

As president of the Board for your Water District, I have learned one very important thing and it is this: Opinions vary in Borrego....

It depends on who you ask as to what we should do about the overdraft. That's not new. If we look back at what the District has done in the past to address this issue, opinions have been varied there too. Some believed that following farm land was the way to handle it, some thought we should bring in water through a pipeline and others thought we should secure water from another near aquifer like Clark Lake or Ocotillo Wells. As a result, in the past a great deal of ratepayer money has been spent with mixed results.

Today, some think the overdraft will take care of itself so we don't need to act. But our analysis shows there are significant economic consequences to ratepayers if we do nothing.

As the entity charged with bringing drinking water to your homes, if declining water levels reduce water quality, we may have to install water treatment facilities to meet state and federal water quality standards.

As water levels fall, the District will have to compensate for the reduced water volume by drilling more wells and installing larger storage systems to support water and sewer services.

Each added plant, pump and/or well will significantly increase the District's fuel and electric costs.

All of these costs will be borne solely by the ratepayers and they could be significant, making water a very expensive commodity in Borrego.

On the flip side of the issue are those who think we should take all possible action to stop the overdraft now. Our analysis again shows significant economic consequences for ratepayers if we follow this course.

California is one of the few western states that does not regulate ground water, at least yet. While there's movement within the Legislature to take some form of control, it appears to be several years down the road. As a result, while it is illegal to overdraft a basin, there is no enforcement organization to stop it. The cost for the District to create an authority and undertake enforcement is significant and would be borne solely by the ratepayers.

As a Board, we are of the opinion that the most fiscally responsible action we can take is to act now on the overdraft, asking the State of CA to assist in paying for our actions and work with the community as a whole to find solutions that address the concerns of all water users in the basin.

Slide 1: We are very fortunate that the state of CA already has just such a program in place that will accomplish these goals. The 2006 Safe Drinking Water Bond Act, known as Proposition 84, provided funding of nearly 5.4 billion dollars to resolve these issues statewide.

Slide 2: The Department of Water Resources was vested with the responsibility of distributing funds associated with State Wide Water Management Projects. To do so, it created funding Regions and allocated funding amounts available for distribution. Borrego is within the Colorado River Basin and it was allotted \$36 Million and includes both Coachella and Imperial Water Districts and part of Mojave.

Slide 3: In the past, concerns arose when the State funded local projects only to find it created conflicts or problems with a neighboring community. So to receive funds from Prop 84, the Dept of Water Resources required that communities within Regions work together to create an Integrated Regional Water Management Region. Once formed, the Integrated Region applied to DWR for acceptance and were approved to receive funding. Anza-Borrego Desert Integrated Region was accepted by DWR in 2009. The area covered by our Region encompasses about 865,000 acres and extends from the Anza Valley in southern Riverside County, southeastward to Imperial County and then southward to the International border.

Slide 4: The purpose of the Integrated Regional Water Management program was to ensure sustainable water uses, reliable water supply, better water quality, environmental stewardship, efficient urban development as well as to protect agriculture and ensure a strong economy. Standards for funding required collaboration among the communities within the Integrated Region and assistance for disadvantaged communities. Within the Anza Borrego Desert Region, Borrego and other communities are considered disadvantaged communities. Funding is for the purpose of assisting local public agencies meet long term water needs including the delivery of safe drinking water and the protection of water quality and the environment.

Slide 5: Once a Region and its partners were established, they had a limited time to apply for a Planning Grant of up to \$1 million. The purpose of the planning grant was to provide funding for approximately 2 years during which the Integrated Region's stakeholders would identify projects that they would then ask the State to pay for through an implementation grant. DWR created several specific standards for funding, requiring Regional collaboration,

identification and cooperation among stakeholders, establishment of a governance structure, and specific identification of planning goals and budgets, just to highlight a few of the funding requirements. They also require a funding match of 25%, not from monies originating from the State.

Again, the focus of the plan must be on water supply, water quality, flood control and other environmental issues within the Integrated Region.

Decisions concerning projects are resolved by the collaborative efforts and cooperation among the Region's sponsoring public agencies and various community members with an interest in the outcome. These folks are considered stakeholders and as such ultimately work together to decide on a long term water management plan.

There were two rounds of planning grant funding. The Anza Borrego Desert Region failed to qualify for Round 1 and recently has applied for Round 2. The state will announce final awards for Planning Round 2 this July.

Slide 6: Once established, a Funding Region can then apply for an Implementation grant to fund the projects the stakeholders in the Region have identified. The Colorado River Basin was originally allocated \$36 million for planning and implementation grants. \$10 million was awarded in Planning and Implementation Round 1.

That left, \$26 million for Round 2. Currently, there are planning requests filed seeking \$1.8 of the remaining funds. There will be two more implementation Rounds in 2013 and 2015. If both the current planning grants are awarded as requested, that will leave approximately \$24.2 million

available for implementation grants in the Colorado River Basin.

Slide 7: Here are the State's program preferences for implementation grants:

As most of you are aware, the District hired a private consulting firm with winning experience in seeking Prop 84 grants to work with the Anza Borrego Desert Integrated Regional stakeholders to create and submit a planning grant application to the State. The deadline for submission was March 9, 2012 and it was the last opportunity to secure planning funding from the State under Prop 84. We are very hopeful that we will succeed in securing the planning grant of more than \$840,000. We will know for certain sometime in July.

This money is not simply given to the Region to spend. It is allocated based upon the planning tasks and deliverables listed in the application. That specific information is available to all of you on our website, click on the IRWM tab and then on the grant application.

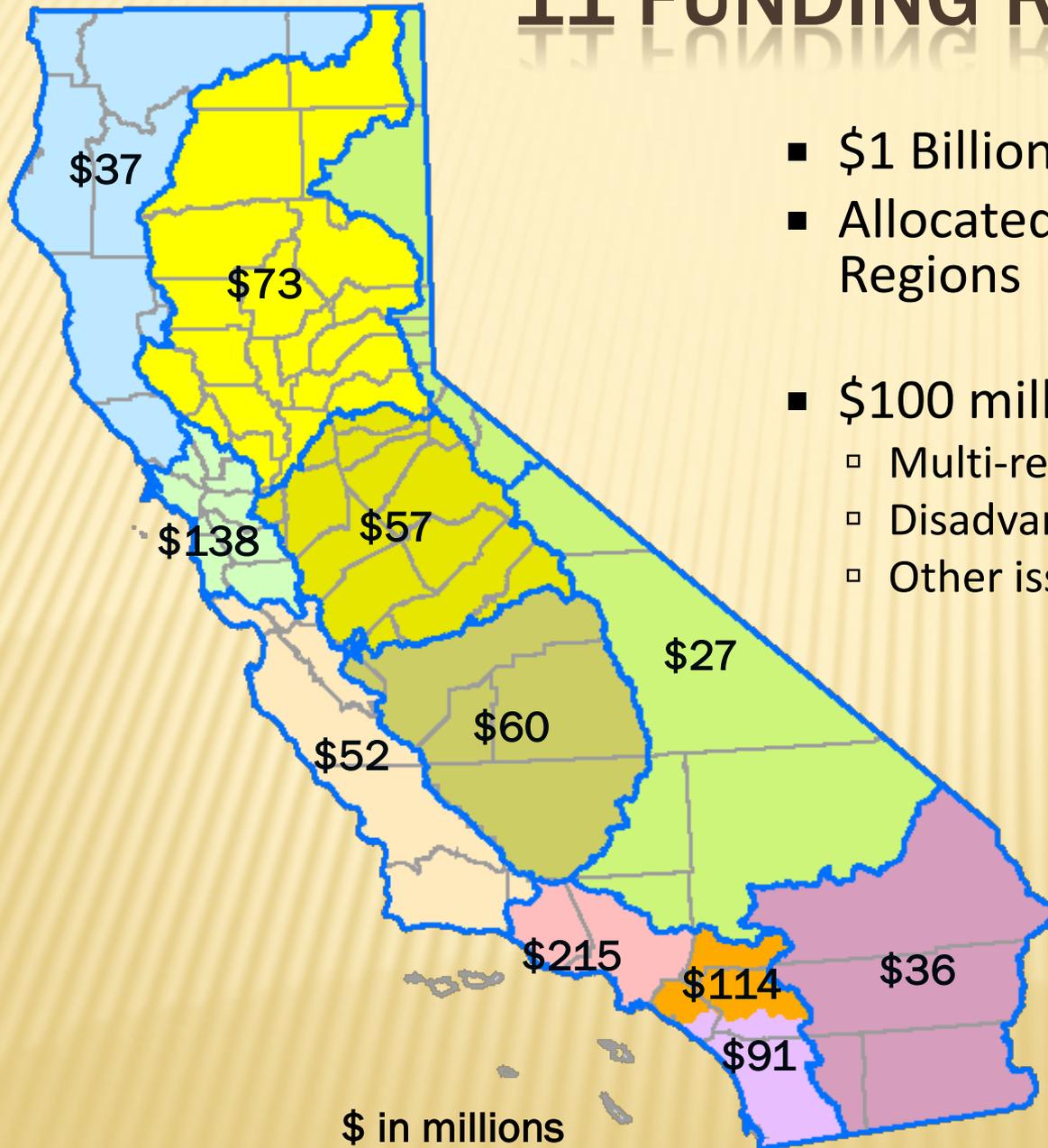
The challenge for the Region then is to bring together the various organizations and interest groups to begin what I call the 3 C's - cooperatively collaborating to identify and build consensus for the kinds of projects the Region will seek to fund through the Implementation Grant process. Borrego isn't the only community where opinions vary and we are fortunate to have the assistance and services of two experienced facilitators to create a successful outcome for our efforts. Dale Schafer, Senior Mediator and Ali Taghavi, Civil Engineer, will address this matter next.

Prop 84 Grant Funds

2012

IRWM PROGRAM

11 FUNDING REGIONS



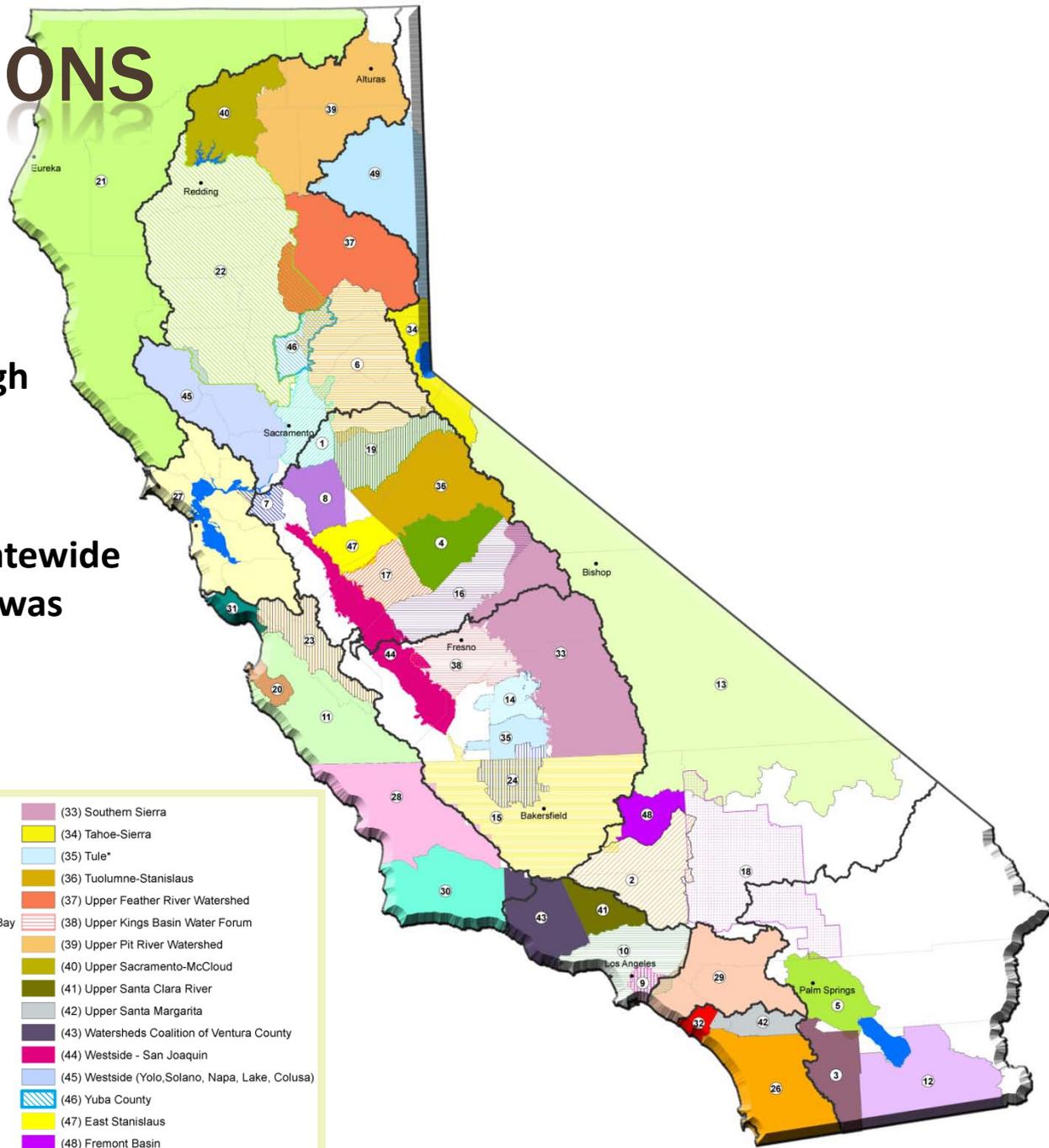
- \$1 Billion for IRWM Program
- Allocated to approved Funding Regions

- \$100 million for Interregional
 - Multi-regional needs
 - Disadvantaged Communities
 - Other issues of statewide significance

48 IRWM REGIONS

Regions were identified through
Region Acceptance Process

There are 48 IRWM regions statewide
including Anza-Borrego which was
approved in 2008.



Prop 84 Funding Area Regions	(15) Kern County	(33) Southern Sierra
Select Water Bodies	(16) Madera	(34) Tahoe-Sierra
County Boundaries	(17) Merced	(35) Tule*
(1) American River Basin	(18) Mojave	(36) Tuolumne-Stanislaus
(2) Antelope Valley	(19) Mokelumne/Amador/Calaveras	(37) Upper Feather River Watershed
(3) Anza Borrego Desert	(20) Monterey Peninsula, Carmel Bay, So. Monterey Bay	(38) Upper Kings Basin Water Forum
(4) Yosemite - Mariposa	(21) North Coast	(39) Upper Pit River Watershed
(5) Coachella Valley	(22) North Sacramento Valley Group	(40) Upper Sacramento-McCloud
(6) Cosumnes American Bear Yuba	(23) Pajaro River Watershed	(41) Upper Santa Clara River
(7) East Contra Costa County	(24) Poso Creek	(42) Upper Santa Margarita
(8) Eastern San Joaquin	(26) San Diego	(43) Watersheds Coalition of Ventura County
(9) Gateway Region	(27) San Francisco Bay Area	(44) Westside - San Joaquin
(10) Greater Los Angeles County	(28) San Luis Obispo	(45) Westside (Yolo,Solano, Napa, Lake, Colusa)
(11) Greater Monterey County	(29) Santa Ana Watershed Project Authority	(46) Yuba County
(12) Imperial	(30) Santa Barbara Countywide	(47) East Stanislaus
(13) Inyo-Mono	(31) Santa Cruz County	(48) Fremont Basin
(14) Kaweah River Basin*	(32) So. Orange County Watershed Management Area	(49) Lahontan Basins

PROPOSITION 84

IRWM is to ensure sustainable water uses, reliable supplies, better water quality, environmental stewardship, efficient urban development, protection of agriculture, and a strong economy.

- Work more collaboratively with regional efforts
- Defines Disadvantaged and severely Disadvantaged Communities
- Provides funding for projects that:
- Assist local public agencies to meet long term water needs of the state including the delivery of safe drinking water and the protection of water quality and the environment.

PLANNING GRANT

- Planning Grant is a statewide competition grant.
- Funds come out of the Funding Area allocations – \$36 Million for Colorado River Basin

Concept

- 2 years of funding – 2011 and 2012
- Max grant \$1M per [IRWM Group](#)
- 25% funding match, not from state funds
- Focus is on water supply, water quality, flood control and other environmental issues within the Region
- Resolved by the collaborative efforts of Stakeholders, defined as the sponsoring public agencies and other parties with an interest in the outcome

IMPLEMENTATION

- Implementation Grant is a statewide competition grant.
- Funds come out of the Funding Area allocations –
\$36 Million for Colorado River Basin

AWARDS TO DATE – COLORADO RIVER BASIN

Planning Round 1	= \$2 million
Implementation Round 1	= \$8 million

AVAILABLE FUNDS IN COLORADO RIVER BASIN

2012 - Planning Round 2	= \$1.8 million (Pending)
2013 - Implementation Round 2	= \$24.2 million
2015 - Implementation Round 3	= Remainder of \$24.2 million

PREFERENCES

Program preferences

- Integrate water management program & projects
- Integrate water management with land use planning
- Resolve significant water-related conflicts within or between regions
- Attain one or more CALFED Objective
- Address Statewide Priorities
- Address critical water supply or water quality needs for Disadvantaged Communities