

# Memorandum

<b>To</b>	<b>Robert Perrault, General Manager</b> Los Olivos Community Services District	<b>From</b>	<b>Greg Jaquez, PE</b> MNS Engineers, Inc.
<b>Date</b>	January 11, 2022		
<b>Subject</b>	<b>Los Olivos Community Services District Grant Research and Funding Strategy Memorandum</b>		

## Introduction

Los Olivos Community Services District (LOCSD) is interested in pursuing grant funding for their Wastewater Reclamation Program, including wastewater collection, wastewater treatment, and an effluent discharge system. MNS Engineers (MNS) has been tasked on behalf of LOCSD to perform this grant funding analysis.

MNS is evaluating existing grants and other funding options that closely align with at least one of the three components of the Wastewater Project. To maximize funding, MNS is evaluating each project component as its own individual project. MNS will develop a comprehensive funding strategy that utilizes these opportunities according to which project component is eligible for funding, project progress, and timing of project solicitation. It is further understood and recommended that this memorandum be treated as living document open to updates as funding opportunities through various sources become more clearly available and can be evaluated for their usefulness in the strategy.

## WaterSMART Title XVI Water Reclamation and Reuse Grants

Through the Title XVI program, the Bureau of Reclamation (Bureau) identifies and investigates opportunities to reclaim and reuse wastewaters and impaired ground and surface water in the 17 Western States and Hawaii. Title XVI includes funding for the planning, design, and construction of water recycling and reuse projects in partnership with local government entities. Projects can continue to compete for and receive funding through future funding opportunities until they receive 25% of the total project cost or \$20 million in federal funding, whichever is less. As such, applicants must be capable of cost sharing 75% or more of the total Project costs. Applicants can request funding for just planning, design, or construction alone, or any combination of the three. *\$20 million in federal funding was available in previous years but has not yet been confirmed for 2022.*

## Eligibility Criteria:

Projects eligible for funding under the WIIN Act include those that have a completed Feasibility Study that has been reviewed by the Bureau and found to meet all of the requirements of the Reclamation Manual Release WTR 11-01. The findings of the Bureau's review must also have been transmitted to Congress for the project to be eligible. A Feasibility Study can be submitted to the Bureau at any time, however, it must be approved by the Bureau before the next Notice of Funding Opportunity (NOFO) is posted.

The Feasibility Study must meet the requirements set forth in the Reclamation Manual WTR11-01. However, existing studies may be utilized by developing a "Crosswalk Table" in conjunction with a technical memo that supplements gaps in the existing study. The Bureau will accept for review a water reclamation, recycling or desalination feasibility study report prepared for other purposes (e.g., as part of an application for state funding programs). However, when a report prepared for other purposes is reviewed, the project sponsor must provide a crosswalk that identifies the sections and page numbers that clearly address each element.

In 2016, Los Olivos CSD completed a Feasibility Study and Engineering Report. A Siting Study for the wastewater treatment plant was completed in 2021 and a Project Report is underway. Once complete, a crosswalk table may be developed to utilize all existing studies in submission to the Bureau. Studies should be submitted several months prior to submitting the grant application. After the Bureau reviews the Study, their findings will need to be sent to Congress. Los Olivos CSD should consider submitting an application in 2023, as 2022 applications are due in April and there will not be enough time to complete the Project Report and submit it in time for review and approval before the NOFO release in March.

Title XVI projects develop and supplement urban and irrigation water supplies through water reuse—thereby improving efficiency, providing flexibility during water shortages, and diversifying the water supply. Wastewater collection and treatment alone do not qualify as eligible projects. However, including a groundwater recharge component would transform the Wastewater Reclamation Project into a water recycling project, providing drought-resilience and climate change resilience in the Los Olivos community, and making it an eligible Title XVI project. Including groundwater recharge involves ensuring the wastewater is treated properly for groundwater injection, which may affect the type of proprietary package wastewater treatment plant selected. Additionally, MNS understands that a third-party water purveyor would need to purchase the treated effluent and undertake the responsibility of constructing and operating an injection system. MNS recommends that LOCS D pursue a partnership with Santa Ynez River Water Conservation District, Improvement District No.1 (ID1) to develop a method of effluent discharge and groundwater recharge. Cooperating with ID1 in this way not only establishes a method of discharging effluent, it adds a water recycling element that will strengthen the Project and enable eligibility for other grant opportunities.

*It is important to note that the outcome of the new Federal Infrastructure Bill may affect WaterSMART and Title XVI funding available this year. MNS will continue to update the LOCSO funding analysis to reflect the current status.*

[View Opportunity | GRANTS.GOV](#)

## Clean Water State Revolving Fund (CWSRF)

The CWSRF program offers low-cost financing for a wide variety of water quality projects. The program is capable of financing projects from under \$1 million to over \$100 million. Administered by the SWRCB, the CWSRF helps communities prevent pollution of precious water resources to maintain their beneficial uses.

Since its inception in 1989, the CWSRF has provided below-market rate financing for the construction of wastewater treatment and water recycling facilities, for implementation of nonpoint source and storm drainage pollution control solutions, and for the development and implementation of estuary plans to protect and promote the health, safety, and welfare of all Californians.

Applications are continuously accepted. Of the complete applications received for the CWSRF, 95% receive an executed financing agreement in 9 months or less. For purposes of applying for federal grants, CWSRF funds can be considered non-federal matching funds as long as there is no principal forgiveness.

Eligible projects include, but are not limited to:

- Planning, Design and/or Construction of publicly-owned facilities including: Wastewater treatment plants, Sewer collectors and interceptors, Combined sewers, Septic to sewer conversions, Storm water reduction and treatment, and Water reclamation facilities.
- Planning, Design and/or Implementation of: Nonpoint source projects or programs, and Estuary conservation and management plans.

The Water Recycling Funding Program (WRFP), a subset of CWSRF, should be considered as an option to support construction of the treatment system. The wastewater collection system would also be included in the CWSRF application. The WRFP Construction Funding application requires a completed Project Report. As such, LOCSO is encouraged to apply as soon as the Project Report is completed.

## Small Community Drought Relief Program

The Small Community Drought Relief Program (Program) is funded by the Department of Water Resources. The goal of the Program is to provide financial and technical resources to small communities burdened by drought-related water shortages. The Legislative Budget Act authorized the Program in 2021.

Funds are currently being distributed on an on-going basis. The primary concern with pursuing a grant through the Program may be the unknown availability of future funding. The grants are awarded on a first-come, first-serve basis until the funds are expended or until December 29, 2023. However, the entire allocation of grant funding has been awarded. With the current drought conditions ongoing throughout the State, there is a strong likelihood the State Legislature will appropriate additional funding to this program for Fiscal Year 2022-23. The structure of this grant does not require cost-sharing with the grantee. The project time limit is three years, and all funds must be expended by June 30, 2024.

#### Eligibility Criteria:

Public agencies, public utilities and special districts (i.e. community services or reclamation districts) are eligible applicants for the Program. Based on this criterion, the Los Olivos CSD is a qualified applicant. The project must also be in a county which was included in the 2021 drought emergency proclamations, which applies to Santa Barbara County. The types of projects that can be funded are those that provide reliable water supplies, improve storage, replace aging or leaking infrastructure or provide backup power for water systems. The proposals for grant funding are not scored and are thus non-competitive. The applications are only evaluated against the Program objectives.

The objective of the Small Community Drought Relief Program is to assist small systems burdened by drought conditions. According to the project plans, ID1 would be the recipient of the advanced treated effluent of the Los Olivos CSD's Wastewater Treatment Plant. This water would be directed back into the basin, which would have a significant positive impact on the groundwater levels, thus attenuating some impacts of the current drought. This outcome satisfies the primary objective of the Program's goal to assist small, drought-afflicted communities with creating more sustainable water supplies. Given the interrelated nature of the reuse project, a close collaboration between the Los Olivos CSD and ID1 would be important to bolster the application for grant funding.

#### Proposition 68 Sustainable Groundwater Management Grant (Round 2)

Proposition 68 authorizes the Legislature to appropriate from \$500,000 to \$5 million toward projects that assist GSAs in implementing their Groundwater Sustainability Plan (GSP). The grant is going into Round 2, which includes medium to high priority basins. The second round of solicitation begins in September 2022 with an award date of Spring 2023. All applications submitted under Round 2 must have a completed GSP or an approved alternative that has been accepted by DWR. Timing is critical for applying for Prop 68 funding because the Project Report needs to be completed and LOCSD needs to establish a partnership with ID1.

This grant may only be awarded to a GSA or member thereof. In this case, the applicant would need to be ID1, as it is in the GSA in the EMA where the project is located. One option to secure funding through this program would be to establish an agreement between the LOCSD and ID1. ID1 must be the applicant for funding because the intent of the project is to benefit GSAs. The

groundwater recharge component would meet one of the primary objectives of Prop 68 funding.

#### Eligibility Criteria:

- Agricultural Water Management Plan (AWMP)
- California Statewide Groundwater Elevation Monitoring (CASGEM) Compliance
- Climate Change
  - Applicants shall demonstrate that the project addresses risks arising from Climate Change.
- Groundwater Management Compliance
  - SGMA Consistency
    - An Adopted GSP or and Approved Alternative
- GWMP Compliance
- Open and Transparent Water Data
- Public Utilities and Mutual Water Companies
  - Clear and definite purpose for how project benefits customers, not investors
- Stormwater Resource Plan (SWRP) Compliance
- Surface Water Diversion Reporting Compliance
- Sustainable Water Use and Demand Reduction
- Water Metering Compliance

The groundwater recharge plans of the project align closely with the intent of the Prop 68 grant funding objectives. The injection of advanced treated wastewater effluent into the Eastern GSA management area supports the objective to advance regional groundwater supply sustainability. This is a multifaceted, mutually beneficial project that aligns with the overall goals of Prop 68, and should be considered a viable potential source of funding.

## IRWM

The Integrated Regional Water Management (IRWM) Implementation Grant Program is made available through the CA Department of Water Resources. The overall goal of the various IRWM programs throughout California are to encourage collaboration of regional stakeholders in addressing water supply issues through an integrated approach. The Proposition 1 grant funding is entering Round 2 and expected to open in early 2022. The open solicitation window for the Santa Barbara IRWM will be from January 17<sup>th</sup> to February 21<sup>st</sup>, and the scoring is set to take place in March 2022. The scoring rubric will be largely based on the Proposal Solicitation Package (PSP) released by DWR. Currently, there remains \$2 million in funding available to projects in the Santa Ynez and San Antonio Watersheds.

The IRWM Plan for the Los Olivos CSD is administered through Santa Barbara County. In order for the three projects to be considered for selection under the IRWM Grant Program, the project

must be identified in the current IRWM on file with the County. The scoring rubric used will align closely with the criteria outlined in the PSP. Some of the project criteria are listed below.

Eligibility Criteria:

- The IRWM region must have been accepted into the IRWM Grant Program through the Regional Acceptance Process (RAP)
- Proposed projects must be included in the regional IRWM Plan
- Each proponent of a project included in an IRWM Implementation proposal must adopt the IRWM Plan
- Public Utilities and Mutual Water Companies – Project must benefit customers, not investors
- Water Contamination descriptions required for areas with elevated nitrate, arsenic, perchlorate or hexavalent chromium
  - The location and extent of that contamination in the region,
  - The impacts caused by the contamination to communities within the region,
  - Existing efforts being undertaken in the region to address the impacts, and
  - Any additional efforts needed to address the impacts

The Regional Water Management Group (RWMG) must include in its grant application an explanation of how the proposed project addresses the any such contamination.

- Climate Change – Project must address regional risks of climate change
- Groundwater Management Compliance
  - SGMA Consistency
  - Groundwater Management Plan Compliance
- CA Statewide Groundwater Elevation Monitoring (CASGEM) Compliance
- Stormwater Resources Plans
- Urban and Agricultural Water Suppliers Compliance
- Water Metering Compliance
- Open and Transparent Water Data

Some project types that are eligible include, but aren't limited to:

- Water reuse and recycling for non-potable reuse and direct and indirect potable reuse,
- Water-use efficiency and water conservation
- Local and regional surface and underground water storage, including groundwater aquifer cleanup or recharge projects
- Regional water conveyance facilities that improve integration of separate water systems
- Watershed protection, restoration, and management projects, including projects that reduce the risk of wildfire or improve water supply reliability
- Improvement of water quality, including drinking water treatment and distribution, groundwater and aquifer remediation, matching water quality to water use, wastewater treatment, water pollution prevention, and management of urban and agricultural runoff

The major priority of the IRWM Program is to address regional water supply issues through a multi-agency collaborative approach. The LOCSD, Improvement District No. 1 and the broader Santa Ynez River Valley Groundwater Basin would mutually benefit from these proposed projects through remediation as well as groundwater recharge.

### Other Considerations

MNS is looking forward to developments with the State legislature and budget, as there is potential for additional funding for water programs. We can expect to learn more around February through May of this year and this funding analysis will be updated accordingly. Specifically, Title XVI programs may get infusions through the Water Infrastructure Improvements for the Nation (WIIN) Act.

Due to the multi-agency nature of the projects proposed, there may need to be special provisions put in place for the cooperative management of the project and process. ID1 is a GSA member and would take the effluent from the WWTP, which will be under the management of the Los Olivos CSD. In this case, establishing a memorandum of understanding might be the best way to facilitate this agreement and proceed toward applying for grant funding under Prop 68.

### Funding Strategy Summary

The recommended funding strategy is to pursue all of the aforementioned funding sources in a manner that

- satisfies their complementary fund matching requirements,
- aligns funding availability and project delivery requirements with project phasing and scheduling,
- and utilizes partnerships and cooperative arrangements to maximize funding accessibility.

A tabular view of this strategy is presented in **Attachment A**

### Standing Recommendation

MNS recommends revisiting this strategy memo at appropriate times and periods when additional and new funding sources are revealed and can be evaluated for their incorporation into the funding strategy.

## Strategic Plan for Funding LOCSD

2022	Funding Source	Funds Available	Grant Award	Competitive	Open Date	Closing Date	Review End	Cost Sharing
Integrated Water Resources Mgt. (IRWM) (Round 2)	State (DWR), Prop 1	\$2 million	\$0-2 million	Yes	January 17th	February 21st	March 1, 2022	50%
Small Community Drought Relief	State (DWR), AB 148	\$192 million	Varies	No	Ongoing	30-Jun-2024	Ongoing	None
Title XVI under Bureau of Reclamation (BoR)	Federal (BoR)	Closed for 2022	\$0-2 million	--	--	--	2021	25-50%
Sustainable Groundwater Mgt. (SGM) (Round 2)	State (DWR), Prop 68	\$62 million	\$500k - \$1million	Yes	Fall 2022	Late 2022	Early 2023	25%
Clean Water State Revolving Fund (CWSRF)	SWRCB, Loan	--	\$1 - \$100 million	No	Ongoing	Ongoing	Ongoing	Financing
2023	Funding Source	Funds Available	Grant Award	Competitive	Open Date	Closing Date	Review End	Cost Sharing
Title XVI under Bureau of Reclamation (Bureau)	Federal (Bureau)	TBD (2023)	TBD (2023)	No	TBD (2023)	TBD (2023)	TBD (2023)	
Small Community Drought Relief	State (DWR), AB 148	TBD (2023)	Varies	No	Ongoing	30-Jun-2024	Ongoing	None
Clean Water State Revolving Fund (CWSFR)	SWRCB, Loan	--	\$1 - \$100 million	No	Ongoing	Ongoing	Ongoing	Financing



	IRWM	Sm. Comm.	Title XVI	Prop 68	CSWRF
<b>Funding Areas</b>					
Planning	✓	✓	✓	✓	
Design	✓	✓	✓	✓	
Construction/Implementation	✓	✓	✓	✓	✓
<b>Application Components</b>					
Budget	✓	✓	✓	✓	✓
Program Application	✓	✓	✓	✓	✓
Project Proposal		✓		✓	
Applicant Representatives Worksheet		✓		✓	
Feasibility Study (2016)			✓		
Project Report (2022, Underway)			✓	✓	
Cover Letter / Title Page / Table of Contents	✓	✓	✓		
Budget	✓	✓	✓	✓	
IRWM Plan	✓				
SGMA Compliance				✓	
Groundwater Management Plan Compliance				✓	
Agricultural Water Management Plan Compliance	✓			✓	
Groundwater Management Compliance	✓			✓	
CA Statewide Groundwater Elevation Monitoring	✓			✓	
Water Metering Compliance				✓	
Stormwater Management Plan Compliance	✓			✓	
<i>Work Plan</i>					
<i>Project Administration</i>	✓	✓		✓	
<i>Land Purchase/Easement</i>	✓				
<i>Planning/Design/Engineering/Environmental Documents</i>	✓	✓		✓	
Construction/Implementation	✓				
Schedule	✓	✓		✓	
Climate Change	✓			✓	
Authorizing Resolution		✓		✓	
Mandatory Federal Forms (SF-424)			✓		
Environmental and Cultural Resources Compliance			✓		
Permits (if Applicable)			✓		
✓	<b>Critical Path Item</b>				