

SAN GABRIEL BASIN

Water Quality Authority

Cleaning Up Our Groundwater  
For Future Generations

January 23, 2006

To: Interested Parties and Applicants

Subject: Application Period No. 5 Ending February 24, 2006  
San Gabriel Basin Water Quality Authority  
Federal Funding Program Administration ("FFPA")

This is to notify you that the San Gabriel Basin Water Quality Authority ("WQA") is soliciting applications for federal funding. WQA will accept applications beginning Tuesday, January 24, 2006 and ending on Friday, February 24, 2006. Staff has estimated that \$13,000,000 is available from the Restoration Fund and \$0 from Title XVI for allocation during this process.

For Application Period No. 5, WQA will accept and consider new applications, and in addition, will re-consider applications already submitted during all previous application processes. New applications must include a letter identifying project specific information, including a cost estimate and schedule. In addition, please identify how the project(s) meets the requirements and how it addresses each of the criteria questions contained in the enclosed FFPA.

All of the applications received during the previous application periods will be automatically carried over into this period. **If you have already submitted an application, you are not required to submit another application.** We will utilize the ranking score you received during the previous period to make recommendations for distributing the current allotment of funds. **However, if there is any updated information relative to your project application that could change your ranking score, please provide the supplemental information during this application period.** The supplemental information should include a cover sheet summarizing the new information and why it should be considered as relevant information to the original application. Staff will then combine the original application with the supplemental information and re-rank the revised application in its entirety for the second allocation process.

**Please notice the additional language regarding WQA's new Nitrate Treatment Policy found in the last section of Page 1 and continuing on the top of Page 2.**

If you have any questions, please don't hesitate to contact Randy Schoellerman or myself at 626-338-5555.

Sincerely,



Grace J. Burgess  
Executive Director

Enclosure: FFPA

**FEDERAL FUNDING  
PROGRAM ADMINISTRATION**

**by the  
San Gabriel Basin Water Quality Authority**

Originally Approved February 19, 2002

*Revised January 23, 2006*

SAN GABRIEL BASIN RESTORATION PROJECT  
(Restoration Fund – up to 65% reimbursement for capital and O& M)  
and  
SAN GABRIEL BASIN DEMONSTRATION PROJECT  
(Title XVI – up to 25% reimbursement for capital only)

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Summary

The WQA, in furtherance of its goals and objectives, is now accepting proposals for reimbursement funds from the San Gabriel Basin “Restoration Fund” and Title XVI funds authorized by Congress. The following sections describe eligibility requirements, priority ranking criteria, and process for making application for either or both of these funds. Both programs require 100% of project funds deposited into WQA accounts prior to making each reimbursement request. Amounts shown will be allocated at the discretion of the WQA Board based upon available appropriations and local funding needs.

*Schedule of Applications for Currently Available Funds:*

Accept Applications	Restoration Fund	Title XVI	TOTAL
1/24/06 thru 2/24/06	\$13.0 million	\$0 million	\$13.0 million
<b>TOTAL AVAILABLE FUNDS</b>	<b>\$13.0 million</b>	<b>\$0 million</b>	<b>\$13.0 million</b>

\* Dates and/or amounts are subject to change

In April 2004, WQA expanded its involvement in cleanup projects to include nitrate removal under certain conditions. During its evaluation, WQA took into consideration the natural occurrence and pervasiveness of this constituent throughout the basin, particularly in the vadose zone. In addition, nitrates are characterized significantly

different from other contaminants because it cannot be directly linked to potentially responsible parties.

However, in an effort to advance groundwater cleanup, WQA is now including nitrate removal as part of its federal funding award program. The guidelines in order to qualify for assistance are listed below:

1. Nitrate treatment WILL qualify if the well also requires the treatment of VOCs and emerging chemicals (nitrate will be evaluated in conjunction with the overall project)
2. Nitrate treatment WILL qualify if nitrate treatment was not a part of the original treatment project but is now required to maintain operation of the VOC/emerging chemical treatment portion of the project
3. WQA will NOT fund infrastructure necessary for purposes of treating nitrates through blending.

## General Information

### *Restoration Funds*

In late 2000, Congress passed the San Gabriel Basin Drinking Water Initiative authorizing the creation of the “Restoration Fund” and \$75 million for groundwater cleanup in the San Gabriel Basin. Since that time, a total of \$61 million has been appropriated into the Restoration Fund for the San Gabriel Basin.

This program requires a 35% non-federal match deposited into the Restoration Fund to reimburse the project up to a maximum of 65% from federal sources. Funds from this program may be used for design, construction and operation & maintenance for up to 10 years following construction. The Restoration Fund is administered via the U.S. Bureau of Reclamation directly to the San Gabriel Basin Water Quality Authority for use within the San Gabriel Basin.

Congress acknowledged that millions of dollars have already been spent to remediate and protect groundwater contamination and prevent further contamination. Therefore, Congress allowed the use of those dollars to be credited towards the 35% non-federal matching requirement under this program. U.S. Bureau of Reclamation is responsible for approving all qualifying prior expenditures, however, WQA in its discretion will use this credit to eliminate the need to provide an additional 35% of the project costs to release the Restoration Funds.

### *Title XVI*

In 1992, Congress authorized the San Gabriel Basin Demonstration Project to implement conjunctive use projects in the San Gabriel Basin. By implementing cleanup projects that

provide a reliable source of water and reduce the need for outside sources of water, many of the basin's cleanup projects are eligible for this program.

This program requires a 75% match from non-federal sources to reimburse the project up to a maximum of 25% from federal sources. Funds from this program may be used for design and construction only. The Title XVI fund is administered via the U.S. Bureau of Reclamation directly to the San Gabriel Basin Water Quality Authority for use within the San Gabriel Basin.

### Eligibility for WQA-Allocated Funds

Proposed project must meet all of the following conditions:

1. Project must be located within the jurisdictional boundaries of the WQA
2. Applicant(s) must demonstrate, through WQA's Procedure No. 38 process, that the project in the area of the proposed groundwater remediation project removes contamination, and protects and/or prevents groundwater contamination from spreading into clean areas
3. Applicant(s) must demonstrate that the project water will be put to beneficial use, with priority given to those projects which include an affected water purveyor and provides potable water, if applicable
4. Project must conform and further the objectives of the WQA §406 Plan or the intent thereof
5. Project must be consistent with the legislative intent of the statute(s) authorizing or appropriating the public funds used for project funding reimbursement
6. Project cannot have been used in calculating the 35% credit provision in the Restoration Funds
7. Project cannot have begun operating prior to July 1, 1999 (this provision may be waived by the WQA Board through its "Fund Allocation Waiver" process attached as Exhibit "B")
8. Start of project construction for a new project must be anticipated within 18 months of executed agreement between WQA and applicant(s)
9. Applicant(s) must provide a plan that commits 100% of the required funds in WQA's account in advance of each payment owed on the project and prior to each reimbursement request.

### Eligibility of WQA-Unallocated Funds

Unallocated funds will be allocated based upon the criteria and procedures contained within WQA's Procedure No. 38 (Exhibit A). Criteria for these projects shall be considered on a case-by-case basis based upon a staff recommendation to the WQA administrative/finance committee and the full board. Projects requesting funds will not be subject to the priority ranking criteria contained within this document.

## Priority Ranking Criteria

WQA will use the following criteria to grant reimbursement from Restoration Funds and to determine the level of reimbursement. The answer to each question may be assigned points between 0 and 10 or 0 and 15, depending on the question. The higher scores represent a higher ranked priority position within each category for available funding. The highest possible points a project may be rated is 100 points with the lowest rating being 0. A bonus question is included to provide additional opportunity for a higher rating against the total 100 points possible.

CATEGORY	SCORING RANGE	TITLE XVI	RESTORATION FUNDS
Category 1	90-100	0 to 25%	up to 65% capital and/or O&M
Category 2	80-89	0 to 25%	up to 50% capital and/or O&M
Category 3	70-79	based upon availability	up to 40% capital and/or O&M
Category 4	0-69	based upon availability	up to 30% capital and/or O&M

1	Is applicant(s) ready to proceed with the groundwater remediation project?	0 = not fully ready to proceed 10 = yes, ready to proceed
2	Does the project complement U.S. EPA's plans? Is it consistent with U.S. EPA's plans and the NCP?	0 = does not complement plan and is not consistent 5 = complements and is consistent w/EPA plans 10 = complements and is consistent w/ EPA plans and NCP
3	How effective is project relative to amount of water treated and made available for use? Does the project use technology consistent with BAT?	0 = not effective relative to amount treated & available for use 5 = somewhat effective and consistent with BAT 10 = effective relative to amount treated & available for use, consistent with BAT
4	What are the impacts or potential impacts to the plume within the Main San Gabriel Basin?	0 = No 5 = Some impact 15 = Very significant impact
5	Is project a joint cleanup and water supply project?	0 = Not a joint cleanup and supply project 5 = Only a cleanup project 15 = Yes, project is a joint cleanup/supply project
6	Is project partially or solely funded by affected purveyor(s)?	0 = n/a 5 = yes, partially funded by purveyor(s) 10 = yes, solely funded by purveyor(s)
7	Does the project address immediate water supply needs in the MSG Basin?	0 = No 15 = Yes
8	Does the project address a need for migration control?	0 = No 15 = Yes
BONUS QUESTION	Is project partially or solely funded by PRPs through an executed agreement?	0 = no PRP agreement 5 = yes, partially funded by PRPs with an agreement 10 = yes, solely funded by PRPs with an agreement

## Application Process – estimated process time is no less than 45 days

1. Applicant(s) may apply for Restoration or Title XVI Funds for a groundwater remediation project by submitting a written request to the WQA. Staff will review and analyze request and determine if all eligibility requirements are met. If eligible, staff will rank the project and evaluate possible funding from the Restoration Funds and/or Title XVI.
2. Staff will begin processing the application by initiating Phase I of WQA's Procedure No. 38, "WQA Project Participation" (Exhibit A). As part of Phase I, the full board will consider approval of the initial project concept and will make a preliminary determination on funding apportionment that will be the basis for developing a funding agreement for Phase II of Procedure No. 38.

## WQA Authority

1. The WQA's jurisdiction includes the entire Main San Gabriel Basin as described in Section 201 of its enabling act. In 1984, the U.S. EPA designated several areas in the San Gabriel Valley Superfund Site as operable units also known as plumes. The WQA acknowledges and will take into consideration the EPA-designated plumes, their respective sizes, potential threats to water supplies and clean areas, costs, and levels of contamination.
2. The WQA will periodically publicly review the progress of any given project to ensure that maximum use of each year's Congressional appropriation for each program is achieved.
3. Contingent upon meeting the 35% non-federal matching requirement, funds may be reimbursed 100% by the USBR, therefore WQA may, at its discretion, apply the funds not allocated to reimburse projects in other areas of its budget. These may include costs related to projects owned and operated by the WQA (WQA Projects). However, funds applied to WQA Projects shall not exceed 65% of the total WQA costs incurred for all projects in any given budget year, collectively.

The WQA board shall apply the WQA unallocated reimbursement balance to other capital projects and/or O&M on projects within any operable unit, including subject project, possibly resulting in:

- a reduction in the following year's WQA assessment; and/or
- a rebate in proportionate amounts to all pumping rights holders in the Basin; and/or
- a credit in proportionate amounts to all pumping rights holders in the Basin at the time of the second assessment billing.

4. Project capital costs (estimated or actual) provided by each applicant(s) does not include costs for USBR administrative charges or project costs incurred directly by WQA (separate costs). Therefore, WQA shall reserve a projected amount to cover all these additional costs.

The following example demonstrates how the unallocated reimbursement funds may be allocated. Example is in present value terms.

EXAMPLE: Project “A” has been approved by WQA Board with a 50/50 cost share from Restoration Funds for capital and 10 years O&M. Applicant is required to fund 100% of expenditures. WQA approves use of existing USBR credit to meet 35% matching requirement, therefore applicant is not required to deposit additional 35% non-federal match into Restoration Funds.

\$10 million	Capital
<u>\$10 million</u>	O&M (\$1M/yr for 10 years)
\$20 million	Total Project Cost
<u>\$ 7 million</u>	Previous expenditure credit used to meet 35% non-federal matching requirement on behalf of the project
\$20 million	Deposited in WQA account by PRPs or water entity to pay 100% of project costs
<u>(\$20 million)</u>	Project Expenses Due and Payable
\$ 0	WQA account balance
<u>\$20 million</u>	Reimbursement to WQA by USBR (Restoration Fund)
\$20 million	WQA account balance
<u>(\$10 million)</u>	Reimbursement allocated to project
\$10 million	WQA unallocated reimbursement balance to applied to other capital and/or O&M projects within basin

# EXHIBIT A

## SAN GABRIEL BASIN WATER QUALITY AUTHORITY Policy and Procedures Manual

### ADMINISTRATIVE PROCEDURES

No. 38

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Date: 2/12/01      Revised: 11/21/05

### ***WQA PROJECT PARTICIPATION***

#### ***Purpose***

WQA's focused role is primarily to facilitate projects and to seek and provide funds for remediation projects in the San Gabriel Valley. As a public agency, WQA is accountable to the general public. Therefore, the WQA shall apply a consistent process to provide opportunities for input by the public and to qualify projects for WQA participation.

The WQA will also seek to recover costs from potentially responsible parties (PRPs), whenever practicable and consistent with the policies and procedures of the WQA. To assist in the success of such cost recoveries, the WQA will evaluate the projects submitted to determine whether the projects are "necessary" and "consistent" with the National Oil and Hazardous Substances Pollution Contingency Plan (NCP). For cost recovery purposes, remediation projects will be considered "necessary" if there is evidence of a release of hazardous substances, the project is designed to mitigate the impact of such releases and the project is needed to meet regulatory requirements for remediation and/or water supply. The determination of necessity shall be based on data of sufficient quality and quantity to satisfy the WQA. Remediation projects will be considered "consistent" with the NCP if the remediation project is in substantial compliance with the applicable requirements of the NCP and results in a CERCLA-quality clean-up. Specific potentially applicable NCP requirements are addressed below.

Criteria to which a proposed project shall be measured, but not required, are as follows:

- Project conforms and furthers the objectives of WQA's Section 406 Plan or the intent thereof
- Ranking on priority list if multiple requests are competing for available funds
- Project is "necessary" and "consistent" with the NCP
- Requesting party to pay no less than 25% of capital costs
- Funding for operation and maintenance secured from funds other than WQA assessment
- Implementation of construction anticipated within one year of executed agreement
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### **Phase I**

A written request for WQA project participation by a Project Committee or any other entity shall be considered by the full board on a preliminary basis. Staff shall identify potential funding sources and shall identify all of the criteria the proposed project meets. If approved by a simple majority of the full board, staff will then allocate resources to implement Phase II. Staff shall begin the process of determining whether the project is a California Environmental Quality Act ("CEQA") Project and, if so, whether it is exempt from CEQA requirements.

### **Phase II**

- WQA's staff engineer shall prepare a technical report for review by the WQA Engineering Committee.
  - The report shall analyze and review all pertinent documentation, including, but not limited to, WQA's Section 406 Plan, U.S. EPA's documents, whether the project is "necessary" and "consistent" with the NCP, Watermaster's Section 28 Application and documentation supporting project cost estimates provided by the project owner.
  - The report shall present the alternatives considered and an analysis of the cost and feasibility of such alternatives.
  - The report shall also present the basis for the selection of the proposed alternative.
- In the event costs are recovered for project capital and/or O&M from PRPs, a separate agreement may be developed, independent of or jointly with, the affected water purveyor(s). Such agreement and the terms thereof shall supersede any of the terms contained within this procedure. This may include allocation of direct and/or indirect labor costs, overhead, etc. If such agreement is silent, then terms contained within this section (Phase II) shall have primacy.

- WQA staff, in coordination with WQA legal counsel and the requesting party or project committee, shall develop a funding agreement or FFPA letter agreement for review by the WQA Administrative/Finance Committee.
- As part of the agreement, legal counsel shall identify project components which may not be legally recoverable from responsible parties, under CERCLA or the WQA Act, or reimbursable from proposed funding source(s), if any. Staff shall provide oral communications to the committee regarding legal counsel's review and provide recommendations, if appropriate, for modifications to the project to address NCP requirements. The agreement may include the following minimum components:
  - A project description;
  - A statement of project costs which shall include an estimate for the major components of the project as well as estimates for internal costs such as direct labor, fringe benefits, and overhead.
  - Definition of capital and O&M costs (i.e., overhead, legal costs, contingency, etc.)
    - Allowable costs are those costs included in "WQA's Allowable Project Capital and Operations and Maintenance Costs", included as Attachment "A".
    - Internal overhead of all parties to the agreement may be included in the capital and O&M costs but cannot exceed **5% (Five percent)** of the total costs of the project. Each party shall be responsible for determining the legally acceptable rate of their respective overhead and for the documentation and accounting thereof.
    - A maximum 10% contingency shall be considered a part of capital cost
    - WQA's costs for CEQA compliance will be considered capital costs, unless expressly excluded.
  - A process for payment of invoices;
  - An agreement termination date;
  - Change order provisions shall require approval by the project committee or parties to the agreement;
  - Funding apportionments;
  - Project owner shall be responsible for compliance with all state and federal regulatory requirements, contract bidding, and any other regulations pertinent to the respective funding sources [i.e., CEQA, USBR, competitive bidding, etc.]. WQA shall be responsible for the coordination of federal environmental requirements, if applicable, and will also assist the requesting party with any project-related required process to the extent needed, including serving as the lead agency for purposes of CEQA.
  - The project owner shall work with the WQA to ensure that the project is managed consistent with the requirements of the NCP for

remedial design, construction and operation and maintenance, if applicable.

- The project owner shall work with the WQA to assure that the remediation project conforms with a health and safety program consistent with 29 CFR 1910.120, if applicable.
- Modification to the agreement shall require approval by parties to the agreement.

### **PHASE III**

- In conjunction with the preparation of the staff engineer report and funding agreement, if the project is not exempt from CEQA requirements, staff shall begin an initial study required by CEQA. All required CEQA documentation shall be completed before the implementation of Phase III.
- A public notice of the proposed project will be mailed, by the WQA, to interested individuals and published in a local newspaper. The notice will include a brief summary of the proposed project and the proposed funding for the project and describe how interested individuals can provide input to the WQA. A public meeting shall be held, within the comment period, to describe the proposed project and the proposed funding by the WQA. At least 30 days notice shall be provided to receive public comments. A summary of the WQA staff engineer's report, describing the proposed project, will be made available to interested members of the community, and be available at the public meeting and at the WQA offices.
- A record of the public meeting shall be kept and a written summary of the significant public comments shall be prepared and presented to the WQA Board.
- Based on the original proposal and any modifications needed as a result of public input the final proposed agreement will be presented to the WQA Board.
- If the proposed project changes significantly, based on public comments, another public comment period will be afforded to interested parties.

### **Phase IV**

- Approval for execution of a proposed agreement by the Executive Director shall be provided by a simple majority of the full board.
  - A written agenda submittal providing background and project summary and the comments received from the public shall be provided to the full board and shall include a draft funding agreement and the staff engineer report. The submittal shall certify that legal counsel has approved the draft agreement, unless a final review is required. In this case, staff may recommend approval contingent upon legal counsel's final approval. Any material changes shall require a subsequent approval by a simple majority of the board.

## **Phase V**

- Project implementation shall require continuous WQA staff oversight.
  - Project invoices, regardless of the presence of a project committee, shall be processed through WQA's internal, multi-level review process to provide redundant oversight.
  - Bid documents shall be reviewed by WQA staff to verify that the project requirements are met by responsible bidders and that the chosen bidder is selected considering technical and managerial qualifications, experience, proposed costs and other relevant factors.
  - The remediation project will be designed, constructed and operated consistent with the proposal approved by the WQA Board.
  - If the remediation project that is constructed differs significantly from the proposed remediation project submitted for public comment, an explanation of significant differences shall be prepared and presented to the public for comment in a manner consistent with the original proposal.
  - The project owner shall work with the WQA to verify that the remediation project continues to conform with a health and safety program consistent with 29 CFR 1910.120
  - The project owner shall work with the WQA to establish a system for project implementation that includes accurate accounting of costs, proof of payment of and maintenance of invoices and other cost accounting documentation.
  - Progress reports shall be provided by WQA's staff engineer at Engineering Committee and full board meetings once per month minimum.

## **ATTACHMENT A**

### SAN GABRIEL BASIN WATER QUALITY AUTHORITY ALLOWABLE PROJECT CAPITAL AND OPERATION AND MAINTENANCE COSTS

#### **ALLOWABLE PROJECT CAPITAL COSTS**

(Copies of Invoices Required on Items 1-9)

1. Outside Engineering & Design
2. Equipment
3. Contractor/Sub-Contractor
4. Energy/Utilities
5. Permit Fees
6. Laboratory Costs
7. Additional Required Property & Liability Insurance
8. Outside Legal Fees
  - a. General preparation and review of project documents (RFPs, contracts, etc.)
9. Land/Property
10. Interest
11. Direct Labor & Fringe (Summary Breakdown Req'd.)
  - a. Directly tracked labor (timesheets req'd.)
  - b. Medical benefits
  - c. Worker's Compensation
  - d. Payroll taxes
  - e. Pension/Retirement
  - f. Other employee benefits
12. Overhead (Summary Breakdown Req'd.)
  - a. Property taxes
  - b. General Property & Liability Insurance
  - c. Administrative & Management Salaries & Benefits
  - d. Vehicle Expense (not mileage)
13. Other Tracked Direct Costs (Breakdown Documentation Req'd.)
  - a. Postage
  - b. Shipping
  - c. Copies/Facsimiles
  - d. Phone
  - e. Vehicle mileage

- f. Other tracked direct costs
- 14. Unique cost items for a specific project (Requires approval by WQA)

## **ALLOWABLE PROJECT OPERATION & MAINTENANCE COSTS**

(Copies of Invoices Required on Items 1-9)

- 1. Laboratory Costs
- 2. Consumables
- 3. Energy/Utilities
- 4. Incremental energy/utilities costs (Treatment Plant)
- 5. Permit Fees
- 6. Contractor/Sub-Contractor
- 7. Outside Legal Fees
  - a. General preparation and review of project documents (RFPs, contracts, etc.)
- 8. Equipment
- 9. Additional Required Property & Liability Insurance
- 10. Direct Labor & Fringe (Summary Breakdown Req'd.)
  - a. Directly tracked labor (timesheets req'd.)
  - b. Medical benefits
  - c. Worker's Compensation
  - d. Payroll taxes
  - e. Pension/Retirement
  - f. Other employee benefits
- 11. Overhead (Summary Breakdown Req'd.)
  - a. Property taxes
  - b. General Property & Liability Insurance
  - c. Administrative & Management Salaries & Benefits
  - d. Vehicle Expense (not mileage)
- 12. Other Tracked Direct Costs (Breakdown Documentation Req'd.)
  - a. Postage
  - b. Shipping
  - c. Copies/Facsimiles
  - d. Phone
  - e. Vehicle mileage
  - f. Other tracked direct costs

# **EXHIBIT B**

**FORTHCOMING**