

## Barbara Dunn

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**Sent:** Thursday, November 12, 2009 6:12 PM  
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**Cc:** jaymck@cioma.com; APATTON@waterboards.ca.gov; Barbara Evoy; James Giannopoulos; Kevin Graves; RDuff@waterboards.ca.gov; Tom Howard  
**Subject:** AB 1188 Cashflow analysis for C Claims  
**Attachments:** Nov 17 cashflow2.pdf

November 12, 2009

Dear Task Force:

In advance of Monday's Task Force meeting and Tuesday's Board meeting, we wanted to provide you with our initial cash flow projections for the AB 1188 funds, as relates to our "C" claims. Some or all of this information may be included as part of the staff presentation on our agenda item. This will be background for a discussion on un-suspending C claims. I hope we can discuss at the Task Force meeting on Monday.

We want to provide our best estimate at this time on what we expect with regard to cash flow/payment processing times, so that our claimants and their consultants can make informed business decisions. We know expectations are high following passage of the bill.

### Availability of Funds

We have completed a preliminary analysis on availability of funds for C claims, which is summarized in the attached slides. The analysis covers a three year period and includes three scenarios for un-suspending the 1,100 suspended claims (the number has dropped by  $\pm$  100 due to claim closures and priority changes.) This is a conservative analysis and doesn't take into consideration potential savings from reduced monitoring, increased closures, etc.

### Payment Processing Capability

It is becoming clear that a number of factors, led by the cumulative impact of the current furlough program and related freeze on overtime are hampering our ability to make progress in catching up on our payment workload. We have implemented a number of process improvements during the past year and will continue to do so, but we haven't realized improvements in reducing the number of RRs waiting processing.

The proposed resolution that will be considered by the Board on Tuesday directs us to take all reasonable actions to cut our processing time with the goal of reaching 60 days for initial processing and 45 days for liquidating funds following deposit. We are committed to implementing that directive to our fullest capability. But at this time the 60 day goal for our C claims is not realistic.

Currently we have about 900 C claim RRs to process. These represent RRs received since about January 2009. So we are at about 11 months. The impact of un-suspending 1,100 claims will add significantly to this backlog as claimants file RRs to recover costs incurred during the past year while suspended.

We fully expect to pay out the \$70 million of C RRs currently in-house over the next 5 quarters as funds become available. But after that, processing capability may become the limiting factor and cause us to fall significantly behind in keeping up with the money as AB 1188 funds are deposited, unless we are successful during the next few months in turning the corner on our payment workload.

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See you Monday.

Thanks, Allan.