



- Board of Directors  
*Water Planning and Stewardship Committee*

3/12/2013 Board Meeting

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9-1

## Subject

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Proposed Foundational Actions Funding Program

## Executive Summary

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Metropolitan's 2010 Integrated Water Resources Plan (2010 IRP Update) established a planning framework, including a core resources program, that is designed to ensure the region's water reliability into the future. The 2010 IRP Update also recognized that the future is uncertain and under some conditions, additional water resources may need to be developed. Addressing this future uncertainty, the 2010 IRP Update established a Foundational Actions approach, which are low-risk, no-regrets, preliminary actions that can be taken to ensure the region will be ready to implement new water supply programs, should the need arise.

This board letter proposes a Foundational Actions Funding Program to select and fund Foundational Actions to be submitted by member agencies.

## Description

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### Foundational Actions Background

In 2010, the Board adopted the IRP Update. Since that time, Metropolitan has taken numerous actions to ensure development of the core resources identified in the 2010 IRP Update. Metropolitan's core resources plan is on track and is well positioned to meet future demands within an expected range of future conditions. However, if future supply vulnerabilities and uncertainties should prove greater than expected, additional resources may be required. These resources would more easily be implemented in the future by proceeding with Foundational Actions now. Foundational Actions include technical studies and research (up to pilot projects, but not full-scale projects) that enable timely, as-needed future implementation of the following resources:

- Recycled water (including direct and indirect potable)
- Seawater desalination
- Stormwater capture
- Groundwater enhancement

### Future Foundational Actions

Based on Foundational Actions suggested in the 2010 IRP Update, Metropolitan has identified and initiated low-cost, low-risk actions described in the *2012 Integrated Water Resources Plan Implementation Report*, issued to the Board in October 2012. In addition to the Foundational Actions that are currently being pursued by Metropolitan, there are also actions that may be effectively pursued by local project proponents. In these cases, it may be beneficial for member agencies to pursue certain technical studies or regulatory improvements to help increase the likelihood of success for future water resource implementation.

Funding for these kinds of activities is difficult to acquire. State funds tend to focus on the implementation of projects and less on the work required to analyze bond feasibility and need. Occasionally, state or federal funding is available for these activities, although usually funding is intermittent. Metropolitan's own Local Resources Program is designed to provide funding for specific projects once they are producing supplies, but does not fund

the research or technical investments needed to bring the water resource on-line. This leaves a potential funding gap for work on the front end to bring new water resources from concept to implementation.

### **Foundational Actions Funding Program Description**

Staff proposes that Metropolitan implement a Foundational Actions Funding (FAF) Program to help address regional funding needs for these activities. Proposals under the FAF Program would consist of technical studies or pilot projects to enable effective resource planning and implementation. More specifically, these proposals would be aimed to reduce barriers to future water resource production, and:

1. Advance the field of knowledge for future water resource production.
2. Provide results that are unique, yet transferable to other areas in the region.
3. Represent a catalytic/critical path to water resource implementation.

Examples of studies under the FAF Program may include, but are not limited to:

- determination of optimal desalination integration practices or treatment processes
- assessment of the stormwater runoff quantity potential in a region and its effect on groundwater production yields
- analysis of how to maximize opportunities for indirect potable reuse
- studies of how to reduce barriers to direct potable reuse
- study to support permitting agencies in establishing policies and regulatory criteria for future regional water resources
- analysis of the ability for reduced brine-discharge approaches to help improve resource availability
- study of basin-wide water quality management programs and their impact on improved groundwater yields.

FAF Program would not include:

- CEQA documentation
- Acquisition of property
- Design of full-scale projects
- Construction of full-scale projects.

### **Program Funding**

Expenditures for this program were not included in the FY 2013/14 budget. Staff proposes that monies for this program come from funds designated for these or similar purposes, such as the Water Stewardship Fund or the Seawater Desalination Fund (Desalination Fund). The Desalination Fund consists of proceeds and earned interest from the sale of the Bolsa Chica and surplus Ormond Beach properties. The Desalination Fund currently contains \$18.76 million and is restricted to seawater desalination uses by board directive. To use the Desalination Fund for other water resources development components of the FAF Program, the Board would need to authorize expanding the use of a portion of the Desalination Fund to include the FAF Program. This action would be included as part of the Board's approval of the FAF Program.

Funds for the FAF Program would be made available through an awards process. Member agencies would be invited to submit proposals for funding under the FAF Program. The following further describes the proposed FAF Program.

- Total funding level is estimated to be \$3 million, but the final funding total will reflect the amounts requested in the eligible proposals and will be submitted to the Board for approval ;
- Final authorization for funding of each specific proposal will come before the Board for approval;
- Each proposal would require a non-Metropolitan match of at least 100 percent of the Metropolitan funded amount;
- Member agencies may partner with each other or with outside entities;
- Each member agency may submit multiple proposals for consideration, although they must rank them by priority. Total funding requested cannot exceed \$500,000 for a given member agency or a given proposal; and

- If the proposal meets the description and criteria for the FAF Program and there is sufficient funding, the proposal will be presented to the Board for consideration.

### **Proposal Selection**

Metropolitan will form a panel of experts to review the proposals, ensure compliance with the FAF Program description and eligibility, and evaluate each proposal for additional selection criteria. This panel will be modeled on the Review Committee formed for the evaluation of projects for Proposition 13 funding in 2001 and will consist of five people: two Metropolitan staff and three external technical experts. To prevent any conflicts of interest, the technical experts shall be consultants, regulatory agency staff, or academics with no direct involvement in any proposal.

Metropolitan staff will review the panel suggestions and develop a list of recommended Foundational Actions proposals and funding levels for board approval.

Additional selection criteria for each proposal may include the following:

- **Reduces Barriers to Future Production**
  - Actions are critical to resource implementation and planning efforts;
  - Actions will advance the field of knowledge for development of future water resources, and may be used in future research;
  - Actions are unique and innovative (differ from other completed or ongoing studies);
  - Actions increase future local supply potential; and
  - Actions expedite future permitting or facilitate beneficial regulations for future water resources.
- **Regional Benefit/Applicability**
  - Results of the proposal apply to Metropolitan's member agencies, retail agencies, and regional stakeholders; and
  - May include other benefits, such as environmental, water quality, energy, wastewater, infrastructure, etc.
- **Work Plan**
  - Work plan has adequate detail and completeness so that it is clear that the proposed actions can be implemented. Potential challenges and issues related to proposal implementation are identified and addressed; and
  - Proposal objectives can be achieved in the stated time period with the allotted personnel and budget.

### **Next Steps**

Staff will receive committee feedback and return with a refined proposal for the FAF Program for board approval. Following approval of the FAF Program, staff will develop and issue a Request for Proposals in 2013. Staff will establish a FAF Program panel of experts to evaluate proposals and staff will return to the Board with the list of specific member agency FAF Program proposals and funding amounts, corresponding schedules to implement each FAF Program action, and a request for authorization of specific proposals.

**Policy**

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By Minute Item 38046, dated January 9, 1990, the Board authorized the sale of the Bolsa Chica property and approved that the proceeds from the sale and accrued interest be held in trust in a special fund for the future acquisition and/or development of replacement ocean access desalination site(s).

By Minute Item 42724, dated November 18, 1997, the Board approved retaining the proceeds from the Bolsa Chica sale in a trust fund and applying the proceeds plus interest accrued thereon to purchase substitute coastal property, subject to final board approval.

By Minute Item 45955, dated October 12, 2004, the Board authorized the Chief Executive Officer to sell the Ormond Beach property with an amendment that proceeds be used for desalination purposes.

By Minute Item 48449 dated October 12, 2010, the Board adopted the CEQA determination and the 2010 Integrated Resources Plan Update, as set forth in the letter signed by the General Manager on September 29, 2010.

**Fiscal Impact**

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None

	2/20/2013
Deven N. Upadhyay Manager, Water Resource Management	Date

	2/25/2013
Jeffrey Knightlinger General Manager	Date

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