

**California Department of Public Health
Safe Drinking Water State Revolving Fund**

Updates on Corrective Action Plan Dated July 12, 2013

On April 19, 2013 USEPA issued CDPH a Notice of Noncompliance by USEPA. The notice detailed that, as of October 2012, the fund had unspent federal funds (referred to as unliquidated obligations or ULOs) in the amount of \$455 million – federal funds that had largely been contractually committed by CDPH to infrastructure projects but that had not yet been spent by those projects. In response to the Notice of Noncompliance, CDPH developed a Corrective Action Plan (CAP), approved by USEPA July 23, 2013, to incrementally bring the program back into full compliance by June 30, 2016. The CAP outlines 29 specific requirements that CDPH has committed to meet. The approved CAP can be found on CDPH's website at http://www.cdph.ca.gov/Documents/EPA_CAPApproval07232013.pdf. *CDPH has met or exceeded all CAP deadlines and deliverables to date, and is on track to continue this throughout the duration of the Plan.*

This has been accomplished as a result of significant program improvements over the last few years, including improved application processes, expanded technical assistance (including our third party contractors), faster affordability assessments, required prompt claims submissions from projects, removal of loan caps, and establishment of five regional funding coordinator positions serving to bridge the gap between the district offices and headquarters'.

Key CAP Item Updates:

- **CAP Item No. 1:** As of June 24, 2013, CDPH certified utilization of a cash-flow model, accurately representing CDPH's financial position, including, but not limited to, complete and accurate loan and amortization schedules.
- **CAP Item No. 2:** As of June 24, 2013, CDPH met the requirement of this CAP Item and has been reconciling its Loan and Grant Tracking System and National Infrastructure Management System Data in conjunction with USEPA's contractor as detailed in the schedule. CDPH anticipates meeting the milestones set forth in the schedule by May 31, 2014.
- **CAP Item No. 3:** CDPH meets monthly with USEPA to discuss progress towards meeting CAP commitments.
- **CAP Item No. 4:** CDPH committed \$265 million SRF funds to California drinking water infrastructure projects, for both planning and construction, in FY 12/13, exceeding the CAP requirement by more than \$25 million.

- **CAP Item No. 5:** CDPH established a list of fundable projects to commit \$356 million from the SRF by September 30 of this year. As part of this commitment CDPH anticipates meeting or exceeding the goal \$260 million in commitments by June 30, 2014. It should be noted that seventy-five percent of the projects on 2013-14 fundable list are for small water systems.
- **CAP Item No. 6:** As of June 27, 2013 CDPH met the commitment of this CAP item, submitting a quarterly schedule of federal draws based upon the estimated project disbursements derived from the assumptions in the cash-flow model.
- **CAP Item No. 7:** As of July 28, 2013 CDPH met the commitment of this CAP item and has subsequently filled the positions detailed in the staffing plan with appropriate personnel.
- **CAP Item No. 8:** As of August 29, 2013 CDPH met the initial commitment of this CAP item, submitting to USEPA a work plan outlining a strategy to identify areas within the program that can be streamlined to reduce the average time needed to fund projects. The assessment will be completed by February 28, 2015 which is the deliverable of CAP Item No. 17.
- **CAP Item No. 9:** In conjunction with the development of the 2014 Intended Use Plan, CDPH has utilized the cash-flow model to determine the appropriate commitment level for State fiscal year 2014-15. This CAP item commitment will be met by May 31, 2014.
- **CAP Item No.10:** CDPH anticipates meeting or exceeding the goal of this CAP item by establishing at minimum \$260 million in commitments by June 30, 2014.
- **CAP Item No.11:** In conjunction with the development of the 2014 Intended Use Plan, CDPH has identified viable shovel ready projects to meet then appropriate commitment level for State fiscal year 2014-15. This CAP item commitment will be met by June 30, 2014.
- **CAP Item No.12:** In conjunction with the development of the 2014 Intended Use Plan, CDPH has utilized the cash-flow model to determine the estimated quarterly schedule of federal draws for State fiscal year 2014-15. This CAP item commitment will be met by June 30, 2014.
- **CAP Item No. 13:** As of June 30, 2013, CDPH had exceeded disbursement targets, reducing federal fund ULOs to \$369 million. CDPH remains on track to meet or exceed the cumulative target, disbursing \$321 million for State fiscal years 2012-13 and 2013-14 by June 30, 2014.
- **CAP Item No. 14:** CDPH anticipates meeting or exceeding the cumulative set-aside spending rate of 70 percent by June 30, 2014.

- **CAP Item No. 15:** In association with CAP Item No. 5, CDPH anticipates meeting or exceeding \$356 million in commitments by September 30, 2014 which includes the local assistance portion of the 2013 Capitalization Grant and the proportional amount of State Match funds.

As outlined in the CAP, aggressive disbursement requirements are targeted in pursuit of lowering the federal ULO to \$160 million in 2016. Based on achievements made during the 2013-14 State fiscal year and the cash-flow model, developed jointly with USEPA, CDPH anticipates achieving this final CAP requirement on or before the required June 2016 date.