

Environmental Cleanup Allocation Committee

**March 13, 2008
Meeting Minutes**

Committee Members Present:

Mark Adelson, Santa Ana Regional Water Quality Control Board
John Bahorski, City of Cypress
Karen I. Baroldi, Orange County Sanitation District
Garry Brown, Orange County Coast Keeper
Tim Casey, City of Laguna Niguel
William J. Cooper, UC Irvine
Paul D. Jones, Irvine Ranch Water District
Tony Olmos, City of Brea
Hector B. Salas, Caltrans
Mary Anne Skorpanich, Watershed and Coastal Resources Program
Sat Tamaribuchi, The Irvine Company
Dick Wilson, City of Anaheim

Committee Members Absent:

Joe Parco, City of Santa Ana
James Smith, San Diego Regional Water Quality Control Board Representative

Orange County Transportation Authority Staff Present:

Paul Taylor
Ellen Burton
Kia Mortazavi
Kurt Brotcke
Kirk Avila
Marissa Espino
Ryan Maloney

1. Welcome

Chair Garry Brown welcomed committee members as the meeting began at 10:03 a.m. Paul Taylor attended the meeting in Monte Ward's absence. Chair Brown explained that the focus of the meeting would be to continue discussion from the last meeting.

2. Minutes

The minutes were approved unanimously without changes.

3. Strategic Planning Workshop

Chair Brown introduced Kirk Avila to provide an overview of available funds to the committee. Kirk explained that due to the current economic downturn, financial forecasts were likely to show a significant downturn. This would impact the two-percent generated by Renewed Measure M (M2) for environmental cleanup. Kirk explained that OCTA could issue debt against projected M2 incomes, and could generate \$87 million

for projects. Kirk said that he would return to the committee with an update in April or May when the updated projection was available.

Paul Jones asked if there were additional M2 revenues later in the 30 year period, could they be used. Kirk responded that any additional amounts of funding could be used. Paul asked if OCTA could issue additional debt later in the process. Kirk said that OCTA could issue additional debt with later revenue, but 2041 remained the termination date. In response to a question from Mary Anne Skorpanich, Kirk clarified that OCTA uses Chapman University's economic forecast.

Paul asked about what terms were currently available for issued debt. Kirk said that OCTA had just issued a six-month term paper for one percent, and now expects four to five percent.

Kurt Brotcke clarified that issued debt can't be used for operating services, only capital improvements.

Chair Brown opened the discussion on opportunities, asking the committee about the type and term of the application process.

William Cooper asked when the money would be available to allocate. Mary Anne said that funding would be available in 2011 unless bonds were issued to get it earlier.

Paul Jones commented that the current economic forecast meant there was no guarantee of future performance for issued debt.

Chair Brown compared the need for bonds to Measure M, and said the committee may consider bonding before 2011.

Paul Taylor asked the committee what their priorities would be if funding was not a constraint.

William said that research was needed before committing funds. There was a chance to study what the opportunities to really make a difference in the next 25 years were. The problem remains how to define study in terms of the committee. With new problems arising, there are new treatment opportunities. William recommended the committee make decisions based on best science available.

May Anne commented that in studying the water quality problem, they could identify the best techniques to address them.

Chair Brown commented on the need for committee staffing. The committee should consider what was needed to assist.

Tim Casey commented that cities were used to annual cycles to compete for funds. Additionally, a series of calls for projects allows the committee to measure effectiveness and stay up-to-date with current scientific research.

Mary Anne commented that the application cycle should be yearly or biannually, otherwise there would be too many opportunities missed.

Tim commented on the need to create opportunities for matching federal funds, as well as multiple opportunities over the next 10 to 15 years.

Mark Adelson said that the state water quality resource board doesn't have any major plans because future revenue is unclear. He recommended a two-year application cycle so there would be less pressure on staff to manage the program. Mark also commented that the effectiveness of the grant is only as good as those managing it, with the best proposals having scientific studies and engineering studies done in advance. These studies demonstrate project feasibility and the commitment of the applicant.

In response to a question from Chair Brown, Mark explained a possible timeline for a two-year application cycle. The first third would be spent creating guidelines for approval and evaluation (about six months). After creating guidelines, there would be a six-week period to review proposals. There would then be a detailed outline for proposals four to six weeks later. Conforming proposals would be invited to submit more detailed proposals, and would be given a couple of months. The comprehensive proposals are then reviewed and awards are made. Mark said the process takes about a year. Following the award, there is a period of four to six weeks set for the finalization of grant agreements to agree on project terms and evaluation methods. At about the 14th month, grantees are allowed to begin projects.

Mark commented that the state board has allowed for paying some costs involved in preparing proposals. The eligible costs are determined from the date the guidelines are released, and only some costs are eligible.

Tim commented that the committee needs to adapt OCTA's call for projects process for water quality projects.

In response to a question from Mark, Kurt explained that OCTA's process involves funding whole projects, and the call for projects covers a five-year period. The process cycles every two to three years. Additionally, the five-year period is broken into tiers, with later projects eligible for additional types of funding.

Tim asked if OCTA had used bonds for projects with Measure M. Paul Taylor said OCTA had, primarily for freeway improvement projects. Kurt commented that a little funding was used for smart roads, for streets and roads bonding.

Paul Taylor stated there was a one-percent limit to administrative costs, and some of that money could be used to cover the applicant's costs.

Sat Tamaribuchi commented that there may be large regional projects that the committee decides should be funded. Therefore, some funding would be awarded to larger projects, and a smaller portion would be available for competition.

Tim commented that the funding must be awarded in a competitive program, but incentives can be created for some projects.

Ellen said that regarding program funding, the committee has to be careful not to supplant funds. The call for projects goes towards the one-percent cap. The cost for a consultant might go against the cost of the project.

Mary Anne emphasized the committee wanted to determine the best way to identify the most beneficial programs.

In response to a question from Paul, Kurt said that money spent on a project must lead to a completed project. Kurt also said that a project that was already in development might, depending on the circumstances, be eligible for funding if the project lead to a completed project.

Kurt said that payments for the project are usually given in an advance payment, and then a completion payment. Sometimes progress payments are made, but they are an exception.

In response to a question from Tim, Kurt said that OCTA's call for projects was based on a five-year process, and was built to provide an incentive for delivery, by not allowing any cost increases in the first two years.

Paul asked if the cost increases, if allowed, would be paid by OCTA. Kurt said that OCTA provides several incentives for completion, with no cost increases being one method. The process does allow for delays and provides some flexibility. Cost increases are allowed if the project is still in the early preparation stages.

Kurt commented that OCTA is satisfied with the five-year cycle, but would find it helpful to be more familiar with water quality calls for projects.

Mark explained that the state water board calls for the completion of projects within three years once an agreement is in place. Mark also noted that applicants are able to meet this deadline only about 40 percent of the time. Extensions of this deadline require additional approval.

Tim suggested a call for projects with a five-year window for programming funds.

Paul commented that applicants with prepared projects should be able to begin projects within the first two years. Proposed projects can also request planning costs.

Kurt commented that for OCTA, construction projects had a higher priority, but planning costs can also be included in early years.

William commented that for funding from the National Science Foundation, projects are funded for three years, with an available one-year extension at no cost.

Paul suggested that first tier projects include proven projects, while second tier projects require additional research to determine their effectiveness. William added that the tiered projects should also consider projects ready to go with early funding.

John Bahorski suggested that the call for projects should be similar to OCTA's current process to improve familiarity.

Tony Olmos suggested that it would be beneficial to review the existing process for streets and roads, and consider how to score water quality programs within OCTA's existing structure. Chair Brown and Paul Jones agreed, asking staff to provide OCTA's guidelines, as well as an example funding contract. Kurt said he would provide the materials for the committee.

Tim commented that the OCTA process for projects can also handle smaller projects. Dick Wilson suggested a one-year cycle for smaller projects.

In response to a question from Chair Brown, Kurt explained that there could be simultaneous five-year project cycles, and some could emphasize smaller projects.

Paul Taylor suggested that the committee consider more flexible timing for projects so that the committee could respond to changing conditions and new interest in projects.

Mary Anne agreed with the idea of classifying projects based on tiers, and commented on the need to distribute projects across all watersheds.

Karen Baroldi suggested that there be an initial call for projects, but that the call for projects would be ongoing to present fewer deadlines.

John asked if the awards project for funding would be considered fair, and asked if OCTA worked to ensure every applying agency received some level of funding.

Tony said that a competitive process could give an advantage to agencies able to provide matching funding. OCTA's current process is considered fair, as it does a good job of awarding the highest priority projects for each city.

Chair Brown said that the Renewed Measure M ordinance specified that projects would require matching funds and be awarded competitively.

In response to a question from Mary Anne, Paul Taylor commented that Measure M included funds that were awarded based on population, which might help cities look more positively on awarded funds.

Mark and Tony suggested that several cities could apply to work together in applying for funding, with Tony suggesting additional preference given to neighbor-approved projects. Mary Anne commented that the payment process groups participating agencies together.

Mark commented that a cyclical application process might be preferable to an open application process because it encourages applicants to commit to a project. He commented that there were many projects presented to the state water board that were developed by staff but languish from a lack of commitment.

Tony said that OCTA may prefer a cycling processing to reduce staff time commitment.

John suggested that the committee examine one simple water quality project, such as a catch basin, and one more complex project and run through the OCTA evaluation model to see how it would work. Chair Brown confirmed that the committee was interested in seeing this item at the next meeting.

Sat and Paul Jones asked if the allocation process could be done without a competitive grant process, and simply allocate funds to each watershed area. Paul Jones suggested a possible hybrid model, where high priority projects would be awarded funds and remaining funds would be available for a competitive process. Ellen said that staff would review the M2 ordinance to provide the committee with the requirements for a competitive award process at the next meeting.

Several members discussed how a hybrid process might identify regional priorities and award extra points to those projects during the application process. Tim suggested that some funding be set aside for a lightly competitive awards process which would award funds to most applicants, with the bulk of M2 funding being allocated to a more competitive process.

In response to a question from Mary Anne, Kurt said that capital improvement projects can include operations costs for a limited period of time. Paul Jones commented that water quality projects often have capitalized operating expenses the first year.

Tim asked if M2 funds were available for pure research. Kurt responded that it wasn't clear since the whole project requirement might require some tangible results. Paul Jones suggested that research might be considered pre-project development. William said some research might be helpful to direct capital improvements to the most appropriate area. Paul Taylor commented that the examples presented appeared to be applied research.

Tim asked how research might be included in a project proposal. Paul Jones asked if research could end in a family of projects. Paul Taylor suggested that research projects might not have to meet the whole project requirement. Kurt commented that cities could cancel projects if they were determined to be unfeasible, and remaining money would be returned to available M2 funding. Kurt added that OCTA's process requires commitment, but that twice yearly meetings are held to identifying changing processes.

May Anne suggested that research be allowed prior to proposing projects based on that research.

Tony suggested that the committee consider OCTA's Go Local program, where each city was given \$100,000 to research applications, and were allowed to group with their neighbors as desired. During the second phase, the cities can justify receiving additional funds.

Mark said the committee should review the efforts of the integrated regional water planning boards. These efforts would be lead by the county and joined by participating cities. Tim asked if the committee could review the water planning boards projects and select ones with a transportation nexus.

In response to a question from Chair Brown, Kurt said the primary goals for a competitive application process were open and transparent guidelines.

Tim summarized committee discussion as follows: the committee should design a funding program and process that provides funding parity for the most beneficial projects that have even a remote transportation nexus. The process needs to be transparent and equitable, using a universally approved process. The public must be able to see the results of the program. Programs applying must have a minimal level of matching funds, perhaps encouraged by extra points in an application process similar to OCTA's. Proposed projects must offer a demonstrated benefit.

Tim also suggested defining local funding as any funding that does not originate from M2, so that other sources of funding were not counted against projects. Additionally, Tim suggested that matching funds could also include pre-application investment, so as to not penalize cities that have already completed approved projects.

Mary Anne suggested the creation of a scientific ad hoc committee to advise the committee and provide input in the scoring process. There was general agreement that a scientific advisory group should be created.

4. Public Comments

No public comments.

5. Next Meeting – April 10, 2008

Chair Brown said that for the next meeting the committee will be looking at the

evaluation of points with two sample projects. In response to a question from Mary Anne, Mark said that grant applications for water quality grants were available online and he would bring in information. William said he would bring in a public grant for comparison.

Mary Anne suggested that the first part of the meeting will be a review of streets and roads, and the second half of the meeting will be a evaluation of the scoring system with two sample projects.

6. Committee Member Reports

No committee comments

7. Adjournment

The committee meeting was adjourned at 11:46 a.m.