the agreement only after all other parties have signed. Program funds will be disbursed to the projects on a reimbursable basis.

All groundwater storage agreements will include performance targets. Targets allow Metropolitan to adjust or withdraw financial commitments to projects that fail to meet proposed development and production commitments. In the event that any of the shortlisted proposals fail to meet any of the milestone targets and deadline requirements, Metropolitan will finalize agreement terms with the project on the waiting list.

### Review Committee Recommendation

The RFP No. WRM-CU2 Review Committee is comprised of five people that include three water resource professionals (consultants) and two members of Metropolitan's staff. The Review Committee used the scoring criteria provided below to rank project proposals. These scoring categories are based on Metropolitan's board-adopted principles for groundwater storage projects.

- |   |                |
|---|----------------|
| 1. Regional Benefit                           | (0-20 points)  |
| 2. Partnership (Local Support)                | (0-15 points)  |
| 3. Address Local Needs                        | (0-15 points)  |
| 4. Water Quality or Supply Impacts            | (0-15 points)  |
| 5. Protect Metropolitan's Financial Integrity | (0-15 points)  |
| 6. Meets Overlying Demand                     | ( 0- 5 points) |
| 7. Shared Risk                                | (0-15 points)  |

**Maximum Score: 100 points**

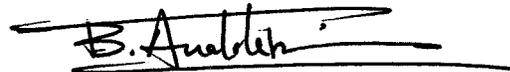
After thorough evaluation and review, the Review Committee identified three responsive projects that have the highest potential to be implemented prior to September 30, 2008. The Review Committee is pleased to recommend the following proposals to be included in the shortlist for funding using Proposition 13: city of Compton, Long Beach Water Department, and Three Valleys Municipal Water District. The Review Committee believes that these proposals are all potentially viable and present valuable opportunities for successful conjunctive-use projects consistent with Metropolitan's board-adopted principles. This recommendation reflects the collective findings of the Review Committee.

The undersigned members of the Review Committee for RFP No. WRM-CU2 unanimously agree with the findings, recommendations and conclusions presented above and respectfully submit this recommendation to the Metropolitan Board of Directors.




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Robert Potter, P.E.  
Consultant



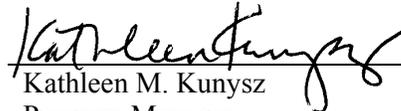

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B. Anatole Falagan, P.E.  
Assistant Group Manager




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Neil Cline, Geologist  
Consultant




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Kathleen M. Kunysz  
Program Manager




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John T. Scheliga, Jr., R.G., C.E.G.  
Consultant

<b>ALLOCATION OF FUNDS TO SHORTLISTED PROJECTS</b>				
<b>Shortlisted Proposals</b>		<b>Dry-Year Yield (AF/year)</b>	<b>Requested Prop. 13 Funds (\$)</b>	<b>Recommended Prop. 13 Funds (\$)</b>
Project Name:	Compton Conjunctive-Use Program	1,090	\$3,428,900	\$2,428,900
Submitting Agency:	City of Compton			
Sponsoring Agency:	City of Compton			
Project Name:	Long Beach Conjunctive-Use Program Expansion in Lakewood	1,200	\$3,100,000	\$1,371,100
Submitting Agency:	Long Beach Water Department			
Sponsoring Agency:	Long Beach Water Department			
Project Name:	Upper Claremont Heights Conjunctive-Use Program	1,000	\$1,228,375	
Submitting Agency:	Three Valleys MWD			
Sponsoring Agency:	Three Valleys MWD			