

California Department of Public Health
Safe Drinking Water State Revolving Fund

Corrective Action Plan to the April 2013 United States Environmental Protection
Agency Notice of Non-Compliance

Revised July 12, 2013

1. **EPA Requirement:** "The CAP must include the CDPH's certification that it is utilizing a cash flow model that accurately represents their financial position (including but not limited to complete and accurate loans and amortization schedules)."

Deadline: 60 days from the receipt of Notice of Non Compliance

CDPH CAP Commitment: The undersigned certifies that the California Department of Public Health ("CDPH") is utilizing a cash flow model that, as certified on June 24, 2013, accurately represents CDPH's financial position, including, but not limited to, complete and accurate loans and amortization schedules. CDPH is using the model developed in conjunction with EPA during the summer of 2012. As of April 2013, the model was operational and in use in CDPH.

2. **EPA Requirement:** "The CAP must contain a strategy and milestones to ensure NIMS data is complete and accurately represents the CA SDWSRF."

Deadline: 60 days from the receipt of Notice of Non Compliance

CDPH CAP Commitment: CDPH's strategy and milestones to update USEPA's National Infrastructure Management System ("NIMS") data to ensure that it is complete and accurately represents the California Safe Drinking Water State Revolving Fund (the "CA SDWSRF") is detailed in the table below that was provided on June 24, 2013.

CDPH Commitment	Deadline
CDPH initiate contact with contractor to begin the reprogramming of the Loans and Grants Tracking System (LGTS) necessary for the reconciliation of reporting to NIMS.	Fall 2012 (Accomplished)
CDPH provide preliminary direction on the reprogramming of LGTS necessary for the reconciliation of reporting to NIMS.	Fall 2012 (Accomplished)
Reviews and reconciliation of historic NIMS data in LGTS	Winter 2012 (Accomplished)
Contractor to conduct reprogramming	June 14, 2013
CDPH further identify programming errors within LGTS relating to NIMS reconciliation and convey such errors to contractor.	July 15, 2013
Contractor to address and fix LGTS programming errors.	August 30, 2013
CDPH to back-check contractor LGTS programming patches and finalize beta-test of programming changes with contractor	September 30, 2013
CDPH to reconcile historical NIMS data within LGTS for funding agreements executed prior to July 1, 2013	1997-2004: October 31, 2013 2005-2009: December 15, 2013 2010-2013: January 31, 2014
CDPH to submit draft LGTS/NIMS reports to USEPA for review and approval	February 7, 2014
Within 20 days of USEPA approval of the CDPH LGTS/NIMS reports, CDPH will forward the approved LGTS/NIMS reports to the contractor	March 14, 2014
Contractor to upload CDPH LGTS/NIMS data to the NIMS database.	April 25, 2014
CDPH to reconcile and ensure contractor accurately uploaded the data from the USEPA approved CDPH LGTS/NIMS reports	May 31, 2014

3. **EPA Requirement:** "The CDPH and the EPA will meet monthly to discuss progress on the CAP components. Prior to each meeting CDPH will provide in writing an update on CAP components."

Deadline: July, 2013-June, 2016

CDPH CAP Commitment: CDPH will meet with USEPA at a minimum on a monthly basis, beginning in July of 2013 and until June of 2016, to discuss progress on these Corrective Action Plan (the "CAP") components. CDPH will provide to USEPA prior to each meeting a written update on the CAP components.

- 4. EPA Requirement:** "Submit to the EPA a list of all executed funding agreements made in SFY12-13 (7/1/12-6/30/13) to verify \$240M in commitments (the CDPH target to reach 95% pace). Any shortfall of the \$240M to be added to SFY14 available capacity total."

Deadline: June 30, 2013

CDPH CAP Commitment: CDPH submitted to the USEPA on June 27, 2013 a list of all executed funding agreements made in SFY 12-13 (7/1/12-6/30/13) totaling approximately \$265 million for SFY 12-13, thereby exceeding the minimum commitment amount.

- 5. EPA Requirement:** "Identify \$356M, or more if necessary, worth of viable and shovel ready projects on the 2014 fundable list. (~260M, available capacity +\$80M*, FY13 Cap Grant + \$16M* State Match), \$260M plus any SFY13 shortfall to be committed by 30 June 2014, \$96M * in 2013 funds to be committed by 30 Sept 2014 (Date subject to change if grant award held up).

*Amount subject to change based on actual FY 13 Allotment."

Deadline: June 30, 2013

CDPH CAP Commitment: CDPH submitted the 2014 CA SDWSRF Fundable List on June 27, 2013. The 2014 CA SDWSRF Fundable List consisted of a combination of planning and construction projects totaling approximately \$356 million that CDPH currently believes will be "ready to proceed" to a CA SDWSRF funding agreement by September 30, 2014.**

**As notified by USEPA in an email dated, June 7, 2013, the actual 2013 FFY allocation is \$78.77 million with a \$15.75 million required State match. Approximately \$60.94 million of this allocation plus the State match will be dedicated to loans for SDWSRF projects. The remaining balance will be dedicated to set-aside activities.

- 6. EPA Requirement:** "Submit to the EPA a quarterly schedule of estimated federal cash draws for federal fiscal year 2014."

Deadline: June 30, 2013

CDPH CAP Commitment: CDPH submitted to USEPA on June 27, 2013 a quarterly schedule of estimated federal cash draws for FFY 2014. The quarterly schedule of federal draws was based upon the estimated project disbursements derived from the assumptions in the cash-flow model.

- 7. EPA Requirement:** "Submit to the EPA a staffing plan including job descriptions and timeline to address at a minimum the following three deficiencies the EPA has identified : (1) Financial analysis: expertise is needed with respect to

financial modeling, forecasting, and cash flow management to support the SRF program to create an understanding of the long term implications of funding decisions and determining funding capacity; (2) SRF program management: expertise is needed for managing the SRF in a manner so as to integrate program, accounting and financial activities; and (3) Management position in Drinking Water Technical Programs Branch.”

Deadline: July 30, 2013

CDPH CAP Commitment: CDPH will submit to EPA a staffing plan by July 30, 2013, including job descriptions and timeline, to address, at a minimum, the three deficiencies USEPA has identified in this CAP item #7.

8. **EPA Requirement:** “Submit a plan or Statement of Work to assess the project priority system focusing on ways to streamline and expedite project selection, including readiness to proceed and bypass procedures. Assessment to be complete in 18 months.”

Deadline: August 30, 2013

CDPH CAP Commitment: CDPH will submit to USEPA by August 30, 2013, a work plan with timelines for the analysis of CDPH’s funding processes to identify areas which can be streamlined with the goal to reduce the current average time needed to fund projects. Assessment will be completed in 18 months, by February 28, 2015, which is deliverable item #17 in this CAP

CDPH will conduct a comprehensive assessment involving internal and external review with the goal to improve the loan process, funds disbursement, and overall program efficiency.

CDPH will enlist assistance from a contractor to perform an external assessment to identify any management enhancements or initiatives necessary and changes to funding mechanism.

9. **EPA Requirement:** “Using cash flow model determine appropriate commitment level for SFY15. (Appropriate means commit all available funds from Federal capitalization grants, state match, loan principal repayments and all interest earnings).”

Deadline: May 31, 2014

CDPH CAP Commitment: Using the cash flow model, CDPH will determine and submit by May 31, 2014 the appropriate commitment level for SFY 14-15, where appropriate means the commitment of all available funds from federal capitalization grants, state match, loan principal repayments and all interest earnings.

- 10. EPA Requirement:** "At a minimum commit 100% of the \$260M (more if SFY 13 shortfall) in SFY 14 available capacity."

Deadline: June 30, 2014

CDPH CAP Commitment: CDPH will, at a minimum, commit 100% of the \$260 million in SFY 13-14 available capacity by June 30, 2014. CDPH committed approximately \$265 million during SFY 12-13, which is approximately \$25 million more than the minimum \$240 million commitment amount required for SFY 12-13, per item #4 of this CAP. Consequently, CDPH does not have any commitment shortfall for SFY 12-13 that will need to be added to the \$260 million commitment amount required in SFY 13-14, per this CAP item #10.

- 11. EPA Requirement:** "Identify viable and shovel ready projects on the 2015 fundable list to meet commitment level for the year."

Deadline: June 30, 2014

CDPH CAP Commitment: CDPH will submit to USEPA by June 30, 2014 a CA SDWSRF fundable list that identifies viable and shovel ready projects to meet the commitment level for SFY 14-15 (the "2014 CA SDWSRF Fundable List"). The 2014 CA SDWSRF Fundable List will consist of a combination of planning and construction projects that CDPH believes, at that time, will be "ready to proceed" to a CA SDWSRF funding agreement during SFY 14-15

- 12. EPA Requirement:** "Submit to the EPA a quarterly schedule of estimated federal cash draws for federal fiscal year 2015.

Deadline: June 30, 2014

CDPH CAP Commitment: CDPH will submit to USEPA by June 30, 2014 a quarterly schedule of estimated federal cash draws for FFY 2015. The quarterly schedule of federal draws will be based upon the estimated project disbursements derived from the cash-flow model.

- 13. EPA Requirement:** "Achieve a cumulative loan disbursement rate of 70% (i.e., percent of cumulative funds disbursed to cumulative assistance agreements as calculated in NIMS)."

Deadline: June 30, 2014

CDPH CAP Commitment: CDPH can meet this disbursement rate target by June 30, 2014. However, to meet this disbursement rate, CDPH would need to reduce its annual commitment amount, which is contrary to the intent of the SDWSRF program. Based upon the cash-flow model as well as CDPH's intent to maximize the commitment and disbursement potential of the SDWSRF fund, CDPH believes that its resulting cumulative loan disbursement rate for SFY 13-

14 will be approximately 64%. CDPH recognizes that the intent of the cumulative loan disbursement metric is to ensure that disbursements are occurring within a timely manner relative to the commitment of funds and that the funding potential is being maximized. In order to preserve the intent of the metric, CDPH commits to disbursing \$321 million in cumulative funds during the period beginning with July 1, 2012 and ending June 30, 2014. CDPH believes that this metric will demonstrate CDPH's progress to maximize cumulative loan fund disbursement.

- 14. EPA Requirement:** "Achieve a cumulative set-aside spending rate of 70% (i. e., cumulative set-aside expenses as a percent of cumulative net amount awarded for set-asides as calculated in NIMS)."

Deadline: June 30, 2014

CDPH CAP Commitment: CDPH will achieve a cumulative set-aside spending rate of 70% by June 30, 2014 where such rate is the percent of cumulative set-aside expenses to the cumulative net amount awarded for set-asides, as calculated in NIMS.

- 15. EPA Requirement:** "Commit 100% of FFY13 federal cap grant (\$80M)* and 100% of the required state match (\$16M) * September 30, 2014 Loan Commitments.

*Amount subject to change based on actual FY 13 Allotment."

Deadline: September 30, 2014

CDPH CAP Commitment: CDPH will commit 100% of FFY13 federal capitalization grant as well 100% of the required state match associated with the FFY13 federal capitalization grant by September 30, 2014.**

**As notified by USEPA in an email dated, June 7, 2013, the actual 2013 FFY allocation is \$78.77 million with a \$15.75 million required State match. Approximately \$60.94 million of this allocation plus the State match will be dedicated to loans for SDWSRF projects. The remaining balance will be dedicated to set-aside activities.

- 16. EPA Requirement:** "Submit to the EPA a list of all executed funding agreements made against SFY14 available capacity and FFY13 cap grant and state match."

Deadline: September 30, 2014

CDPH CAP Commitment: CDPH will submit to USEPA by September 30, 2014 a list of all executed funding agreements made against the SFY13-14 available capacity as well as the 2013 federal capitalization grant and associated state match.

17. EPA Requirement: "Submit to the EPA completed assessment of the CDPH project priority process."

Deadline: February 28, 2015

CDPH CAP Commitment: CDPH will submit to USEPA the completed assessment of the CDPH project priority process focusing on ways to streamline and expedite project selection, including readiness to proceed and bypass procedures, by February 28, 2015. The assessment will be based on a work plan submitted to and approved by USEPA with the statement of work described in item #8 of this CAP. CDPH will review with USEPA all findings and recommendations resulting from the assessment before implementing such assessment recommendations.

18. EPA Requirement: "Using cash flow model determine appropriate commitment level for SFY16. (Appropriate means commit all available funds Federal capitalization grants, state match, loan principal repayments and all interest earnings)."

Deadline: May 31, 2015

CDPH CAP Commitment: Using the cash flow model, CDPH will determine and submit by May 31, 2015 the appropriate commitment level for SFY 15-16, where appropriate means the commitment of all available funds from federal capitalization grants, state match, loan principal repayments and all interest earnings.

19. EPA Requirement: "Identify viable and shovel ready projects on the 2016 fundable list to meet appropriate commitment level for the year."

Deadline: June 30, 2015

CDPH CAP Commitment: CDPH will submit to USEPA by June 30, 2015 a CA SDWSRF fundable list that identifies viable and shovel ready projects to meet the appropriate commitment level for SFY 15-16 (the "2016 CA SDWSRF Fundable List"). The 2016 CA SDWSRF Fundable List will consist of a combination of planning and construction projects that CDPH believes, at that time, will be "ready to proceed" to a CA SDWSRF funding agreement during SFY 15-16.

20. EPA Requirement: "Submit to the EPA a list of all executed funding agreements made in the prior fiscal year (7/1/14-6/30/15) to verify targeted amount of commitments for SFY15 were made."

Deadline: June 30, 2015

CDPH CAP Commitment: CDPH will submit to USEPA by June 30, 2015 a list of all executed funding agreements made in SFY 14-15 to verify the targeted commitment amount for SFY 14-15 was achieved.

- 21. EPA Requirement:** "Submit to the EPA a quarterly schedule of estimated federal cash draws for federal fiscal year 2016."

Deadline: June 30, 2015

CDPH CAP Commitment: CDPH will submit to USEPA by June 30, 2015 a quarterly schedule of estimated federal cash draws for FFY 2016. The quarterly schedule of federal draws will be based upon the estimated project disbursements derived from the assumptions in the cash-flow model.

- 22. EPA Requirement:** "Achieve a cumulative loan disbursement rate of 75% (i.e., percent of cumulative funds disbursed to cumulative assistance agreements as calculated in NIMS)."

Deadline: June 30, 2015

CDPH CAP Commitment: CDPH can meet this disbursement rate target by June 30, 2015. However, to meet this disbursement rate, CDPH would need to reduce its annual commitment amount, which is contrary to the intent of the SRF program. Based upon the cash-flow model as well as CDPH's intent to maximize the commitment and disbursement potential of the SDWSRF fund, CDPH believes that its resulting cumulative loan disbursement rate for SFY 14-15 will be approximately 69%. CDPH recognizes that the intent of the cumulative loan disbursement metric is to ensure that disbursements are occurring within a timely manner relative to the commitment of funds and that the funding potential is being maximized. In order to preserve the intent of the metric, CDPH commits to disbursing \$621 million in cumulative funds during the period beginning with July 1, 2012 and ending June 30, 2015. CDPH believes that this metric will demonstrate CDPH's progress to maximize cumulative loan fund disbursement.

- 23. EPA Requirement:** "Achieve a cumulative set-aside spending rate of 80% (i.e., cumulative set-aside expenses as a percent of cumulative net amount awarded for set-asides as calculated in NIMS)."

Deadline: June 30, 2015

CDPH CAP Commitment: CDPH will achieve a cumulative set-aside spending rate of 80% by June 30, 2015, where such rate is the percent of cumulative set-aside expenses to the cumulative net amount awarded for set-asides, as calculated in NIMS.

- 24. EPA Requirement:** "Using cash flow model determine appropriate commitment level for SFY17. (Appropriate means commit all available funds Federal

capitalization grants, state match, loan principal repayments and all interest earnings).”

Deadline: May 30, 2016

CDPH CAP Commitment: Using the cash flow model, CDPH will determine and submit by May 30, 2016 the appropriate commitment level for SFY 16-17, where appropriate means the commitment of all available funds from federal capitalization grants, state match, loan principal repayments and all interest earnings.

- 25. EPA Requirement:** “Identify viable and shovel ready projects on the 2017 fundable list to meet appropriate commitment level for the year.”

Deadline: June 30, 2016

CDPH CAP Commitment: CDPH will submit to USEPA by June 30, 2016 a CA SDWSRF fundable list that identifies viable and shovel ready projects to meet the appropriate commitment level for SFY 16-17 (the “2017 CA SDWSRF Fundable List”). The 2017 CA SDWSRF Fundable List will consist of a combination of planning and construction projects that CDPH believes, at that time, will be “ready to proceed” to a CA SDWSRF funding agreement during SFY 16-17.

- 26. EPA Requirement:** “Submit to the EPA a list of all executed funding agreements made in the prior fiscal year (7/1/15-6/30/16) to verify targeted amount of commitments for SFY16 were made.”

Deadline: June 30, 2016

CDPH CAP Commitment: CDPH will submit to USEPA by June 30, 2016 a list of all executed funding agreements made in SFY 15-16 to verify the targeted commitment amount for SFY 15-16 was achieved.

- 27. EPA Requirement:** “Achieve a cumulative loan disbursement rate of 80% or within 5% of the national average, whichever is greater (i.e., percent of cumulative funds disbursed to cumulative assistance agreements as calculated in NIMS).”

Deadline: June 30, 2016

CDPH CAP Commitment: CDPH can meet this disbursement rate target by June 30, 2016. However, to meet this disbursement rate, CDPH would need to reduce its annual commitment amount, which is contrary to the intent of the SRF program. Based upon the cash-flow model as well as CDPH's intent to maximize the commitment and disbursement potential of the SDWSRF fund, CDPH believes that its resulting cumulative loan disbursement rate for SFY 15-16 will be approximately 77%. CDPH recognizes that the intent of the cumulative loan

disbursement metric is to ensure that disbursements are occurring within a timely manner relative to the commitment of funds and that the funding potential is being maximized. In order to preserve the intent of the metric, CDPH commits to disbursing \$878 million in cumulative funds during the period beginning with July 1, 2012 and ending June 30, 2016. CDPH believes that this metric will demonstrate CDPH's progress to maximize cumulative loan fund disbursement.

28. EPA Requirement: "Achieve a cumulative set-aside spending rate within 5% of the national average (i.e., cumulative set-aside expenses as a percent of cumulative net amount awarded for set-asides as calculated in NIMS)."

Deadline: June 30, 2016

CDPH CAP Commitment: CDPH will achieve a cumulative set-aside spending rate that is within 5% of the national average by June 30, 2016, where such rate is the percent of cumulative set-aside expenses to the cumulative net amount awarded for set-asides, as calculated in NIMS.

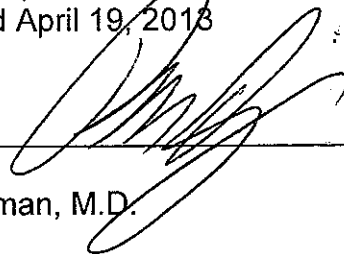
29. EPA Requirement: "Balance of available federal funds not to exceed \$160M (includes both loans and set asides)."

Deadline: June 30, 2016

CDPH CAP Commitment: CDPH will establish a balance of available federal funds that does not exceed \$160 million by June 30, 2016. Such federal fund balance will be comprised of both federal project loan and federal set-aside balances.

This Safe Drinking Water State Revolving Fund Corrective Action is submitted on behalf of the California Department of Public Health pursuant to the U.S. EPA Notice of Non-compliance dated April 19, 2013

Signature: _____



Name: Dr. Ron Chapman, M.D.

Title: Director, California Department of Public Health

Date: _____

