

San Gorgonio Pass Water Agency

DATE: February 14, 2022

TO: Board of Directors

FROM: Lance Eckhart, General Manager

BY: Lance Eckhart, General Manager

SUBJECT: DISCUSSION OF A POTENTIAL AGREEMENT WITH THE CABAZON WATER DISTRICT TO ASSIST WITH THE UTILIZATION OF AUTHORIZED GRANT FUNDING – INFORMATION ONLY

RECOMMENDATION

Staff plans to brief the Board on the status of discussions and the potential for an agreement with the Cabazon Water District to provide Proposition 68 and Proposition 1 grant program gap funding. Staff would like to receive direction from the Board to develop an agreement for consideration at a future Board meeting.

BACKGROUND

The City of Banning (City) acts as the regional administrator of the area's Integrated Regional Water Management Plan ([IRWMP](#)). The IRWMP is a collaborative planning document that helps align regional resources and attract grant funds. City staff informed Agency staff that the Cabazon Water District (District) had participated in the IRWMP process and had been successful in receiving IRWMP grant funds through the Department of Water Resources (DWR) as well as a separate grant through the State Water Resources Control Board (SWRCB). City staff explained that although Cabazon had been approved for two separate grants and was ready to execute the work, cash flow to fund the work between reimbursement cycles was a challenge. District staff was contacted and the cash flow challenges of utilizing authorized grant funds were confirmed.

Funding reimbursement cycles can be protracted resulting in the grant recipient having to utilize reserves to fund work and then wait for reimbursement from the state. For smaller water systems located in Disadvantaged Communities such as the District, reserves may be inadequate to initiate grant-funded work due to cash flow timing. Work on both grants is scheduled for early 2022 compounding the cash flow issues for the District. Due to the risk of having inadequate reserves to fund the work, the District was contemplating not being able to perform the work and return one or both grants due to cash flow concerns. A brief summary of each grant is as follows:

Well Improvements Project - Test well, well refurbishment design & I-10 transmission line design.

Funding: Proposition 68, State Revolving Fund

Grant Agency: State Water Resources Control Board (SWRCB)

Grant Amount: \$499,000, 100% grant-funded.

Project Manager: Krieger & Stewart, Inc.

Timeline: 12-months but flexible

Status: Ready to bid

Isolation Valve Improvement Project – Installation of 105 valves

Funding: Proposition 1, Integrated Regional Water Management

Grant Agency: California Department of Water Resources (DWR)

Grant Amount: \$1,230,000, 100% grant-funded.

Project Manager: Krieger & Stewart, Inc.

Timeline: 16 to 18-months but flexible

Status: Ready to bid

Work associated with both of these grants will help modernize the District's system. Importantly, this work helps the District avoid system water losses and better defines future production and supply management. A more managed and resilient water system in the area is important for future planning efforts. Future recharge in the area was recently identified as a potential Agency management action and was included as part of the recently adopted [San Geronio Pass Groundwater Sustainability Plan](#). If the aforementioned grant-funded work was not conducted and the grant monies were returned to the funding entities, this could reflect poorly on future area grant opportunities and makes investment in the region difficult (e.g. construction of recharge facilities) if currently planned work cannot be implemented on a local scale, even if fully funded.

ANALYSIS

Agency staff contacted the grant administrators from the DWR and SWRCB in late December and early January to discuss options to utilize awarded grant funding. Both entities expressed the challenges of working with small water districts located in Disadvantaged Communities. Both of the grant administrators had indicated that "gap funding" by regional entities has become a common and often necessary component for smaller water systems to utilize state funding. Some of the industry trends with regard to providing support for underserved and disadvantaged water systems are well documented in:

[Water Education Foundation: Solving Water Challenges in Disadvantaged Communities](#)
A handbook to understanding the issues in California and Best Practices for Engagement

[Community Water Systems Alliance](#)
Case Studies: Regional Agency Assistance for Small Water Systems

Both DWR and the SWRCB were supportive of a regional entity assisting grant implementation for smaller systems within their service areas that find it hard to utilize available funding due to resource constraints. The funding entities acknowledged to staff that similar regional agency support is becoming more commonplace across the state and often considered a critical element in getting designated grant funds to Disadvantaged Communities. DWR and SWRCB grant administrators offered to expedite reimbursements if possible and be flexible with grant timelines.

Staff has been working with the District's engineering consultant Krieger & Stewart to try to estimate a reasonable amount of gap funding needed between reimbursement cycles. Work associated with both grants is expected to range from an average of approximately \$300,000 per quarter to a high of approximately \$500,000 for one quarter. Grant reimbursements can be as fast as 90-days (~one quarter) but can take up to 6-months (~two quarters). Work associated with both grants is expected to take approximately a little over a year.

An agreement between the Agency and the District would be appropriate to define roles, responsibilities, and expectations between the District and the Agency. Such an agreement would also document the public purpose and interests of the Agency being served by engaging in such a transaction.

During the gap funding period, staff intends to work closely with the District, their consultant, and the funding entities to keep reimbursement cycles as efficient as possible. An Agency ad-hoc committee may also be designated to get regular updates on the status of the District's grant(s).

FISCAL IMPACT

The fiscal impact would be related to the advancement of funds and the use of Agency resources to process the loan and obtain repayment. The Agency has available reserves to provide gap funding to assist with grant implementation. Some staff time will need to be allocated to this program but it is not considered material. Gap funding will be fairly short duration and staff is not recommending any compensation or interest income at this time for ease of administration of the program. A maximum gap funding amount is not expected to exceed \$800,000 and should average less than \$500,000 between reimbursement cycles.

ACTION

This is an informational item only and no binding Board action is being requested. Staff would like Board direction to work with local stakeholders and Agency counsel to proceed with discussions which could lead to the consideration of an agreement in the future.