



**Water Storage Investment Program: Request to Increase Early Funding Award Amount  
(Action Item)**

**Introduction**

The California Water Commission (Commission) administers the Water Storage Investment Program (WSIP) to fund the public benefits associated with water storage projects using funds from the Proposition 1 Water Quality, Supply, and Infrastructure Improvement Act of 2014. Currently, seven projects have a WSIP maximum conditional eligibility determination (MCED), which is the amount of Proposition 1 funding potentially available to a given project. These projects are actively working to secure a formal WSIP award amount.

In January 2021, the Commission adjusted the MCED for the Willow Springs Water Bank Conjunctive Use Project (WSWB) to the original request amount and adjusted the MCEDs of all projects in the WSIP by 2.5% for inflation. In March 2022, the Commission made an additional inflation adjustment to the WSIP projects by another 1.5%. Water Code 79755(c) and WSIP regulations section 6010 allow the Commission to award early funding for work related to the completion of environmental documentation and obtaining permits. The regulations require that a project's early funding award be capped at five percent of its MCED.

Staff received a request from Southern California Water Bank Authority (SCWBA) on July 1, 2022 requesting the Commission increase the early funding amount for WSWB to five percent of the revised MCED. WSIP regulations limit the amount of early funding to five percent of the MCED.

**Staff Analysis**

SCWBA's current early funding award is \$4,770,300. With the recent adjustments to the WSWB MCED, the current MCED is \$128,274,876. Five percent of this adjusted MCED is \$6,413,743 which is \$1,643,444 more than the current early funding award, as shown in Table 1 below. To date, SCWBA has requested early funding reimbursements of approximately \$1.2 million, which is about 25% of its early funding award. SCWBA submits invoices on a quarterly basis and the WSWB project is a conjunctive use project, which means the SCWBA is not required to provide a cost share.

**Table 1. WSWB Funding Summary**

Current Early Funding Award	Current MCED	5% of Current MCED	Additional Early Funding Request
\$4,770,300	\$128,274,876	\$6,413,744	\$1,643,444

Early funding is a portion of the overall MCED. If the Commission decides not to increase the early funding amount, SCWBA can be reimbursed for costs after a final funding award is made.

In making its decision, staff recommends the Commission endeavor to understand the need for increased funding related to completion of environmental documents and permits (the statutory stated purpose of early funding) and the role of the additional funding in terms of project schedule and moving the project to towards final funding. Based on staff's understanding of the current early funding expenditures and invoicing pace, the timing of this request is unclear. An adjustment to the early funding award could come later as there seems to be sufficient funding available on the existing agreement. In establishing the regulations concerning early funding, the Commission chose to reserve most of the State funding for construction. The Commission does run some risk of stranded assets if a project expends early funding but does not complete the requirements for final funding.

### **Commission Decision**

There are two options available to the Commission:

1. Increase the Award for Early Funding. If the Commission increases the early funding amount for the Willow Springs Water Bank Conjunctive Use Project, the maximum amount would be \$6,413,744. The Commission needs to determine if the need exists for the funds and how much to increase the early funding amount. The Commission's decision would be documented in a resolution. Staff would then amend the existing early funding agreement.
2. Keep Early Funding at Current Amount. If the Commission denies the request to increase the early funding, no further action would be taken. SCWBA would continue to invoice for work under the current funding agreement. SCWBA could make another request in the future to increase their early funding award or would be able to request reimbursement for funds in excess of the current early funding amount after a final funding award is made and the final award agreement is executed.

The Commission can pursue one of these options or defer its decision to a future meeting.

### **Background**

Through the WSIP, the Commission will invest nearly \$2.6 billion in the public benefits of water storage projects, consistent with the requirements of Proposition 1 (the Water Quality, Supply, and Infrastructure Improvement Act of 2014), Chapter 8. In July 2018, the Commission made MCEDs, decisions that set the amount of Proposition 1 funding potentially available to a given project. Since then, one applicant withdrew from the program, which allowed the Commission to consider others potential use for the MCED from that project within the WSIP. In early 2021 and again in March 2022, the Commission adjusted the MCEDs for three projects that were shorted in 2018 because total project requests exceeded available potential funding. Additionally, the Commission made a 2.5% and, later, a 1.5% inflation adjustment to all seven

Agenda Item: 10

Meeting Date: July 20, 2022

Page 3

project MCEDs. The seven remaining applicants are working to complete the Proposition 1 requirements, which include obtaining permits and final environmental documents, contracts for the administration of public benefits, and contracts for non-public benefit cost share before returning to the Commission for a final award hearing.

This agenda item implements Goal Four of the Commission's Strategic Plan, which calls on the Commission to carry out its statutory responsibilities for the Proposition 1 Water Storage Investment Program.

**Meeting Overview**

At the July meeting, WSIP Program Manager Amy Young will introduce this agenda item and Mark Beuhler, General Manager at the Willow Springs Water Bank, will present the request for an increased early funding award.

This is an action item.

**Contact**

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