

State of California
DRINKING WATER STATE REVOLVING FUND

INTENDED USE PLAN

**STATE FISCAL YEAR 2022-23
(FEDERAL FISCAL YEAR 2022 BASE PROGRAM CAPITALIZATION
GRANT AND GENERAL SUPPLEMENTAL CAPITALIZATION GRANT)**

**WITH REVISED SUPPLEMENTAL
INTENDED USE PLAN**

(2019 ASADRA CAPITALIZATION GRANT)

**WITH SUPPLEMENTAL INTENDED
USE PLANS**

**(FEDERAL FISCAL YEAR 2022 EMERGING CONTAMINANTS
CAPITALIZATION GRANT AND LEAD SERVICE LINE REPLACEMENT
CAPITALIZATION GRANT)**

and

The Water Quality, Supply, and Infrastructure Improvement Act of 2014
(Proposition 1)

and

The California Drought, Water, Parks, Climate, Coastal Protection, and
Outdoor Access for All Act of 2018
(Proposition 68) Guidelines

And

California Budget Act of 2021 and Budget Act of 2022,
General Fund Appropriations

***Division of Financial Assistance • 1001 I Street • Sacramento, CA 95814
Approved by: State Water Resources Control Board
October 3, 2022 - Resolution No. 2022-0041***

October 3, 2022

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ES. EXECUTIVE SUMMARY

The Drinking Water State Revolving Fund (DWSRF) program finances infrastructure improvements to mitigate drinking water risks and support the human right to water. This Intended Use Plan (IUP) describes the State Water Resources Control Board's (State Water Board) plan for implementing the DWSRF and its complementary financing programs for State Fiscal Year (SFY) 2022-23. This IUP also serves as guidelines for the State Water Board's administration of certain General Fund, Proposition 1, and Proposition 68 drinking water funds.

This Executive Summary is intended to provide a condensed overview of highlights and notable changes for SFY 2022-23.

A. Notable Changes

The SFY 2022-23 DWSRF IUP contains significant changes from the previous year.

- The Infrastructure Investment and Jobs Act, also referred to as the Bipartisan Infrastructure Law (BIL), amended DWSRF requirements in the Safe Drinking Water Act (SDWA) and appropriated \$30.7 billion nationwide over five years to DWSRF programs, in addition to the annual Base Program" appropriations, with approximately \$2.56 billion allocated to California. This additional funding will be provided for three separate objectives. The allotments for the three objectives for FY 2022 are as follows:
 - \$158,733,000 in General Supplemental funding for SFY 2022-23
 - \$66,649,000 in Emerging Contaminants funding for SFY 2022-23
 - \$250,107,000 in Lead Service Line Replacement (LSLR) Funding for SFY 2022-23
- New Federal Requirements
 - Build America, Buy America Act (BABA) expanded domestic sourcing requirements for federal financial assistance programs, including the SRF programs, to include construction materials and manufactured goods in addition to the existing American Iron and Steel (AIS) requirements.
 - All four of the 2022 capitalization grants require that any project funded in whole or in part by the capitalization grant involving lead service line replacement must replace the entire lead service line, not just a portion, unless a portion has already been replaced or is concurrently being replaced with another funding source.
- The BIL requires that forty-nine percent (49%) of funds provided through the DWSRF General Supplemental and DWSRF LSLR appropriations be provided as non-repayable financing to eligible water systems serving disadvantaged communities, and that not less than twenty-five percent (25%) of funds provided through the DWSRF Emerging Contaminants appropriation be provided as non-repayable financing to eligible water systems serving disadvantaged communities or serving fewer than 25,000 people.

- Revised financial capacity review for one hundred percent (100%) nonrepayable planning projects and consolidation projects:
 - For one hundred percent (100%) nonrepayable planning projects DFA generally will not require the applicant to submit a complete financial security package or undergo financial security review prior to receiving funding, but the planning project will address financial capacity.
 - A PWS is generally not required to demonstrate financial capacity to operate and maintain its system if it will be consolidated into another PWS, but the Receiving Water System must satisfy financial capacity requirements. DFA may apply alternative financial capacity review for Receiving Water Systems under certain circumstances, as discussed in section V.A.3.

B. Funding Objectives

The DWSRF program and associated state funding sources will be used to provide financial assistance that (1) addresses the most serious human health risks to drinking water, (2) is necessary to comply with the federal Safe Drinking Water Act (SDWA), and (3) assists eligible drinking water systems most in need on a per household basis. To meet this goal, the State Water Board will use the DWSRF and its complementary funds timely and expeditiously and manage the available funding responsibly.

In accordance with the BIL, additional funding was appropriated for: (1) any eligible DWSRF project, (2) projects addressing emerging contaminants in drinking water, with a focus on perfluoroalkyl and polyfluoroalkyl substances (PFAS), and (3) projects that identify and replace lead service lines. The State Water Board will manage these new funds to quickly and effectively support existing DWSRF goals and the new objectives.

The State Water Board's drinking water funding priorities in SFY 2022-23 continue to stress helping small severely disadvantaged communities (SDACs) and small disadvantaged communities (DACs) solve their drinking water problems. In particular, available state Small Community Grant Drinking Water (SCG DW) funds, DWSRF Principal Forgiveness (PF) funds, and Drinking Water Small Community Emergency Grant (DWSCEG) funds will be prioritized to address the most serious health risks for these communities. The DWSRF program will be managed so that sufficient funds are available to finance the eligible drinking water projects of Small SDACs and Small DACs.

C. Connections to Other Plans and Goals

The Office of Sustainable Water Solutions was established on March 27, 2015 as a result of the Governor signing Assembly Bill 92. The office is part of the State Water Board’s Division of Financial Assistance (DFA). The office was created to promote permanent and sustainable drinking water and wastewater treatment solutions to ensure effective and efficient provision of safe, clean, affordable, and reliable drinking water and wastewater treatment services, focusing on addressing financial and TA needs, particularly for small disadvantaged communities.

The Safe and Affordable Drinking Water (SADW) Fund Expenditure Plan (FEP) and Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund (SADW Policy) complement and support the Water Board’s efforts at addressing drinking water capital infrastructure needs described in this IUP and the DWSRF’s Policy.

D. Application Demand

Demand on the DWSRF Base Program and complementary funding remains high. DFA has received applications requesting approximately \$2.89 billion as of June 2022 for drinking water planning and construction projects. The applications on the Comprehensive List (Appendix B) include projects on the ASADRA and the EC lists.

Comprehensive List Applications

Priority Ranking	Description	No. of Applications	Estimated Requested Funding
A	Immediate Health Risk	26	\$52,949,550
B	Untreated At-Risk Sources	7	\$286,920,009
C	Compliance or Shortage	109	\$509,111,307
D	Inadequate Reliability	30	\$77,499,048
E	Secondary Risks	17	\$92,884,250
F	Other Projects	139	\$1,869,864,898
Total		328	\$2,888,229,062

A majority of the applications are for Small DACs/SDACs, Expanded Small DACs/SDACs, Medium DACs/SDACs with Category A-C projects, Small Non-DACs with Category A-C projects, and consolidation projects. This subset of applications is summarized below.

Small, Expanded Small, and Medium DACs/SDACs, Small Non-DACs, and Consolidation Project Applications

Priority Ranking	Description	No. of Applications	Estimated Requested Funding
A	Immediate Health Risk	26	\$52,949,550
B	Untreated At-Risk Sources	5	\$7,475,009
C	Compliance or Shortage	106	\$501,074,667
D	Inadequate Reliability	27	\$39,408,048
E	Secondary Risks	13	\$44,534,250
F	Other Projects	102	\$267,288,670
Total		279	\$913,730,194

Of the 279 applications, 77 are considered complete (54 construction and 23 planning applications) and are requesting approximately \$272 million in funding.

Given the ongoing high demand on the DWSRF, the State Water Board will not be able to fund all projects currently requesting funding in SFY 2022-23. Applicants whose projects are not on the Fundable List are encouraged to evaluate all viable, alternative financing options for their projects considering any deadlines they must meet.

E. General Funding Approach

This IUP updates the DWSRF Fundable List (Appendix B), which serves the DWSRF Base Program and DWSRF General Supplemental funding. The Fundable List is a subset of the Comprehensive List and represents those projects eligible to receive an executed financing agreement. DFA's goal is to execute agreements for all projects on the Fundable List for which there is an appropriate funding source by June 30, 2023. No guarantee can be given that all projects on the Fundable List will receive an executed agreement or that the agreement will be executed by June 30, 2023.

Projects are added to the Fundable List in two ways:

1. Projects eligible for grant/PF under Appendices D and E, and all consolidation incentive projects, will be added to the Fundable List after the Deputy Director, or designee, deems the application complete. This includes Projects eligible for partial grant/PF and partial loan.
2. For all other applications, projects expected to receive a financing agreement in SFY 2022-23 are placed on the Fundable List with priority given to those that 1) address the most serious risk to human health, 2) are necessary to ensure compliance with the requirements of the SDWA, and 3) assist systems most in need on a per household basis.

As project application statuses are expected to change throughout the year, DFA will periodically post an updated Comprehensive List on the DWSRF website which also identifies those projects which are on the Fundable List. This updated Fundable List will include all projects eligible for grant/PF under Appendices D and E, and all consolidation incentive projects, with a complete application and meeting all eligibility requirements.

F. Financing Terms

The standard interest rate for DWSRF (repayable) financing is 50 percent (50%) of California’s average general obligation bond rate obtained by the State Treasurer for the previous calendar year, rounded up to the next highest ten basis points (0.10%). Therefore, the interest rate for the 2022 calendar year is 1.1%. This rate will be adjusted on January 1, 2023.

The standard term for a planning loan is five or ten years, at the applicant’s option.

The standard term for a construction loan is the lesser of 30 years or the useful life of the financed facilities. SDAC and DAC communities may finance drinking water construction facilities over the lesser of 40 years or the useful life of the financed facilities.

Eligible community water systems (CWSs) serving a Small DAC/SDAC, Expanded Small DAC/SDAC, Medium DAC/SDAC, or Small Non-DAC; eligible not-for-profit Non-Transient Non-Community Water Systems (NTNCs) serving a Small DAC/SDAC; and eligible Public Water Systems (PWSs) implementing a consolidation project may receive grant/PF in accordance with Appendices D and E, to the extent consistent with state and federal law, as applicable.

Criteria for consolidation projects are described in Section IV.A.4.

G. Recent Financing Activity

The level of DWSRF and complementary financing was higher than average in SFY 2021-22.

Number of Executed Agreements and Total Financing per SFY

SFY	Number of Agreements	\$ of Agreements (in millions)
2017-18	73	\$324
2018-19	22	\$245
2019-20	50	\$195
2020-21	42	\$326
2021-22	57	\$986

The State Water Board executed 57 agreements during SFY 2021-22.

H. Available Funding

Available DWSRF and complementary financing programs for SFY 2022-23 are summarized below. The amounts included below are estimated amounts, which may fluctuate for several reasons, including project cancellations, the disencumbrance of undisbursed funds, or any appropriation of additional amounts.

1. DWSRF

The long-term sustainable repayable loan capacity for the DWSRF Base Program is established as \$300 million for SFY 2022-23. However, the program's financing history should be viewed as a long-term average. The DWSRF has historically committed funds below its capacity, apart from SFY 2021-22.

a. DWSRF Base Program and General Supplemental

The BIL appropriated \$11.7 billion over five years nationwide as DWSRF General Supplemental Funding and California expects to receive \$158,733,000 during SFY 2022-23. The funds supplement the regular DWSRF capitalization grants and have the same eligibility criteria. The breakdown of the General Supplemental Grant is shown in the table after Subsection c below. Of the General Supplemental Funds, 49% will be committed as principal forgiveness to systems serving disadvantaged communities. All PF from the FFY 2018, 2019, 2020, 2021, and 2022 DWSRF Base Program Capitalization Grants and the FFY 2022 DWSRF General Supplemental Funding Capitalization Grant will be available for eligible systems serving the following:

- Small DACs/SDACs, Expanded Small DACs/SDACs, Medium DACs/SDACs with Category A-C projects, Small Non-DACs with Category A-C projects, and consolidation projects as described in Appendices D and E.

The Deputy Director of DFA was authorized at the March 15, 2022, Board meeting to use up to \$85 million of 2021 Budget Act Infrastructure Appropriation grant funds as state match for the DWSRF and Clean Water State Revolving Fund (CWSRF) programs. The Deputy Director has allocated \$45 million from the 2021 Budget Act Infrastructure Appropriation to meet the DWSRF State Match needs through the FFY 2022 capitalization grants.

The 2021 state Budget Act was amended during the 2022 budget process to include an additional \$400 million from the state's General Fund to match the federal capitalization grants for the DWSRF and the CWSRF. The funds may be used by the State Water Board consistent with existing law and may be expended for project costs incurred by funding recipients in fiscal years prior to enactment of the Budget Act. The funding is available for encumbrance or expenditure until June 30, 2027. DFA currently estimates that \$100 million will be used for State Match for the CWSRF program and \$300 million will be used for State Match for the DWSRF program. Additional information about the

distribution of the appropriated funds between the DWSRF and CWSRF can be found in Section III.C.

The Project list for DWSRF General Supplemental is the same Fundable List (Appendix B) used for the DWSRF Base Program. The Fundable List contains projects requesting funding which exceeds the combined total 2022 DWSRF General Supplemental Capitalization Grant and 2022 DWSRF Base Program Capitalization Grant.

b. DWSRF Emerging Contaminants

California is also estimated to receive \$66,649,000 as part of the DWSRF Emerging Contaminants funding, appropriated by the BIL. The funds are available to DWSRF eligible projects which address emerging contaminants, with a focus on Per- and Polyfluoroalkyl Substances (PFAS). One hundred percent (100%), except for set-asides, will be committed as principal forgiveness. The BIL requires that at least twenty-five percent (25%) of these funds be committed to DACs or PWSs serving a population of less than 25,000. The breakdown of the Emerging Contaminants Grant is shown in the table after Subsection C below.

Additional information regarding the availability of and requirements associated with DWSRF Emerging Contaminants funding can be found in the DWSRF Emerging Contaminants Supplemental Intended Use Plan in Appendix I. Applications for DWSRF Emerging Contaminants funding are listed in the Emerging Contaminant Fundable List, also in Appendix I.

c. DWSRF Lead Service Line Replacement

California is also estimated to receive \$250,107,000 as part of the DWSRF LSLR funding, appropriated by the BIL. The funds are available to DWSRF eligible projects which replace lead service lines and 49% will be committed as principal forgiveness to disadvantaged communities. The breakdown of the LSLR Grant is shown in the table below.

Additional information regarding the availability of and requirements associated with DWSRF LSLR funding can be found in the DWSRF LSLR Supplemental Intended Use Plan in Appendix J. Potential projects eligible for DWSRF LSLR funding are listed in the LSLR Fundable List, also in Appendix J.

FFY 2022 Capitalization Grant	Loan	PF	Set-Asides	Total Cap Grant
Base Program	\$15,454,750	\$30,291,310	\$16,072,940	\$61,819,000
General Supplemental (appropriated by BIL)	\$39,683,250	\$77,779,170	\$41,270,580	\$158,733,000
Emerging Contaminants (appropriated by BIL)	\$0	\$49,320,260	\$17,328,740	\$66,649,000
Lead Service Line Replacement (appropriated by BIL)	\$62,526,750	\$122,552,430	\$65,027,820	\$250,107,000
ASADRA re-allotment	\$3,944,860	\$1,690,655	\$0	\$5,635,515
Total	\$121,609,610	\$281,633,825	\$139,700,080	\$542,943,515

- 2. State Grants and DWSRF PF for Small, Expanded Small, and Medium Disadvantaged Communities, Small Non-DACs, and Consolidation Projects**
 Small DACs/SDACs, Expanded Small DACs/SDACs, Medium DACs/SDACs with Category A-C projects, Small Non-DACs with Category A-C projects, and consolidation projects may be eligible for DWSRF PF and/or State Grants, as described in Appendices D and E, depending on the funding source. Current grant funding for drinking water projects is provided by Prop 1, Prop 68, and the infrastructure grant appropriations under Item 3940-106-0001, Provision 1, of Section 2.00 of the state Budget Act of 2021 (2021 Budget Act Infrastructure Appropriation). The funding sources are sometimes interchangeable but are subject to different eligibility criteria and requirements. DFA will allocate the most appropriate State Grant/PF funds for eligible projects with a complete application.

Estimated Available Grant/PF funds for SFY 2022-23

Funding Type	Total (Million)
PF (FFY 2022 Base Program and General Supplemental)	\$108.1
PF (previous cap grants)	\$72.5
Prop 1 grant	\$14.4
Prop 68 grant	\$121.2
2021 Budget Act Infrastructure Appropriation	\$397.5
Total	\$713.7

3. Safe and Affordable Drinking Water (SADW) Fund

The SADW Fund was established through Senate Bill 200 in July 2019. Expenditures from the SADW Fund will be made consistent with the State Water Board’s larger SAFER program and associated annual FEP. The annual FEP is

intended to complement this IUP as SADW funds are used in combination with DWSRF and SCG DW to address similar goals.

4. ASADRA funds

The State Water Board received approximately \$46.3 million¹ in supplemental funds from the Additional Supplemental Appropriations for Disaster Relief Act of 2019 (ASADRA) and is applying for an additional reallocation of approximately \$5.6 million. The funds are available for use by the State Water Board to help any DWSRF-eligible entity that was damaged, demonstrates an impact, or had a loss or disruption of a mission-essential function, including loss of function where there was potential impact to public health, from calendar year 2018 wildfires.

The State Water Board will provide 30 percent (30%) of its ASADRA grant as PF to eligible recipients with the remaining funds provided as loan at zero percent (0.0%). Additional information regarding the availability of and requirements associated with ASADRA funds can be found in the ASADRA Revised Supplemental Intended Use Plan in Appendix H. Applications for ASADRA funds are listed in the ASADRA Fundable List, also in Appendix H.

5. Other Funding

Per- and Polyfluoroalkyl Substances (PFAS) – PFAS are a class of contaminants of emerging concern. These anthropogenic chemicals may be present in drinking water sources and may pose a potential human health risk. The state Budget Act of 2021 included \$30 million in General Fund local assistance for technical and financial assistance to drinking water systems for implementation projects to address PFAS. The Budget Act of 2022 appropriated an additional \$50 million, as further described in Appendix I. See the [PFAS Funding Program webpage](#) for more information. These state funds will be administered along with the BIL Emerging Contaminants funding consistent with the process outlined in the DWSRF Emerging Contaminants Supplemental IUP in Appendix I, although projects for Small DACs may be administered through the SADW FEP, depending on authority therein². Applications for PFAS projects are included in the Emerging Contaminant Fundable List, also in Appendix I.

¹ In addition to the \$42 million originally allocated to California, California also received an additional \$4.2 million in funds reallocated from funds originally allocated to Alaska.

² The criteria and process outlined in Appendix I are focused on implementing capital improvement projects, whereas many small DACs are expected to need assistance with other things such as sampling and technical assistance. The SFY 2022/23 SADW FEP is expected to include criteria and a process for funding the needs of small DACs using the budget act PFAS funds. Eligible PFAS drinking water implementation projects for water systems that are serving Expanded Small, Medium or Large DACs, or non-DACs, as well as for small DACs that are not funded through the SADW FEP, will be funded according to Appendix I.

Groundwater Grant Program (GWGP) – GWGP funds may be available for projects benefiting PWS serving DACs and SDACs for projects that prevent or clean up contamination of groundwater that serves or has served as a source of drinking water. See the guidelines and funding available from the [State Water Board's Groundwater Sustainability Program](#) for more information.

I. DWSRF Base and General Supplemental Fundable List

The DWSRF base and General Supplemental Fundable List includes approximately \$308.5 million in estimated repayable loan financing which is consistent with the long-term repayable loan capacity. Projects eligible for State Grants/PF under Appendices D and E, and all consolidation incentive projects, will be added to the Fundable List after the Deputy Director, or designee, deems the application complete. For readability, these projects are shown on the Comprehensive List, which includes all projects with active applications. The Comprehensive List is included as Appendix C.

SFY 2022-23 DWSRF Base and General Supplemental Repayable Loan Fundable List Summary

Summary	Number of Projects	Estimated DWSRF Repayable Loan Amount	Estimated PF/Grant Amount
Small Water System Planning	1	\$350,000	\$0
Medium/Large Water System Planning	0	\$0	\$0
Small Water System Construction	1	\$2,000,000	\$0
Medium/Large Water System Construction	13	\$306,175,565	\$0
TOTAL	15	\$308,525,565	\$0

J. Set-Aside Activities

The federal SDWA allows each state to set aside up to 31 percent (31%) of its federal capitalization grant to support various DWSRF and Division of Drinking Water (DDW) program activities, including (1) the administration of the DWSRF, (2) SWS technical assistance (TA), (3) PWS supervision by DDW and (4) other technical assistance to PWSs in support of technical, managerial, and financial capacity development. The Set-Asides are especially beneficial to SWSs serving SDACs and DACs.

For SFY 2022-23, the State Water Board will set-aside 26 percent (26%) of the 2022 Base Program Capitalization Grant and 26 percent (26%) of the 2022 General Supplemental Capitalization Grant for set-aside activities as further described below. Set-asides for EC and LSLR funding are described in the supplemental IUPs. In the event of an emergency requiring use of set-aside funds, the State Water Board intends to submit an email request that U.S. EPA approve such use of the set-aside funds.

SFY 2022-23 DWSRF Set-Aside Budget

Set-Aside Category	Max Allowed	Budgeted from FFY 2022 Grant	Estimate
Base Program			
Administration	4%	4%	\$2,472,760
SWS Technical Assistance	2%	2%	\$1,236,380
State Program Management	10%	10%	\$6,181,900
Other Local Assistance	15%	10%	\$6,181,9000
Base Program Subtotal		26%	\$16,072,940
General Supplemental			
Administration	4%	4%	\$6,349,320
SWS Technical Assistance	2%	2%	\$3,174,660
State Program Management	10%	10%	\$15,873,300
Other Local Assistance	15%	10%	\$15,873,300
General Supplemental Subtotal		26%	\$41,270,580
Total			\$57,343,520

K. Programmatic Requirements

DWSRF requirements are substantially similar to those described in the SFY 2021-22 DWSRF IUP. Changes and new requirements are noted in more detail in the body of the IUP. New provisions specific to the FFY Capitalization Grant will apply as directed by Congress or U.S. EPA.

The State Water Board is required to apply federal environmental review requirements to all DWSRF projects. As part of this review, cross-cutting federal environmental authorities must be applied to DWSRF equivalency projects, i.e., projects funded in an amount equal to the federal capitalization grants (although environmental review does not apply to certain set-asides). DFA will apply an alternative environmental review (Tier II) process to certain non-equivalency DWSRF projects, as described in further detail in Section VI.D.1. and Appendix F. Review under the California Environmental Quality Act (CEQA) will apply to all projects that are not CEQA-exempt regardless of funding source.

Requirements may differ for projects funded by complementary funding (see Table 10).

L. Other Activities

The California State Auditor conducted a performance audit at the request of the Joint Legislative Audit Committee to evaluate the State Water Board's efforts to help provide Californians with clean drinking water. The results of the July 26, 2022, audit report provided an independent review of the Water Board's efforts to provide safe drinking water to the million Californians without it. DFA also worked with the Environmental Finance Center (EFC) at California State University, Sacramento on a program

management review of California’s CWSRF program. The findings from this review will be beneficial to the DWSRF program because the State Water Board administers the DWSRF program using many of the same staff and essentially similar processes used to administer the CWSRF program. EFC has developed a report in coordination with stakeholders and State Water Board staff and provided a final report and recommendations in July 2022. The report identifies potential efficiencies, improvements, or enhancements that would facilitate application reviews and execution of loan agreements and disbursements.

M. Schedule

Submit FFY 2022 Capitalization Grant applications to U.S. EPA	July 15, 2022
Draft IUP and Draft Supplemental IUPs posted for public comment	August 24, 2022
Board Workshop	September 7, 2022
Deadline for Public Comments on Draft IUP and Draft Supplemental IUPs	September 23, 2022
State Water Board considers IUP and Supplemental IUPs at regularly scheduled meeting	October 3, 2022
Receive FFY 2022 Capitalization Grant agreements from U.S. EPA	October 2022

I. INTRODUCTION

Clean, affordable, accessible, and safe water adequate for human consumption, cooking, and sanitary purposes is a human right³, and is essential to health and well-being. The State Water Board's DDW and DFA work cooperatively to protect California's drinking water and help ensure that all Californians have access to clean, safe, accessible, and affordable drinking water through several regulatory and financial assistance programs.

The DWSRF program finances infrastructure improvements to mitigate drinking water risks and support the human right to water. In accordance with federal rules, the DWSRF program generally prioritizes financing for projects that (1) address the most serious human health risks, (2) are necessary to comply with federal SDWA requirements and (3) assist public water systems (PWSs) most in need on a per household basis. The DWSRF program is also managed to ensure expeditious use of DWSRF funds and long-term financial strength for future generations.

The Legislature and the Governor also periodically appropriates funding to the State Water Board for programs or projects that help provide clean and safe drinking water, typically from the proceeds of general obligation bonds or general tax revenues, that can be used in combination with the DWSRF program. The State Water Board has issued revenue bonds to augment the DWSRF program.

In July 2019, [Senate Bill 200](#) established the Safe and Affordable Drinking Water Fund (SADW Fund). The SADW Fund is one tool in the State Water Board's larger [Safe and Affordable Funding for Equity and Resilience \(SAFER\) Drinking Water program](#). The State Water Board administers the SAFER Drinking Water program primarily through DDW, DFA, and the Office of Public Participation (OPP). The SAFER Drinking Water program's goals are to provide safe drinking water in every California community, for every Californian. The Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund (SADW Policy) was adopted by the State Water Board on May 5, 2020. The SADW Policy establishes the State Water Board's direction on how the FEP will be developed and implemented. The SADW Fund will be used in combination with the DWSRF program to complement the State Water Board's existing suite of financial assistance programs.

This Intended Use Plan (IUP) and the supplemental IUPs describe the State Water Board's plan for implementing the DWSRF and its complementary and supplementary financing programs for drinking water projects to be funded in SFY 2022-23. The terms and requirements of these IUPs shall remain in effect until the State Water Board amends or updates them. In the absence of an adopted IUP for SFY 2023-24, funding will continue to be administered consistent with this SFY 2022-23 IUP until the SFY 2023-24 IUP is adopted.

³ Wat. Code, § 106.3.

A. Authority and Past Achievements

In 1996, the United States Congress and the President amended the SDWA to establish the DWSRF program nationally, based in part on the success of the CWSRF program. All 50 states and Puerto Rico are currently operating DWSRF programs. The total DWSRF program financing nationwide currently exceeds \$42.0 billion.

The federal DWSRF program provides each state the opportunity to establish a drinking water public health and infrastructure bank capitalized by federal and state funds. This capital along with its earnings is used to provide financial assistance to eligible applicants for a wide variety of drinking water planning and construction projects. The federal DWSRF program also authorizes states to provide TA to help PWSs solve their drinking water problems. States may offer a variety of financing options and customize terms to meet their drinking water public health needs. Financing options include loans, refinancing debt, purchasing or guaranteeing local debt, and purchasing bond insurance. Interest rates must be below the market rate. Repayment periods are generally the lesser of 30 years or the expected useful life of the financed asset and can be as long as 40 years for some communities. Federal statutes, regulations and appropriations, as well as California law, have also authorized “additional subsidy” in the form of grants, negative interest rates, and PF on a limited basis. Because PF has historically been the least difficult form of additional subsidy for California’s applicants to accept, state law has historically authorized PF in certain circumstances. Senate Bill 1188 (Regular Session, 2021-22), which was approved by the Governor on September 28, 2022, and becomes effective on January 1, 2023, expands the State Water Board’s authority to provide additional subsidy to match the authority provided under federal law. The State Water Board is currently authorized to manage the DWSRF program pursuant to Chapter 4.5 of Part 12 of Division 104 of the Health and Safety Code, and does so in accordance with an [Operating Agreement](#) with the United States Environmental Protection Agency (U.S. EPA), Region 9. The DFA, in cooperation with DDW, the Division of Administrative Services (DAS), and the Office of Chief Counsel (OCC), implements the DWSRF program in accordance with the [Policy for Implementing the Drinking Water State Revolving Fund](#) (DWSRF Policy) adopted by the State Water Board.

The Infrastructure Investment and Jobs Act, also referred to as the Bipartisan Infrastructure Law (BIL) appropriated \$30.7 billion over five years to DWSRF programs nationally. The BIL amended requirements of Safe Drinking Water Act (SDWA) applicable to all DWSRF programs and introduced additional requirements and provisions applicable to the BIL appropriations.

California’s DWSRF has grown since financing its first project in 2000. California has executed more than \$3.85 billion in financial assistance agreements and annual repayments to the DWSRF are approximately \$128.6 million.

California’s DWSRF program has funded a broad range of projects since its inception.

As of April 2022, approximately eighty-five percent (85%) of California’s funds have been for the benefit of large water systems, while approximately fifteen percent (15%) of DWSRF funds have been awarded to small water systems (SWSs). However, approximately sixty-nine percent (69%) of funded projects have been for the benefit of SWSs, while thirty-one percent (31%) of funded projects have been for the benefit of large water systems. California’s DWSRF has also provided approximately \$485.6 million of PF to disadvantaged communities since 2000.

B. Connections to Other Plans and Goals

In establishing the terms of this IUP, the State Water Board considered statewide policy set forth in section 106.3 of the Water Code. Specifically, subdivision (a) declares it is the established policy of the State that “every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.” Subdivision (b) requires the State Water Board to consider this state policy when “revising, adopting, or establishing policies, regulations, and grant criteria when those policies, regulations, and criteria are pertinent to the uses of water.” State Water Board [Resolution No. 2016-0010](#) adopted the human right to water as a core value and directed its implementation in Water Board programs and activities. This IUP, in addition to the SAFER Drinking Water program, directly supports this policy.

The SADW Fund complements the DWSRF program which addresses capital infrastructure. The SADW Fund may be used for various types of assistance for PWS, state small water systems, and domestic wells with demonstrated failure or risk of failure, including but not limited to projects that: (1) provide interim access to safe water sources; (2) contract or provide a grant to an administrator to address or prevent failure to provide safe and affordable drinking water; (3) improve water delivery infrastructure; (4) provide TA; (5) consolidate systems; and (6) fund operation and maintenance for disadvantaged and low-income communities.

U.S. EPA, in cooperation with the State, has designated the State Water Board as the “primacy agency” to implement and enforce the federal SDWA. As the state primacy agency, the State Water Board, through DDW, regulates more than 7,500 PWSs located throughout the State. To assist in this effort, through DDW, the State Water Board has also delegated its primacy authority to 27 local health departments, known as local primacy agencies (LPA), to regulate PWSs serving less than 200 service connections. The State Water Board also promotes safe and reliable drinking water through drought preparedness and water conservation measures; promoting water recycling projects; certifying drinking water treatment and distribution operators; supporting and promoting water system security; providing for small water system technical assistance (SWSTA) and mandating minimum standards for PWS technical, managerial, and financial (TMF) capacity.

The DWSRF program supports the [U.S. EPA Strategic Plan](#) Goal 1 (Core Mission), Objective 1.2: Provide for Clean and Safe Water – “Ensure waters are clean through

improved water infrastructure and, in partnership with states and tribes, sustainably manage programs to support drinking water, aquatic ecosystems, and recreational, economic, and subsistence activities.” Specifically, California established and is managing the DWSRF to provide affordable financing and other types of assistance to water systems to finance the cost of infrastructure projects to achieve or maintain compliance with SDWA requirements.

The DWSRF program supports the four goals of the [Water Resilience Portfolio](#) (July 2020): maintain and diversify water supplies; protect and enhance natural ecosystems; build connections and be prepared. The State Water Board is tasked as the responsible agency for 17 actions of which 8 actions require direct involvement from DFA.

Additionally, the DWSRF program supports the State Water Board [Resolution No. 2017-0012](#), which was adopted on March 7, 2017 to establish a comprehensive and robust response to climate change that will support California’s ongoing climate leadership. The State Water Board found that “given the magnitude of climate change impacts on California’s hydrology and water systems, our response to climate change must be comprehensive and integrated into all Water Boards’ actions.” Resolution No. 2017-0012 directed the State Water Board staff to take many actions that affect the DWSRF program and this IUP. Specifically:

- By July 1, 2017, include climate change mitigation and adaptation objectives in the IUP.
- By July 1, 2017, ensure that applications and environmental reviews for potential projects account for impacts related to climate change, including potential effects of climate change on the viability of funded projects.

Similarly, U.S. EPA confirmed in recent years that DWSRF funds may be awarded to projects that address “green” infrastructure, water and energy efficiency improvements, or other environmentally innovative activities. In response to Resolution No. 2017-0012, as well as the “green” objectives of U.S. EPA, the State Water Board will continue to prioritize DWSRF funding in SFY 2022-23 for the installation of new or replacement water meters as a means of promoting effective water conservation and management and energy efficiency and sustainable energy projects. Other Green Project Reserve (GPR) projects may include, but are not limited to, ones that reduce water losses and energy consumption, reduce the environmental footprint of water treatment and distribution, help utilities adapt to climate change, adopt more sustainable solutions, and promote innovative approaches to water conservation and source protection, as long as they meet all DWSRF criteria and requirements.

The DWSRF program and its project priority approach also support the Governor’s [Executive Order B-40-17](#) of April 7, 2017, which states, “The Water Board and [the Department of Water Resources] shall continue to direct actions to minimize water system leaks that waste large amounts of water. The State Water Board, after funding projects to address health and safety, shall use loans from the DWSRF to prioritize local projects that reduce leaks and other water system losses”.

The DWSRF program supports the State Water Board's combined [Clean Water and Drinking Water Capacity Development Strategy](#). With DWSRF set-aside funds as well as leveraging DWSRF planning and infrastructure financing, the DWSRF program and this IUP support the following strategic goals of the combined Clean Water and Drinking Water Capacity Development Strategy:

- Strategic Goal 1 - Use available resources to continuously improve the Capacity Development program
- Strategic Goal 2 - Identify systems with low TMF capacity
- Strategic Goal 3 - Assist water systems identified in Goal 2 to improve their TMF and if they are in violation, return to compliance
- Strategic Goal 4 – Ensure all new systems, systems changing ownership and systems using public funds to construct projects have TMF capacity to remain sustainable into the foreseeable future
- Strategic Goal 5 –Strengthen existing and foster new partnerships with federal, state, local governmental entities, environmental justice organizations, local non-profits and drinking water organizations
- Strategic Goal 6 – Provide a system of technical assistance and training for operators, managers and board members to ensure that drinking water provided by public drinking water systems is consistently safe

In 2017, the Drinking Water Capacity Development program, as required by the Safe Drinking Water Act, was moved from DFA to DDW, but both divisions play a role in supporting the Board's capacity development goals.

The State Water Board's Division of Water Quality and DDW are investigating, in coordination with the Regional Water Quality Control Boards (Regional Water Boards), the magnitude and distribution of PFAS. The DWSRF can provide funding to treat drinking water for the presence of PFAS and will provide funding to eligible entities with projects that are ready to proceed consistent with the "General Project Funding Approach" described in Section III.A below. See also more information about recent state funding for PFAS in Section III.C.4 and the DWSRF Emerging Contaminants Supplemental IUP in Appendix I.

C. Intended Use Plan (IUP) and Capitalization Grant Application

This IUP contains elements required under federal law. The State Water Board will submit this IUP as part of its application for the Federal Fiscal Year (FFY) 2022 Capitalization Grants from U.S. EPA for the DWSRF Base Program and DWSRF General Supplemental Funding. The State Water Board will submit this IUP and Supplemental IUPs for the DWSRF Emerging Contaminants Funding and DWSRF LSLR Funding for their respective FFY 2022 Capitalization Grants. The SFY 2022-23

IUP also serves as guidelines for the State Water Board’s administration of Proposition 1 (Prop 1) and Proposition 68 (Prop 68) Drinking Water funds and as the Implementation Plan for the 2021 Budget Act Infrastructure Appropriation - in general referred to as the “Small Community Grant Drinking Water (SCG DW) funds,”.

In summary, this IUP establishes the State Water Board’s business plan for the DWSRF and its associated state funding programs for SFY 2022-23 and discusses the State Water Board’s general approach and ability to successfully carry out that business plan with the available financial and programmatic resources. It also describes how the State Water Board will operate the DWSRF and its associated state funding programs in conjunction with other funding sources, outside the State Water Board, which may be used to jointly finance projects.

This IUP outlines the funding and resources available for SFY 2022-23, the prioritization approach used to rank projects for DWSRF and SCG DW funding and describes the State Water Board’s plans for using the FFY 2022 Capitalization Grants (Base Program, General Supplemental, Emerging Contaminants, and LSLR) and ASADRA Capitalization Grant from U.S. EPA, including a summary of applicable DWSRF federal requirements. The IUPs identify projects that the State Water Board anticipates financing in SFY 2022-23 (Appendix A – the Base Program and General Supplemental Fundable List, Appendix I – Emerging Contaminants Fundable List, Appendix J – Lead Service Line Replacement Fundable List, and Appendix H – the ASADRA Fundable List), and forecasts the potential effect they would have on DWSRF cash flows and availability of SCG DW funds over the next several years. This IUP also describes the financing terms for SFY 2022-23, including special financing terms for Small DACs and Small SDACs. The Supplemental IUPs describe the financing terms applicable to their respective projects. Finally, this IUP details key aspects of the DWSRF program including short and long-term goals, associated performance metrics, and the methods used to achieve the DWSRF program’s goals and metrics.

Federal and State laws allow a portion of federal capitalization funds to be used for specified set-aside activities in addition to providing financial assistance to PWSs for infrastructure improvements. In summary, the State Water Board intends to use seventy-four percent (74%) of the 2022 Base Program Capitalization Grant and seventy-four percent (74%) of the 2022 General Supplemental Capitalization Grant for financing the planning, design, and construction of drinking water infrastructure projects. The remaining twenty-six percent (26%) of the 2022 Base Program and twenty-six percent (26%) of the General Supplemental Capitalization Grant will be reserved for set-aside activities. The State Water Board intends to use twenty-six percent (26%) from the Emerging Contaminants (EC) and LSLR Supplemental Capitalization Grants for set-aside activities. Further detail about the planned use of the set-asides can be found in Section IV of this IUP.

The State Water Board may amend this IUP and the Supplemental IUPs only after the public and interested parties are given an opportunity to comment on the proposed amendments, except for non-substantive corrections, which may be made by the Deputy Director of DFA. Authority is delegated to the Deputy Director of DFA to add the following projects to the specified Fundable Lists as applications are received, and the lists will be posted for public review, as described in section III.D.

- Any project eligible for grant/PF under Appendices D and E for the Base Program or General Supplemental capitalization grant or a consolidation incentive project that has submitted a complete application (Base Program Fundable List);
- EC projects with complete applications (EC Fundable List);
- LSLR projects with complete applications (LSLR Fundable List)

Per section VI of the DWSRF Policy, the Deputy Director of DFA, or designee, may bypass a project on the Fundable List if it is determined that the project is not ready to proceed to financing and the Deputy Director, or designee, may add a project from the Comprehensive List to the Fundable List if (a) the project is expected to proceed to financing and (b) the aggregate funding amount is consistent with the funding capacities determined in this IUP.

The Executive Director, or designee, should update stakeholders during SFY 2022-23 on DFA's progress implementing this IUP and the Supplemental IUPs and the current capacity of the DWSRF and its complementary programs to provide financing to applicants.

The State Water Board will continue to implement the DWSRF consistent with applicable state and federal statutes, regulations, and policies. These include, but are not limited to:

- [The DWSRF Policy](#);
- [The Operating Agreement between the State Water Board and U.S. EPA](#);
- [The Clean Water and Drinking Water State Revolving Funds Debt Management Policy](#) (CWSRF/DWSRF Debt Management Policy) and agreements related to outstanding revenue bonds;
- [The Clean Water and Drinking Water Capacity Development Strategy](#) (Capacity Development Strategy);
- [U.S. EPA Interpretive Guidance regarding the DWSRF](#);

- U.S. EPA’s October 23, 2019, Memorandum “[Award of State Revolving Funds Appropriated by the ‘Additional Supplemental Appropriations for Disaster Relief Act, 2019’](#)”;
 - U.S. EPA’s February 23, 2021, Memorandum “[Reallotment of FY 2019 ASADRA SRF Funds](#)”;
 - [U.S. EPA guidance](#) regarding Implementation of the CW and DWSRF Provisions of the Bipartisan Infrastructure Law
 - DWSRF regulations, including the general grant regulations at 40 C.F.R. part 200
- Any additional federal requirements in the 2022 budget appropriation, the 2022 Capitalization Grant Agreement, and/or guidance from U.S. EPA. The State Water Board will operate its complementary financing programs in accordance with any requirements applicable thereto.

D. Supplementary Definitions

Unless otherwise defined below, the definitions in the DWSRF Policy shall apply to funding under this IUP. If a single facility with a large residential population that does not pay wastewater rates and is reasonably isolated and divisible from the larger community, such as a prison, contributes significantly to the population of the community, the Deputy Director has discretion to determine it is appropriate to exclude that facility’s population in determining population for the purposes of funding eligibility.

1. “Consolidation” means joining two or more Public Water Systems, State Small Water Systems, or affected residences into a single Public Water System. For the purposes of funding eligibility under this IUP, consolidations can also include projects that will achieve the following, where separate water system permits may still exist upon completion of the project: provision of water via an interconnection or a master meter agreement, or managerial consolidation.
2. For the purposes of DWSRF funding, “Disadvantaged Community” means the entire service area of a Community Water System, or a community therein, in which the Median Household Income (MHI) is less than 80 percent of the statewide annual MHI (Health & Saf. Code, §§ 116275, 116760.20). For the purposes of State Grant funding, “Disadvantaged Community” means a community with an annual MHI that is less than 80 percent of the statewide annual MHI (Wat. Code, §§ 79702, 79705.5.).
3. “Expanded Small Disadvantaged Community” or “Expanded Small DAC” means a Disadvantaged Community with a population more than 10,000 persons but no more than 20,000 persons, or more than 3,300 service connections but no more than 6,600 service connections.
4. For the purposes of DWSRF funding, except for LSLR funding, “Median Household Income” or “MHI” shall be defined as in the DWSRF Policy. The LSLR Supplemental IUP in Appendix J defines “Median Household Income” or “MHI” for the purposes of any projects administered through the LSLR Supplemental IUP.

For other funding sources, “Median Household Income” or “MHI” means the household income that represents the median value for the area benefiting from the project.

5. “Medium Disadvantaged Community” or “Medium DAC” means a Disadvantaged Community with a population more than 20,000 but no more than 100,000 people, or more than 6,600 service connections but no more than 30,000 connections.
6. “Multifamily Residential” means a classification of housing where multiple separate housing units for residential inhabitants are contained within one building, such as a duplex or apartment building.
7. “Native American Tribe” means a federally recognized Indian tribe, or a State Indian tribe listed on the Native American Heritage Commission’s California Tribal Consultation List.
8. “Non-transient Non-Community Water System” or “NTNC” means a Public Water System that is not a Community Water System and that regularly serves at least 25 of the same persons over six months per year.
9. “Receiving Water System” means the Public Water System that provides service to a Subsumed Water System through consolidation.
10. “Small Disadvantaged Community” or “Small DAC” means a Disadvantaged Community with a population no more than 10,000 persons, or no more than 3,300 service connections.
11. “Small Non-Disadvantaged Community” or “Small Non-DAC” means a community with a population no more than 10,000 persons, or no more than 3,300 service connections, and with an MHI greater than or equal to 80 percent of the statewide annual MHI.
12. “Small Severely Disadvantaged Community” or “Small SDAC” means a community with a population no more than 10,000 persons, or no more than 3,300 service connections, and whose MHI is less than 60 percent of the statewide average MHI.
13. “State Grant” means a grant administered under this IUP funded by state general obligation bonds or state general fund appropriations that is not used as state match for a DWSRF capitalization grant.
14. “State Small Water System” means a system for the provision of piped water to the public for human consumption that serves at least five, but not more than 14, service connections and does not regularly serve drinking water to more than an average of 25 individuals daily for more than 60 days out of the year.
15. “Subsumed Water System” means the Public Water System consolidated into or receiving service from the Receiving Water System.

II. DRINKING WATER FINANCING NEEDS

A. Drinking Water Needs Survey and Assessment

Based on the 2015 [Drinking Water Infrastructure Needs Survey and Assessment \(DWINSA\)](#), California needs approximately \$51.03 billion over the next 20 years to adequately fund drinking water infrastructure. Based on the survey, California's greatest need is for drinking water transmission and distribution repair/replacement (\$31.2 billion), followed by drinking water treatment (\$9.2 billion), and storage (\$7.0 billion) infrastructure. The DWINSA is to be conducted every four years and results are used to determine allotment of capitalization grants for state DWSRF programs. The 2021 DWINSA began in January 2021 and California substantially completed its assessment on 182 large and medium water systems selected by U.S. EPA in February 2022. U.S. EPA is expected to submit the 2021 DWINSA report to Congress in 2023.

In 2018, the Legislature appropriated \$3 million to the State Water Board to perform a statewide safe and affordable drinking water needs analysis (Needs Analysis). In July 2018, the State Water Board's DDW used this allocation to enter into a service contract with the University of California, Los Angeles and multiple subcontractors to do the following:

- (1) Identify PWSs in violation and at risk of failure, including the development of an interactive geographic information systems (GIS) map;
- (2) Identify state small water systems and domestic wells with known or high risk of unsafe water, including interactive GIS map; and
- (3) Develop a cost analysis for interim and long-term solutions.

The [2022 Drinking Water Needs Assessment](#) was released in May 2022 and will continue to be updated on an annual basis. Section XI.B. of the [SADW Policy](#) further defines the above three elements of the Needs Analysis with up to date information available online at:

https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/needs.html.

B. Comprehensive List of Financing Requests

As a result of California's statewide need, the State Water Board currently has approximately 337 funding requests totaling approximately \$2.910 billion for drinking water planning and construction funding on its Comprehensive List. The Comprehensive List (Appendix B) identifies PWSs seeking financial assistance for specific drinking water infrastructure projects. The funding applications and the due diligence reviews by DFA vary in completeness. A summary of the total funding requested is shown in Table 1.

The Comprehensive List includes all funding requests submitted to DFA as of February 2022 and is used to identify projects potentially eligible for the Base and General Supplemental Fundable List. Placement of a project on the Comprehensive List does not constitute a commitment to provide financing. The Deputy Director of DFA will periodically post an updated Comprehensive List on the DWSRF website that will include all projects eligible for grant/PF under Appendices D and E, and all consolidation incentive projects, for which applications were received by DFA after the development of this IUP.

Table 1: SFY 2022-23 DWSRF Comprehensive List Funding Request Summary by Priority Ranking

Priority Ranking	Description	No. of Applications	Estimated Requested Funding
A	Immediate Health Risk	26	\$52,949,550
B	Untreated At-Risk Sources	7	\$286,920,009
C	Compliance or Shortage	109	\$509,111,307
D	Inadequate Reliability	30	\$77,499,048
E	Secondary Risks	17	\$92,884,250
F	Other Projects	139	\$1,869,864,898
Total		328	\$2,889,229,062

Most of the applications are for Small DACs/SDACs, Expanded Small DACs/SDACs, Medium DACs/SDACs with Category A-C projects, Small Non-DACs with Category A-C projects, and consolidation projects. This subset of applications is summarized below.

Table 2: Small, Expanded Small, and Medium DACs/SDACs, Small Non-DACs, and Consolidation Project Applications

Priority Ranking	Description	No. of Applications	Estimated Requested Funding
A	Immediate Health Risk	26	\$52,949,550
B	Untreated At-Risk Sources	5	\$7,475,009
C	Compliance or Shortage	106	\$501,074,667
D	Inadequate Reliability	27	\$39,408,048
E	Secondary Risks	13	\$45,534,250
F	Other Projects	102	\$267,288,670
Total		279	\$913,730,194

Of the 279 applications, 77 are considered complete (54 construction and 23 planning applications) and are requesting approximately \$272 million in funding.

III. PROJECT FUNDING CAPACITY AND DISTRIBUTION OF FUNDS

A. General Project Funding Approach

As seen from the previous section, California's drinking water infrastructure needs exceed \$50 billion over the next 20 years. The DWSRF's capacity to fund this is likely less than \$10 billion over the same period given the existing capitalization and estimated future capitalization based on historic capitalization from the federal and state governments. This year's Comprehensive List includes applications totaling approximately \$2.9 billion. Approximately \$2.0 billion of this is requested repayable loan funding. With a repayable loan capacity of approximately \$300 million in loans per year, the Comprehensive List represents over six years' worth of loan funding. Most of California's drinking water loan financing will come from water systems themselves through financing sources other than the DWSRF.

A primary goal of DFA is to use the DWSRF program and its associated state funding sources to provide drinking water project financing that (1) addresses the most serious human health risks, (2) is necessary to comply with the SDWA, and (3) assists the PWSs most in need on a per household basis. To meet this goal, the State Water Board will use the DWSRF and its complementary and supplementary funds timely and expeditiously and manage the available funding responsibly.

The State Water Board's drinking water funding priorities will stress helping Small SDACs and Small DACs solve their drinking water problems. In particular, available SCG DW funds, DWSRF PF funds, and Drinking Water Small Community Emergency Grant (DWSCEG) funds will be prioritized to address the most serious health risks for these communities. The State Water Board also directs DFA to manage the DWSRF program so that sufficient funds are available under all circumstances to meet the repayable financing needs of Small SDACs and Small DACs for drinking water projects.

Applications for the DWSRF program and associated funding are accepted on a continuous basis. After DFA receives a complete application, a detailed technical, environmental, legal, and financial review is conducted to determine the applicant's eligibility for DWSRF and associated drinking water funding and to evaluate whether the project, once funded, is sustainable and will be operated and maintained for its useful life.

The DWSRF Policy sets forth the credit review process that DFA undertakes to assess the credit and financial capacity of applicants, in order to evaluate the ability of the applicants to operate and maintain the funded projects over the useful life, as well as to repay borrowed DWSRF monies. For non-repayable planning and certain consolidation project funding, DFA may undertake an alternative financial capacity review, consistent with the statutory and other legal requirements for the funding source to be used (see section V.A.3).

DFA may conduct an environmental review consistent with CEQA rather than review under the State Environmental Review Process (SERP) for projects funded by state general obligation bonds or state general fund appropriations that are not used as state match for the DWSRF capitalization grants (such funding will be referred to as “State Grants”). DWSRF projects identified for “Tier II” environmental review will have a limited environmental review as discussed in section VI.D.1 and Appendix F.

Eligible projects are funded as applications are completed and approved in accordance with the applicable federal and state rules and requirements, including the DWSRF Policy⁴. The online portal to submit an application for the DWSRF and its associated drinking water funding sources can be found at: <https://faast.waterboards.ca.gov/>.

DWSRF projects, including projects receiving (or contributing) state match funds, will be consistent with the [DWSRF Policy](#)⁵, the [SRF Debt Management Policy](#), the [Operating Agreement](#), U.S. EPA’s October 23, 2019, Memorandum “[Award of State Revolving Funds Appropriated by the ‘Additional Supplemental Appropriations for Disaster Relief Act, 2019,’](#)” U.S. EPA BIL guidance, federal capitalization grant conditions, and applicable federal and state statutes, regulations, and guidance. Any guidelines applicable to the complementary funding sources that may be used to fund a project jointly with DWSRF program funds may also apply.

In addition, repayable financing will generally be consistent with the requirements of the DWSRF program’s Master Trust Indenture and associated bond documents to ensure compliance with the U.S. Securities and Exchange Commission, Internal Revenue Service, and Municipal Securities Rulemaking Board (MSRB) rules and regulations and ensure that all DWSRF revenue bonds are secure and repaid in full and on time.

The funds available to fund drinking water projects generally consist of:

- State bond funds;
- Capitalization Grants from U.S. EPA, potentially including PF;
- Repayments of DWSRF principal and interest on past loans and investment earnings;
- Proceeds from revenue bond sales secured by past DWSRF loans and approved by the State Water Board;

⁴ For projects with a primary purpose of connecting state small water systems and domestic wells, it can be challenging to get binding commitments to participate from households in the absence of final funding information which informs final costs to the households. For such projects that are expected to be funded with the 2021 Budget Act Infrastructure Appropriation, the Deputy Director of DFA is authorized to provide a preliminary commitment of funds prior to application completion. Such commitments will include necessary conditions, including but not limited to, conditions regarding required household participation to receive the funds and deadlines to complete the application.

⁵ Please refer to Section V.F. of this IUP for an exception to the [DWSRF Policy](#) regarding reimbursement of eligible construction costs.

- SADW Fund (generally administered via the SADW Fund Expenditure Plan rather than the DWSRF IUPs); and

State general fund allocations, including the 2021 Budget Act Infrastructure appropriation, and PFAS appropriations from the 2021 Budget Act and 2022 Budget Act.

The Deputy Director of DFA is authorized to initiate the process to sell revenue bonds. The Deputy Director of DFA is also authorized to regulate project commitment levels, loan increases, or cash disbursement levels, suspend project approvals, or do some combination of these actions to ensure prior commitments are fulfilled. The Deputy Director is directed to evaluate the potential impacts of rising construction costs for existing projects and the impacts to the DWSRF's long term repayable loan capacity. The Deputy Director should prioritize use of the loan capacity for potential cost increases on previously funded repayable loans rather than funding new projects. A detailed financial analysis is described in Section III.C.

The State Water Board's disbursement priorities for the DWSRF program during SFY 2022-23 will be:

- Liquidating revenue bond proceeds, if available during the effective period of this IUP;
- Liquidating any available state match funds at a rate sufficient to access and liquidate federal capitalization funds timely and expeditiously;
- Liquidating capitalization grants once awarded; and
- Liquidating repayments and investment earnings.

Without restricting the approach described in these IUPs, the Executive Director (or designee), should update the State Water Board members and the public at State Water Board meetings or by other appropriate communications regarding the finances of the DWSRF and its complementary and supplementary financing sources. They should also recommend appropriate adjustments to these IUPs or other changes in policy or procedure necessary to achieve the maximum drinking water benefit in California.

General provisions applicable to financing projects in SFY 2022-23 may include, but are not limited to:

1. Best Use of Available Financing Sources and Terms

DFA will consider the requirements associated with all available sources of funds, and pair available funds with projects to achieve the maximum drinking water benefits. In order to provide the best funding package for an applicant, DFA will combine funding sources where appropriate. This includes the use of PF and grant funds, reduced interest rates, match financing, other state sources of funds appropriated to the State Water Board, and other state and federal funding sources managed by other agencies to the extent they are available and compatible with the State Water Board's funding to maximize the financing of drinking water projects.

2. Financing Terms in General

Unless otherwise noted, the terms established in the DWSRF Policy will be used for drinking water funding.⁶

The State Water Board will provide funding for the planning, design, and construction of eligible drinking water improvements to publicly and privately-owned CWS and non-profit, non-community water systems. Eligible planning, preliminary engineering studies, environmental review, project design, and construction costs are described in the [DWSRF Policy](#), Sections X.B. and XI.B. An eligible applicant may apply solely for planning funding with the option to later apply for construction funding. An eligible applicant may also apply for construction funding with the option to be reimbursed for eligible planning costs as part of the construction financing agreement.

The standard interest rate for repayable planning and construction financing is 50 percent (50%) of California's average general obligation bond rate obtained by the State Treasurer for the previous calendar year. The term for repayable planning projects is a maximum of five or ten years at the applicant's request. Repayable construction financing can be amortized for the lesser of 30 years or the useful life of the financed facilities for all communities; SDAC and DAC communities may finance drinking water construction facilities over the lesser of 40 years or the useful life of the financed facilities.

The State Water Board will prioritize funding to systems or households experiencing serious drinking water public health issues (Category A-C) and consolidation projects. Grant/PF criteria for eligible projects serving Small DACs/SDACs, Expanded Small DACs/SDACs, Medium DACs/SDACs, Small Non-DACs are described in Appendices D and E.

Consolidation projects are eligible for up to one hundred percent (100%) grant/PF funding, regardless of project category, as provided in Appendices D and E, if they meet funding source requirements. Each system owner's ability to pay will not be considered in determining funding for reasonable connection fees and constructed facilities that will be owned and operated by the Receiving Water System, except to the extent required by the funding source. For other work that is occurring on private property associated with a Subsumed Water System⁷, the Deputy Director may

⁶ The Deputy Director may determine not to apply certain DWSRF Policy requirements to projects that only receive State Grant funding. To the extent that the DWSRF Policy is inconsistent with any federal requirements, federal requirements will apply to DWSRF projects. See Section VI.D.

⁷ If recipients do not own or have authority over project components located on private property, such as private laterals, the Deputy Director has the discretion to determine

waive the ability to pay analysis, to the extent allowed by the funding source, when available information indicates either: the Subsumed Water System owner has no other commercial assets other than the property associated with the system; the Subsumed Water System is a CPUC-regulated entity and will be required to comply with CPUC rules governing the receipt and use of state grant funds, including rules that (i) limit enrichment of the owners by excluding PF and grant funded assets from the fair market value of the system in the case of a transfer, and (ii) ensure that grant funds benefit rate payers by excluding PF and grant funded assets from the rate base; or that necessary improvements to complete the consolidation are likely to result in negligible appreciation of the value of the Subsumed Water System owner's property. In most cases, for consolidations resulting in a single public water system, funding will be provided to the Receiving Water System. To the extent that the Receiving Water System requires infrastructure improvements (e.g., pipelines, storage tank, new well, treatment) for the consolidation, those improvements may be eligible for 100% grant/PF. The Deputy Director of DFA may reduce or limit reimbursement of connection fees if such infrastructure improvements, that provide capacity for the new service connections, are being funded with grant/PF.

For projects that consist of consolidation of homes not currently served by a PWS, work on private property associated with the residences, including items such as laterals, well destruction, or backflow prevention, can qualify for grant/PF, if allowed by the funding source, if the community being consolidated is a DAC. If available MHI data for the community does not appear representative for some or all of the households served by the consolidation project, household income verification may be required. Exceptions to grant eligibility may apply if the total cost per connection for specific households is significantly higher than others in the community being consolidated.

For non-consolidation projects, privately-owned for-profit water systems that serve Small, Expanded Small or Medium DACs/SDACs may be eligible for grant/PF based on the following criteria⁸:

whether recipients are required to ensure the operation and maintenance of such components, notwithstanding footnote 3 of the DWSRF Policy (Dec. 3, 2019).

⁸ Notwithstanding the criteria outlined in parts a and b, the Deputy Director may waive the ability to pay analysis, to the extent allowed by the funding source, if the funding recipient is a CPUC-regulated entity and will be required to comply with CPUC rules that limit enrichment of the owners and ensure grant funds benefit rate payers by excluding grant assets from fair market value of the system in the case of a transfer and ensuring grant funded assets are recorded as non-rate based. Funding agreements require that recipients can not abandon, substantially discontinue use of, lease, sell, transfer ownership of, or dispose of all or a significant part or portion of the funded project during the useful life of the project without prior written approval of DFA. Such approval may be conditioned as determined to be appropriate by DFA, including a condition requiring

- a. For Category A-C projects, work on private property may be eligible for up to one hundred percent (100%) grant/PF. For construction projects, the system owner's ability to pay is considered when determining the grant/PF amount to be provided. The Deputy Director may waive the ability to pay analysis, to the extent allowed by the funding source, when available information indicates the system owner has no other commercial assets other than the property associated with the system. Eligible planning projects may receive 100% grant/PF or be funded through TA, depending on the requirements of the funding source.
- b. For Category D-F projects, the system owner's ability to pay will be considered in determining whether to provide any financial assistance.

3. Financing Terms and Limitations for Specific Applicants

a. MHI Determinations for CWS, NTNC & Communities Not Currently Served by a PWS

In general, the MHI determination for a CWS will be based on the entire permitted service area of the CWS. The MHI is determined using the Census geography that best represents the community (i.e., city/Census Designated Place [CDP] or block group). DFA utilizes the American Community Survey (ACS) data set to determine the MHI of a community. ACS data is updated annually using a five-year rolling average. New ACS data is utilized by DFA as of April 1st of each year. If the MHI cannot be determined due to unavailable ACS data or the available data is not considered representative based on consultation with DDW or Regional Board staff, an income survey may be conducted. An impartial third party must conduct an income survey in accordance with the current Multiagency Income Survey Guidelines.

A NTNC owned by a K-12 public school district is deemed to serve a severely disadvantaged community because the primary users are minor students. Minors generally have incomes below 60 percent (60%) of the statewide MHI. All other eligible NTNCs and the MHI of the small community they serve will be evaluated on a case-by-case basis based upon the intended customer base.

For a consolidation including the extension of water service by a PWS to a small community not currently being served by a PWS, for purposes of providing reduced interest rates and PF, the MHI of the PWS extending service/the Receiving Water System or the community receiving service/Subsumed Water System may be considered, consistent with statutory requirements. DAC status for state small water systems or individual residences may be determined based on the best fit block group, an income survey, individual household certifications, or a combination thereof.

repayment of all disbursed project funds or all or any portion of all remaining funds together with accrued interest and any penalty assessments that may be due.

In making funding eligibility determinations for Category D-F projects, the State Water Board will consider whether the households benefiting from the project are primary residences. If a community includes secondary homes in an amount that is greater than 50 percent of the total number of dwellings, the community will not be eligible for grant/PF funding. A community with between 25 percent (25%) and 50 percent (50%) secondary homes will be evaluated on a case-by-case basis to determine eligibility for grant/PF or partial grant/PF funding. Typically, permanent residents are those residing in the community at least six months out of the year; however, seasonal, migrant laborers can also be counted as permanent residents. Secondary homes are homes that are classified as vacation or seasonal homes.

If a project will benefit a system that has industrial/commercial connections that account for greater than ten percent of the total water consumption, then grant/PF funding may be reduced for costs attributable to industrial/commercial use. In addition, project components that are solely for industrial/commercial use (e.g., water meters at a commercial facility) are not grant/PF eligible.

b. Subsidized Planning Financing

Eligible small CWSs (SCWSs) serving a Small DAC/SDAC, eligible NTNCs serving a Small DAC/SDAC, Small Non-DACs, and eligible PWSs consolidating with to Small DACs/SDACs may receive grant/PF in accordance with Appendix D. Repayable financing may also be made available if grant/PF funding is insufficient to fully fund a planning project.

c. Subsidized Construction Financing

The following PWSs may be eligible for reduced interest rates, PF, grant, or a combination of PF and grant for a construction project in accordance with the terms in Appendix E, to the extent consistent with state and federal law.⁹

1. A SCWS serving a Small DAC, Small SDAC, or Small Non-DAC.
2. A NTNC that serves a Small DAC or a Small SDAC, if the system serves solely the following:
 - a public K-12 school¹⁰; and/or
 - a not-for profit K-12 private school; and/or
 - a not-for-profit daycare facility, and/or

⁹ Eligibility for non-repayable financing varies depending on funding source. To the extent permitted by funding source, the categories below include systems owned by Native American Tribes.

¹⁰ Notwithstanding the definition of “not-for-profit” in the DWSRF Policy, NTNCs owned by public schools are deemed to be not-for-profit and may be eligible for PF if authorized under the funding source.

- a not-for profit labor camp; and/or
- a not-for-profit elder care facility; and/or
- a not-for-profit health care facility

Grant/PF funds will only be awarded to an eligible not-for-profit NTNC to the extent the NTNC cannot afford the full cost of repayable financing. With the exception of a PWS owned by a public school district, the current operating budget shall be evaluated when determining an eligible NTNC's ability to afford repayable financing. As stated in the DWSRF Policy, a PWS eligible NTNC owned by a public school district is deemed to have no ability to repay any financing, and is therefore eligible for 100% grant/PF, subject to all other eligibility rules and requirements. To determine the equivalent service connections for a school, the total number of staff and students is divided by 3.3. In the case of multifamily residential properties served by a single connection, the single connection can be treated as multiple service connections for the purposes of calculating grant eligibility, based on the number of households or housing units within the building or complex.

3. A PWS that is consolidating or extending service to a Small DAC, Small SDAC, or a Small Non-DAC not currently served by a PWS.
4. An Expanded SCWS that serves a DAC or SDAC.
5. A Medium CWS that serves a DAC or SDAC with a Category A-C project.

The Prop 1 and Prop 68 Drinking Water local cost share is reduced for a SCWS, Expanded SCWS, or Medium CWS that serves a DAC or SDAC and a NTNC that serves a Small DAC or Small SDAC and a PWS extending service to a Small DAC or Small SDAC in accordance with Appendices D and E.

In evaluating project eligibility, DFA will consider any drinking water-related settlement funds received by or due to the applicant, including those related to 1,2,3- Trichloropropane (1,2,3-TCP), when determining grant/PF eligibility. Pending or unrestricted funds must either be allocated to a capital improvement project related to the settlement or placed in a restricted account (e.g., escrow or other restricted account) reserved specifically for operation and maintenance of the portion of the system that removes or treats the contaminant. If neither of these options is available, a condition of State Water Board funding will be that settlement funds are held in a capital reserve and/or emergency reserve account to help bolster the financial capacity of the system.

4. Consolidation

It is the intent of the State Water Board to promote consolidation where appropriate and feasible, especially among SCWS serving DACs and SDACs. Many SCWSs struggle to meet minimum state and federal requirements to provide safe and reliable drinking water. Due to their smaller scale and limited resources, SCWSs face many TMF challenges and have difficulty maintaining long-term compliance. Infrastructure projects are increasingly costly, the technical complexity of compliance

grows, and economic constraints are especially onerous for these systems. Consolidation is a promising solution to many difficulties faced by SCWSs, particularly when confronted with compliance-related problems or depleted water sources. To support consolidation, DFA, in coordination with DDW, will continue to emphasize consolidation opportunities by providing project financing and TA.

DFA will continue to require that all funding applicants evaluate the feasibility of consolidation to be eligible for DWSRF construction funding. If planning funding is being provided to a SCWS, DFA may also require a consolidation assessment prior to reimbursement of other planning activities under the planning funding agreement. For SCWS applicants proximal to another community water system within 1.5 miles, the feasibility assessment or study shall include a consolidation assessment with an analysis of consolidation alternatives, including estimates of consolidation costs. For SCWS applicants proximal to another community water system at a distance greater than 1.5 miles, DFA may determine that a consolidation assessment is necessary. The consolidation assessment shall also include an assessment of the cost-effectiveness of consolidation over at least a period of 30-years.

If the applicant determines consolidation is infeasible, the applicant will be required to discuss the reasons supporting that determination. If consolidation is determined to be feasible and the most sustainable solution by DFA based on the consolidation assessment or other supplemental factors, DFA may provide grant/PF for the applicable consolidation project only, and not any alternative to consolidation. Loan funding may be available for alternative projects when consolidation is determined to be feasible but is not the preferred solution identified by the applicant. There may be unique cases where a non-consolidation improvement project is necessary as an interim step to support future consolidation opportunities, and grant/PF eligibility for such projects will be evaluated on a case-by-case basis.

Consolidation projects will be prioritized for DWSRF and associated drinking water funding. Consolidation projects are eligible for one hundred percent (100%) grant/PF funding, regardless of project category, but will be prioritized based on their public health ranking. Funding limits are described in Appendices D and E. As part of a consolidation project, reasonable and necessary connection fees or source capacity fees may be eligible for grant/PF. If a Receiving Water System does not have sufficient capacity to serve the additional customers of the Subsumed Water System, grant/PF funding may be available to increase a Receiving Water System's water supply capacity. The Deputy Director of DFA may approve grant funding for necessary improvements to recently consolidated systems for good cause.

To encourage the consolidation of PWSs, the State Water Board may continue to offer incentives to Receiving Water Systems in exchange for completing a consolidation (Consolidation Incentives). The project that solely benefits a Receiving Water System is the Incentive Project. Incentive Projects must be eligible; criteria depend on the funding source. The Consolidation Incentives DFA is authorized to offer a Receiving Water System for their Incentive Project include, but are not limited to:

- A PWS completes a physical consolidation of an existing PWS(s) or a community (at least 15 year-round residential service connections or a year-round population of at least 25 people) not currently served by a PWS.
 - Up to \$10 million in zero percent (0%) interest rate financing per consolidated community/water system from available sources for planning or construction of an Incentive Project; and
 - Grant/PF funding for an Incentive Project of up to \$3,000 per connection¹¹ when consolidating a community water system that does not qualify as a Small DAC, \$5,000 per connection when consolidating a community/water system that qualifies as a small DAC, or up to \$10,000 per connection when consolidating a community/water system that qualifies as a Small SDAC. Maximum of \$5 million grant/PF per consolidated community/water system.

- A PWS either managerially consolidates or provides water via an interconnection (where separate water system permits still exist), or a master meter agreement to one or more SCWS (where separate water system permits still exist).
 - Up to \$2 million in zero percent (0%) interest rate financing for planning or construction of an Incentive Project; and
 - Grant/PF funding of up to \$2,500 per connection when managerially consolidating or providing water via an interconnection/master meter to a Small DAC water system or up to \$5,000 per connection for a Small SDAC water system for an Incentive Project. Maximum of \$1 million grant/PF per water system.

- PWS acts as an administrator to one or more SCWSs.
 - Up to \$5 million in zero percent (0%) interest rate financing for planning or construction of an Incentive Project; or
 - Grant/PF funding of up to \$2,500 per connection when acting as an administrator for a Small DAC water system or up to \$5,000 per connection for a Small SDAC water system for an Incentive Project. Maximum of \$1 million grant/PF per water system.

The Consolidation Incentive may be applied to one or more eligible projects chosen by a Receiving Water System and approved by DFA. Incentive Project financing may be combined with other financing options, including SADW, to fully fund an Incentive Project. Consolidation Incentives may include, but are not limited to, infrastructure improvements to mitigate drinking water risks and support the human right to water, O&M support, refinancing existing loans, and/or loan forgiveness to the extent allowed by applicable statutes. The subsidized financing for the Incentive Project is in addition to any subsidized financing for the associated Consolidation Project.

¹¹ For all Consolidation Incentives, available Consolidation Incentive grant/PF funding is based on the number of residential connections in the Subsumed Water System.

Additional criteria and application requirements for the Consolidation Incentive include:

- The Receiving Water System must be a voluntary participant in the consolidation project. Consolidation Incentive will not be available to Receiving Water Systems completing a [mandatory consolidation](#), unless the Deputy Director of DFA approves a case-by-case exception for good cause.
- The Receiving Water System must not be an entity consolidating two or more systems it already owns. Such cases can qualify for project funding consistent with Appendices D and E, but the entity is not additionally eligible for consolidation incentive.
- The Receiving Water System should submit, at minimum, a [DWSRF General Application Package](#) or [Urgent Drinking Water Needs \(UDWN\) Application](#) for the Incentive Project(s) to DFA before completion of the associated Consolidation Project(s).
- The DWSRF or UDWN application must indicate that it is for an Incentive Project associated with a specific Consolidation Project or group of Consolidation Projects.
- The Receiving Water System must complete and submit a full DWSRF or UDWN application for the Incentive Project(s) within one year of completion of the associated Consolidation Project. The Deputy Director of DFA is authorized to allow additional time for good cause.
- In the case where the Consolidation Project has been designed to include the Incentive Project, then up to \$10 million in zero percent (0%) funding shall apply to the portion of costs that are part of the Incentive Project. The Consolidation Project may also receive up to \$5 million grant/PF funding towards the Incentive Project as described above. The remaining costs associated with the Consolidation Project shall be funded in accordance with the financing terms discussed in Section V of this IUP. For example, the Receiving Water System may choose to replace some of its distribution system pipeline at the same time as the Consolidation Project. If the distribution system replacement that solely benefits the Receiving Water System is estimated to cost \$15 million, then that portion of the project may receive up to \$5 million incentive grant/PF (depending on the community that is being consolidated) and up to \$10 million in zero percent (0%) financing per consolidated community/water system.

5. Small Water System Reserve

Federal rules require that at least 15 percent (15%) shall be available solely for providing loan assistance to public water systems that serve less than 10,000 people to the extent that funds can be obligated for eligible projects for these public water systems (Small Water System Reserve). Based on the DWSRF SFY 2022-23 long-term (repayable and non-repayable) loan capacity of approximately \$330 million, the minimum that must be reserved for small water systems (SWSs) is approximately \$49.5 million. Regardless of the minimum federal funding requirements for SWSs, the State Water Board will prioritize DWSRF funding for eligible SWSs that are ready to proceed to a funding agreement, to the maximum extent practicable, bearing in mind all other federal and State requirements regarding the prioritization of DWSRF

funding.

6. Green Project Reserve (GPR)

Like prior years' capitalization grants, the FFY 2022 Capitalization Grant may provide for an optional reserve of DWSRF funds for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities (Green Project Reserve). While DWSRF funding is to be prioritized first for "ready-to proceed" projects that address risks to human health and ensure compliance with safe drinking water standards, the State Water Board also acknowledges the importance of the Green Project Reserve, especially in cases of promoting water conservation through the installation of water meters. The SFY 2022-23 Fundable List includes one project with water meter installations for more than \$10 million that may be ready-to-proceed to funding in SFY 2022-23. Other Green Project Reserve (GPR) projects may include, but are not limited to, ones that reduce water losses and energy consumption, reduce the environmental footprint of water treatment and distribution, help utilities adapt to climate change, adopt more sustainable solutions, and promote innovative approaches to water conservation and source protection, as long as they meet all DWSRF criteria and requirements.

7. Match Financing Option

California is required to contribute to the DWSRF at least one dollar of matching funds for every five federal dollars contributed to the program. Section V.C. provides a more detailed discussion of California's matching contribution to the DWSRF. Offering match financing in accordance with Section VII of the [DWSRF Policy](#), where the applicant provides the funds to match the federal grants, is one way California meets the match requirement.

DFA may offer local match financing to eligible DWSRF program applicants in accordance with Section VII of the DWSRF Policy. DFA will generally use the state's contribution ratio, i.e., one matching dollar for every five federal dollars, for each participating project. If the current interest rate makes a local match loan at the state's contribution ratio uncompetitive, the Deputy Director of DFA may lower the contribution ratio on any given project so that the imputed interest rate is competitive with the standard DWSRF interest rate for construction financing.

8. Advance Payment

Proposition 1 and Proposition 68 authorize up to 25 percent (25%) of a grant to be awarded in advance of actual expenditures. (Wat. Code, § 79724, subd. (a)(1) and Pub. Resources Code, §§ 80030, 80140, subd. (a).) An advance payment program may be established and approved by the Deputy Director of the DFA and be posted to the DFA webpage at a later date.

B. Recent Financing Activity¹²

From July 1, 2021 to June 30, 2022, the State Water Board has provided the following financing from the DWSRF and complementary financing programs.

Table 3: SFY 2021-22 DWSRF Financing to June 30, 2022

	DWSRF Repayable Loan	DWSRF PF	SCG DW	SADWF	Totals
Number of Agreements¹³	12	19	20	13	57
\$ in millions	\$890	\$51	\$13	\$32	\$986

The cumulative SFY 2021-22 financing through the DWSRF and complementary financing programs was the highest amount committed over the past four years, as shown in Table 4.

Table 4: Recent DWSRF and Complementary Financing

SFY	Number of Agreements	\$ of Agreements (in millions)
2017-18	73	\$324
2018-19	22	\$245
2019-20	50	\$195
2020-21	42	\$326

C. Financial Outlook

1. DWSRF Cash Flows¹⁴ and Long-Term Repayable Loan Capacity

a. DWSRF Base Program and General Supplemental

Appendix C shows the forecasted cash flow (sources and uses) of the DWSRF Base Program as of July 2022. The DWSRF's Base Program estimated year-end cash balances through June 30, 2027, generally range from approximately \$314 million to \$825 million. The Base Program is the existing DWSRF program in operation since 1996. It provides funding in general to all eligible DWSRF projects. The DWSRF Base Program's funding capacity is based on estimated capitalization grants from

¹² Prop 1 funding activity can be found at:

http://www.waterboards.ca.gov/water_issues/programs/grants_loans/proposition1.shtml.

¹³ Seven projects received funding from more than one source. Therefore, the number of unique financing agreements was 57.

¹⁴ The overall cash flow includes the available PF funds.

future annual federal budget appropriations and the general supplemental (“any eligible project”) BIL appropriations. Although the BIL funds have been appropriated at the federal level, the allocations to individual states are still estimated over the five years because the allocations may be affected by the 2021 DWINSAs.

Except for capitalization grants, the future cash flow of the DWSRF program can be predicted with reasonable certainty. The estimated cash flow includes:

- The cash balance at the beginning of SFY 2022-23;
- U.S. EPA capitalization grants
- Principal and interest payments on outstanding receivables;
- Investment earnings;
- Disbursements to projects with executed financing agreements; and
- Debt service payments.

Based on the recent adoption of the federal budget for FFY 2022, the 2022 Base Program Capitalization Grant is \$61,819,000, of which \$45.7 million will be available for project funding and the remainder \$16 million reserved for set-asides.

The BIL appropriated \$11.7 billion over five years to DWSRF General Supplemental funding. California is eligible to apply for and receive \$158,733,000 in FFY 2022 as part of the DWSRF General Supplemental funding. The funds are available to any DWSRF eligible project and forty-nine percent (49%) will be committed as principal forgiveness to disadvantaged communities, in accordance with any requirements set forth in the DWSRF General Supplemental capitalization grant. The 2022 General Supplemental Capitalization Grant is estimated at \$158,733,000, of which \$117.5 million will be available for project funding and the remainder \$41.2 million reserved for set-asides.

The Deputy Director of DFA was authorized at the March 15, 2022, Board meeting to use up to \$85 million of 2021 Budget Act Infrastructure Appropriation grant funds for use as state match for DWSRF and CWSRF programs and determine the appropriate allocation of those funds. \$45 million of the 2021 Budget Act Infrastructure Appropriation is currently allocated to meet the DWSRF State Match needs through the FFY 2022 capitalization grants.

AB 180 (Chapter 44, Statutes of 2022) amended the Budget Act of 2021 and authorized an additional \$400 million for the state share of the CWSRF and DWSRF, consistent with existing law. The funds may be expended for project costs incurred by funding recipients in fiscal years prior to enactment of the Budget Act. The funding provided is available for expenditure until June 30, 2027. The Deputy Director of DFA is also authorized to determine the appropriate allocation of the additional funds appropriated by AB 180 between the CWSRF and DWSRF, currently estimated at \$300 million State Match for the DWSRF and \$100 million for the CWSRF.

The DWSRF's Municipal Advisor, in cooperation with DFA staff, has analyzed the DWSRF's lending capacity as part of developing this IUP. Given current capitalization and debt levels, and assuming conservative future capitalization, loan terms and earnings levels, and bond and coverage terms, the DWSRF can operate at an estimated sustainable repayable loan level of approximately \$300 million per year. The capacity is the amount of new lending that could be done per year with the existing loan pool and new loans pledged to potential bonds. The annual repayable loan capacity is a level amount that could be originated each year for the next 20 years. The DWSRF, therefore, for SFY 2022-23 will target approximately \$300 million in new repayable loan financing.

b. DWSRF Emerging Contaminants

California is eligible to apply for and receive \$66,649,000 as part of the DWSRF Emerging Contaminants Funding, appropriated by the BIL; future years' allotments may be different based on the results of the 2021 DWINSA. The funds are available to DWSRF eligible projects which address emerging contaminants, with a focus on PFAS. One hundred percent (100%) of the funds other than set-asides will be committed as principal forgiveness, with at least twenty-five percent (25%) directed towards disadvantaged communities or PWS serving fewer than 25,000 persons.

Additional information regarding the availability of and requirements associated with DWSRF Emerging Contaminants funding can be found in the DWSRF Emerging Contaminants Supplemental Intended Use Plan in Appendix I, along with the Emerging Contaminant Fundable List. Appendices D,E, and F do not apply to the Emerging Contaminants funding.

c. DWSRF Lead Service Line Replacement

California is eligible to apply for and receive \$250,107,000 as part of the DWSRF LSRL Funding, appropriated by the BIL; future years' allotments may be different based on the results of the 2021 DWINSA. The funds are available to DWSRF eligible projects which identify and replace lead pipes and fixtures. 49% will be committed as principal forgiveness for disadvantaged communities.

Additional information regarding the availability of and requirements associated with DWSRF LSLR funding can be found in the DWSRF Lead Service Line Replacement Supplemental Intended Use Plan in Appendix J, along with the Lead Service Line Replacement Fundable List. Appendices D, E, and F do not apply to the LSLR funding.

2. DWSRF Additional Subsidy (PF)

The SDWA allows states to award up to 35 percent (35%) of the federal capitalization grants (and not less than twelve percent (12%), assuming there are sufficient applications) as "additional subsidy" to PWSs serving disadvantaged communities in the form of PF, negative interest rates, or grants. As with the

FFY 2021 DWSRF Capitalization Grant, the FFY 2022 Capitalization Grant is expected to require states to provide an additional 14 percent (14%) of the capitalization grant as Additional Subsidy to eligible projects/recipients.

Given the foregoing, and subject to the final FFY 2022 Capitalization Grant terms and conditions, the State Water Board will provide the maximum Additional Subsidy allowed by the FFY 2022 Base Program Capitalization Grant and the mandated 49% Additional Subsidy from the FFY 2022 General Supplemental Capitalization Grant. The Additional Subsidy will be provided as PF to eligible systems specified in Exhibits D and E to the extent authorized by applicable law. Based on the FFY 2022 capitalization grant, the Additional Subsidy for the Base Program will be approximately \$30 million. The BIL mandates that forty-nine percent (49%) of General Supplemental Funding be provided as PF to disadvantaged communities, which equates to approximately \$77 million. Any prior year Additional Subsidy will also be committed to fund eligible projects.

The total PF available for projects in SFY 2022-23 is estimated at \$180.6 million.

It is the intent of the State Water Board to provide for the effective and equitable use of the limited amount of grant/PF funds. Therefore, the Additional Subsidy shall be prioritized in accordance with the DWSRF Policy and this IUP and be awarded in accordance with the affordability criteria detailed in Section III.A.3. The eligible grant/PF funding amount for any project may also be reduced by the Deputy Director of DFA for good cause.

DFA will administer available Base Program and General Supplemental PF consistent with the conditions and limitations in Appendices D and E. EC and LSLR PF is discussed in their respective Supplemental IUPs.

3. Small Community Grant Drinking Water (SCG DW)

The Office of Sustainable Water Solutions provides low interest loans and PF through the DWSRF program and grants through the Small Community Grant Drinking Water (SCG DW) program including the 2021 Budget Act Infrastructure Appropriation, and the Safe and Affordable Drinking Water Fund, utilizing state and federal funds. The Office administers the funds consistent with this IUP and the DWSRF Policy to the extent allowed by federal regulations and state law and consistent with the conditions and limitations in Appendices D and E.

a. Prop 1 grant

[Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014 \(Assembly Bill 1471, Rendon\)](#) authorized \$7.545 billion in general obligation bonds for water projects including surface and groundwater storage, ecosystem and watershed protection and restoration, and drinking water protection. Section 79724 of Prop 1 allocated \$260 million for drinking water grants and loans for PWS infrastructure improvements and related actions to meet safe drinking water standards, to ensure affordable drinking water, or both.

b. Prop 68 grant

[Proposition 68, the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 \(Senate Bill 5, De León\)](#) authorizes \$4 billion in general obligation bonds for water projects including surface and groundwater storage, ecosystem and watershed protection and restoration, and drinking water protection. Section 80140 of Prop 68 allocates \$220 million for drinking water and clean water grants and loans for PWS infrastructure improvements and related actions to improve water quality or help provide clean, safe, and reliable drinking water.

The SCG DW funds from Prop 1 and Prop 68, as well as any funds remaining from Props 13, 50, 84 and future state funds, will be administered consistent with this IUP and the DWSRF Policy to the extent allowed by federal regulations and state law. The joint administration of the DWSRF and SCG DW funds allows the State Water Board to leverage the low-interest and PF financing available through the DWSRF program with additional subsidies provided through state bond funds.

To the maximum extent practicable, the State Water Board will direct available SCG DW funds for grants to SWSs serving DACs and SDACs. To further assist DACs and SDACs in addressing drinking water emergencies, the State Water Board may also provide SCG DW grants to state agencies that act on behalf of disadvantaged communities where a PWS has been identified as an otherwise eligible applicant.

As of SFY 2017-18 all Prop 1 drinking water funds were substantially committed to eligible projects. If existing encumbrances of Prop 1 funds are de-obligated because projects are completed under budget, then these funds will be made available to eligible projects consistent with State budget authority. See Table 5 below for Prop 1 and Prop 68 fund appropriations and uncommitted balances.

**Table 5: Status of SCG DW Bond Funds
As of April 6, 2022**

Source	Enactment Year	Appropriation* (in Millions)	Uncommitted (in Millions)	Encumbrance End Date	Liquidation End Date
Prop 1 DW	2014-15	\$67.5	\$3.0	6/30/2024	6/30/2026
Prop 1 DW	2015-16	\$174.3	\$11.0	6/30/2024	6/30/2026
Prop 68 DW	2018-19	\$62.2	\$0	6/30/2024	6/30/2026
Prop 68 DW	2019-20	\$169	\$118.6	6/30/2022	6/30/2024

*Includes projects serving as state match for the DWSRF and administration of Prop 1 funds.

c. 2021 Budget Act Infrastructure Appropriation

The Budget Act of 2021 (Senate Bill 129 and Senate Bill 170) appropriated \$1.55 billion to the State Water Board in item 3940-106-0001. The budget bill specified that \$650 million is for drinking water projects, with priority given to disadvantaged communities. Up to five percent of the funds may be used for State Water Board administrative costs (leaving \$617.5 million for drinking water grants). Up to ten percent may be utilized for TA and capacity building in DACs. Certain SRF requirements may not apply to projects receiving 2021 Budget Act Infrastructure Appropriation funding, as described in section VI. Applicable requirements depend in part on whether the projects are designated as state match for DWSRF funding.

The Deputy Director of DFA has authority to direct 2021 Budget Act Infrastructure Appropriation grant funds, not to exceed the ten percent (10%) maximum specified for the appropriation, to qualified TA providers to support DACs, and in doing so has the discretion to apply relevant programmatic requirements from the SADW FEP, such as those regarding eligibility of indirect costs.

The 2021 Budget Act Infrastructure Appropriation grant funds may also be directed to eligible uses outlined in the SADW FEP to the extent authorized in the SADW FEP.

d. Drinking Water Small Community Emergency Grant (DWSCEG)

The State Water Board may apply a DWSCEG charge as a charge-in-lieu of interest¹⁵ to any eligible DWSRF repayable financing in an amount not to exceed the standard interest rate of the financing. Once the charge is applied to an agreement, the rate shall remain unchanged for the duration of the agreement, unless the Deputy Director of DFA determines any of the following:

- The DWSCEG charge is no longer consistent with federal requirements regarding the DWSRF; or
- The DWSCEG charge is no longer necessary; or
- The DWSCEG charge is negatively affecting DFA's ability to fund projects that support the State Water Board's goals.

The revenue generated by this charge shall be deposited into the DWSCEG Fund and used for Small SDAC and Small DAC drinking water projects after

¹⁵ Like the administrative service charge (see Section IV.G.3.), the DWSCEG charge is also a fee "other than program income not included as principal in DWSRF financing" for federal purposes. The DWSCEG charge is collected, as is the administrative service charge, in-lieu of an equal amount of interest that would otherwise be due on the outstanding balance of the financing agreement so that the annual payment stays the same.

SCG DW and DWSRF PF funds are fully encumbered.

DFA did not have any DWSCEG available during SFY 2021-22 and is not currently collecting a DWSCEG charge on any active projects.

The State Water Board may apply the DWSCEG charge to eligible loans in SFY 2022-23 subject to the availability of eligible loans and any projected demand for grant funding that exceeds all other available funding sources. If applied to an eligible loan then the DWSCEG charge will be set so that it does not jeopardize the long-term growth of the DWSRF, the State Water Board's ability to leverage the DWSRF, or the State Water Board's ability to collect sufficient revenue to administer the DWSRF.

- 4. PFAS** – The Budget Acts of 2021 and 2022 included \$80 million in General Fund local assistance for technical and financial assistance to drinking water systems to address PFAS¹⁶. The Deputy Director of DFA is authorized to administer these funds consistent with the process outlined herein and in the DWSRF EC Supplemental IUP.

It is envisioned that projects funded by the state funding for PFAS will complement federal funding appropriated by the BIL for emerging contaminants (including PFAS) (see Section IV.C.3 above and Appendix I). State budget act PFAS project and technical assistance funding for water systems that are serving Small DACs may be administered consistent with the SADW Fund's FEP, depending on authorization therein. Eligible PFAS drinking water implementation projects for water systems that are serving Expanded Small, Medium or Large DACs, or non-DACs, as well as for Small DACs that are not funded through the FEP, and all DWSRF EC funding, will be administered according to Appendix I. More information will be available on the [PFAS Funding Program webpage](#).

5. Groundwater Grant Program (GWGP)

Chapter 10 of Prop 1 provided \$670 million to the State Water Board for grants for projects to prevent or clean up the contamination of groundwater that serves or has served as a source of drinking water. In accordance with the GWGP Guidelines, some of the GWGP funds may be available for drinking water treatment projects that treat groundwater for direct potable use benefiting PWS serving DACs and SDACs. Projects generally address regional contamination, ongoing discharge, or naturally elevated levels of the contaminant. GWGP funds will be administered consistent with Appendices D and E, except that: (1) GWGP funds may be available for projects benefiting SDACs regardless of water rates, and for DACs with water rates greater than or equal to one and five tenths percent (1.5%) of MHI, regardless of the community size, and (2) GWGP grant limits will be as provided in Appendices D and E, but are in addition to the maximum grant or principal forgiveness awarded through

¹⁶ Budget language includes another \$100-120 million allocated for SFY 2023-24.

the DWSRF/SCG DW. No local match is required. \$30 million in GWGP funds remain available specifically for eligible SDAC projects, although some of these funds may be allocated to wastewater projects administered through the CWSRF program. DFA staff will coordinate with applicants to determine if projects meet the applicable requirements for GWGP funds. Applicants are advised to review the [Groundwater Grant Program Guidelines](#), which were updated in February 2021, for more information.

6. Additional Supplemental Appropriations for Disaster Relief Act of 2019 (ASADRA)

California has received \$46,339,000 in supplemental DWSRF funds from ASADRA and is applying for an additional reallocation of approximately \$5.6 million. The funds are available to help any DWSRF-eligible entity that was damaged, demonstrates an impact, or had a loss or disruption of a mission-essential function, including loss of function where there was potential impact to public health, from specifically identified calendar year 2018 disasters.

The ASADRA Fundable List has an estimated total of \$53,191,359 in requested financing for ASADRA loan and principal forgiveness. The Deputy Director of DFA is authorized to offer DWSRF Base Program loan at 0% interest in if needed to fully fund projects on the ASADRA Fundable List.

ASADRA application demand, availability, and Fundable List are described in Appendix H.

7. Other Programs

Other sources of funds may become available to the State Water Board that are similar in nature to the DWSRF and its complementary and supplementary funding sources. If additional state or federal funding becomes available, the State Water Board will commit the funds consistent with any guidelines or requirements associated with their authorization and such funds may be committed consistent with this IUP if appropriate. Alternatively, additional funding sources may require an amendment to this IUP or additional guidance from the State Water Board.

D. Development and Implementation of the Fundable List

This IUP establishes a Fundable List (Appendix A) of projects. The Fundable and Comprehensive Lists in Appendix A and B primarily serve the DWSRF Base Program and DWSRF General Supplemental funding.

The Fundable List was developed from applications in process¹⁷ as of April 2022 and includes those projects DFA believes will achieve the most favorable drinking water results in California with the financial and programmatic resources available to the DWSRF and its complementary financing programs. To the maximum extent practicable, priority for funding and placement on the Fundable List is given to projects which: 1) address the most serious risk to human health, 2) are necessary to ensure compliance with the requirements of the SDWA, and 3) assist systems most in need on a per household basis.

All grant/PF eligible projects under Appendices D and E, and all consolidation incentive projects, are added to the Fundable List after the Deputy Director, or designee, deems the application complete. The State Water Board acknowledges that the grant/PF applications currently exceed the estimated balance of grant/PF funds; therefore, staff resources and grant/PF funding will be prioritized for eligible Category A-C projects or consolidation projects, especially for Small DACs or SDACs, and based on the completeness of their application and their readiness to proceed to a funding agreement..

If one of these projects is not on the Comprehensive List at the time this IUP is approved by the State Water Board, it will be added automatically to the Comprehensive List when the applicant starts an application. DFA will periodically post an updated Comprehensive List for public review on the DWSRF website which identifies all projects on the Fundable List, including all grant/PF eligible projects under Appendices D and E, and all consolidation incentive projects, for which applications were received by DFA after the development of this IUP.

All other projects were ranked and placed on the Fundable List in accordance with Section VI.C. of the DWSRF Policy. Projects identified on the Fundable List may receive financing, and other projects not included on the Fundable List may be added to the List consistent with the Bypass Procedure in Section VI of the DWSRF Policy.

¹⁷ "In process" means that some portion of the [DWSRF application](#) was submitted to the State Water Board.

The DWSRF Loan Fundable List includes both planning and construction projects. There are 15 projects from non-disadvantaged PWSs or medium and large PWSs on the Fundable List for a total request of approximately of \$308.5 million in repayable financing (Appendix A). This is consistent with the DWSRF’s repayable loan funding capacity. No guarantee can be given that all projects on the Fundable List will receive an executed agreement or that the agreement will be executed by June 30, 2023, and loan projects on the Fundable List may be bypassed if they are not ready to proceed to an agreement or ready for construction. Table 6 shows a summary of funding requested by system size and type of project.

The Deputy Director is directed to evaluate the potential impacts of rising construction costs and the DWSRF’s ability to finance requests for higher loan amounts for existing loan projects before approving loan increases, approving new loans on the Fundable List, or bypassing projects to add new loan projects to the Fundable List. The Deputy Director should prioritize use of the repayable loan capacity for potential cost increases on previously funded loans rather than adding new loan projects.

DFA’s goal is to execute by June 30, 2023, repayable loan financing agreements for all eligible projects on the Fundable List for which sufficient funds are available.

Table 6: DWSRF Repayable Loan Fundable List Summary by System Size and Project Financing Type

Summary	Number of Projects	Estimated DWSRF Loan Amount
Small Water System Planning	1	\$350,000
Medium/Large Water System Planning	0	\$0
Small Water System Construction	1	\$2,000,000
Medium/Large Water System Construction	13	\$306,175,565
TOTAL	15	\$308,525,565

Appended to this IUP is a supplementary Emerging Contaminants IUP (Appendix I) that establishes a Fundable List of projects. The Emerging Contaminants Fundable List was developed from applications submitted by eligible water systems for projects whose primary purpose is to address emerging contaminants. The Emerging Contaminants Supplemental IUP describes DFA’s approach for soliciting projects and committing the BIL Emerging Contaminants funds and state PFAS funds.

Appended to this IUP is a supplementary Lead Service Line Replacement IUP (Appendix J) that establishes a Fundable List of projects. The LSLR Fundable List was developed from known water systems with potential lead service lines. The LSRL Supplemental IUP describes DFA's approach for soliciting projects and committing the BIL Lead Service Line Replacement funds.

Appended to this IUP is a supplementary ASADRA IUP (Appendix H) that establishes for SFY 2021- 22 a Fundable List of projects. The ASADRA Fundable List was developed from applications submitted by eligible water systems that were adversely affected by wildfires and earthquakes in calendar year 2018. The Revised Supplemental IUP describes the opportunities to use ASADRA funds and the additional requirements associated with the funds. DFA's objective is to commit all ASADRA funds by June 30, 2023.

E. Financing Forecast

Past experience indicates that many of the SWS applicants will require technical assistance and that not all of the SWS planning and construction projects will be ready for a funding agreement in SFY 2022-23. The State Water Board will execute financing agreements with as many SWS as possible and continue to assist the remaining communities toward a financing agreement, so they are ready to sign an agreement quickly when funds do become available.

Although the SFY 2021-22 Fundable List included projects that cumulatively exceeded the repayable long-term loan capacity, the State Water Board approved the large list of loans on the Fundable List and authorized the Deputy Director of DFA, or designee, to add projects to the Fundable List in accordance with the bypass procedure in the DWSRF Policy because experience indicated that not all projects on the Fundable List would receive an executed funding agreement. DWSRF loan financing in SFY 2021-22 was \$849 million, well above the \$197 million 5-year average financing over the five years 2016-17 to 2020-21. With the additional loan funding originated in 2021-22, the 5-year average increased significantly to \$336 million. If the additional \$308 million in loans identified on the Fundable List are executed this year, the 5-year average will increase slightly to \$346 million. Due to the high level of funding commitments made in SFY 2021-22, this year's Fundable List was developed to be consistent with the repayable long-term loan capacity. As noted earlier, DFA's experience is that not all projects on the Fundable List will receive an executed agreement, and it is likely that loan funding during 2022-23 will be less than \$308 million. Therefore, the total amount of loan funding on this year's Fundable List appears consistent with the DWSRF's long-term loan capacity.

F. Future Financing Trends

Given the significant influx of state and federal infrastructure funding, the State Water Board can fund additional projects with the DWSRF program and its complementary and supplementary funding sources. The ability of the DWSRF program to leverage current assets remains underutilized and DFA continues to emphasize projects that are “ready-to-proceed to a financing agreement.”

If DFA is successful at making a substantial portion of the commitments on the recommended SFY 2022-23 Fundable List, additional capital through the sale of DWSRF debt may be required. DFA will continue to evaluate the need for additional debt relative to average long-term funding levels and the State Water Board’s direction in the *SRF Debt Management Policy*.

Although significantly higher levels of grants/PF will be available in SFY 2022-23, it will still be necessary this year to prioritize the requests for this funding. PF is expected to continue to be available from the capitalization grants. Therefore, DFA and DDW will continue to prioritize projects receiving those funds based on projects addressing the most pressing public health risks and readiness to proceed to a financing agreement.

G. DWSRF Resources and Workload

1. Organization, Program Resources, and Skills

Approximately 55.5 Personnel Years (PY) are budgeted for the DWSRF Program¹⁸ in SFY 2022-23 and the number of positions is not expected to change substantially. These positions are distributed between DFA, the Office of Chief Counsel (OCC) and the Office of Communications as follows:

- 3.2 PYs for Environmental Scientists to ensure compliance with state and federal environmental and cultural resources requirements (DFA);
- 26.1 PYs for Water Resources Control Engineers and Sanitary Engineers to manage project applications (DFA), and provide technical assistance, with approximately 18.1 PYs dedicated primarily to processing applications from SDACs and DACs and providing associated technical assistance¹⁹;
- 11.0 PYs for administrative support (DFA);

¹⁸ In addition to positions funded directly by the DWSRF, the State Water Board has other state-funded positions associated with its complementary funding programs as noted earlier. Many projects may be financed by a combination of DWSRF and state funds. Staff is trained to help applicants receive financing for their projects regardless of the funding sources; therefore, state-funded positions indirectly provide benefit to the DWSRF program and vice versa.

¹⁹ These DWSRF staff members are part of the Office of Sustainable Water Solutions within DFA, which includes three supervising engineers, ten senior engineers, and 50 technical staff dedicated to addressing both drinking water and wastewater funding and technical assistance needs of Small SDACs and small DACs.

- 9.9 PYs for Program management and staff oversight (DFA);
- 0.7 PYs for development and implementation of public-facing communication strategies;
- 3.7 PYs for legal support (OCC); and
- 0.9 PYs for other environmental and engineering support of project eligibility reviews

Additional indirect cost support is provided by accounting, information technology, personnel, budget, and contract support staff in the Division of Administrative Services.

The DWSRF program relies on some contracted services that (i) cannot be provided economically by Water Boards staff, (ii) require skills not available in the State Water Boards, or (iii) require independence from the DWSRF program. Approximately \$400,000 is budgeted for the following contract services:

- Independent accounting firm for annual audits;
- Vendor to provide maintenance for the Loans and Grants Tracking System (LGTS); and
- Sonoma State University (California Historical Resources Information System (CHRIS) Contract)

2. Servicing and Program Administration

Servicing existing agreements and fulfilling ongoing program requirements represents a significant workload for the DWSRF staff. There are approximately 191 DWSRF program agreements in repayment. Payments on these agreements are generally collected two times per year, and DFA conducts regular surveillance on many of these recipients. At present, the DWSRF is servicing approximately 137 agreements in disbursement. On average, staff typically process 300 to 400 DWSRF disbursement requests per year. Staff also oversee and perform periodic construction inspections of financed projects to ensure that work is performed consistent with previous approvals, and to ensure that work is being performed in conformance with program requirements, including but not limited to, Davis-Bacon wage rates, American Iron and Steel procurement requirements, Disadvantaged Business Enterprise solicitation rules, and environmental special conditions.

The DWSRF program sold revenue bonds in SFY 2018-19 and may sell additional bonds in the future. The outstanding revenue bonds require separate accounting of payments from pledged obligations, semi-annual bond payments, and specific monitoring, reporting, and continuing disclosure actions. The DWSRF program prepares annual financial statements that are audited independently. The DWSRF program is subject to yearly review by U.S. EPA and is periodically subject to audit or oversight by other federal or state agencies.

3. Administrative Funding

Administrative funding for the DWSRF program currently comes from the capitalization grants awarded yearly by U.S. EPA via the DWSRF Administration Set-Aside. See Section IV.A. below for budgeted use of the 2022 DWSRF Administration Set-Aside. The DWSRF Administration Set-Aside is limited to the greatest of: \$400,000, one-fifth percent of the current valuation of the fund, or an amount equal to four percent (4.0 %) of all grant awards to the fund for the fiscal year. Since the inception of the DWSRF program, the DWSRF Administration Set-Aside from U.S. EPA capitalization grants have provided a reliable source of funding for the administration of the DWSRF program.

Similarly, Section 116761.70 of the Health and Safety Code allows the State Water Board to apply an annual service charge²⁰ on a financing agreement. Revenue generated by this service charge is deposited into the DWSRF Administrative Fund and may be used for administration. Under state law, the service charge rate cannot exceed one percent (1.0 %) of the outstanding balance of a financing agreement. Once the service charge is applied to an agreement, the rate remains unchanged for the duration of the agreement.

Since the service charge is a percentage of the outstanding principal on each agreement, it produces a declining amount of revenue each year. Each year, the State Water Board must evaluate the need for the service charge revenue and establish an appropriate rate. The service charge will then be applied to additional agreements to maintain the Administrative Fund revenue consistent with the budget established by the Governor and the Legislature for the DWSRF program. The State Water Board will continue an Administrative Service charge rate of one percent (1.0 %); this shall be the effective rate until the State Water Board establishes a different rate. The State Water Board also anticipates applying this charge to agreements in SFY 2022-23 to eventually provide further administrative funding for the DWSRF program and thereby make DWSRF Set-Aside funds available for other eligible purposes. The Administrative Service charge may also eventually offset declining administration funds from Prop 1 and Prop 68 and the need to continue supporting the administration of projects jointly funded by those propositions and the DWSRF. However, the actual expenditure of funds from the DWSRF Administrative Fund is still dependent upon appropriation from future State budgets.

²⁰ For federal purposes, the DWSRF Administrative Fund service charge is a fee “other than program income not included as principal in DWSRF financing.” The service charge is collected in lieu of an equal amount of interest that would otherwise be due on the outstanding balance of the financing agreement. The service charge is offset by the reduction in the interest rate so that financing recipients’ payments remain the same whether or not they pay the service charge.

H. Risks

The following are financial or programmatic risks to the DWSRF Program. DFA management will focus on identifying potential problems and acting early to maintain the integrity and success of the DWSRF Program.

1. Application Demand vs. Resources

Demand for financing may exceed the administrative resources needed to review, approve, and finance all complete applications. In addition, the supplemental grants approved in the BIL create specific objectives for those funds that will likely require additional time to ensure compliance with these new requirements. Staff resources are the most inflexible aspect of the DWSRF program. Additional staff cannot be quickly added to address high demand because they must be approved through the State's budget process. In addition, hiring may be frozen or work hours reduced due to State budget concerns. If new positions are approved, staff hiring and training is necessary before the new staff can be effective.

DFA will prioritize applications consistent with this IUP and the DWSRF Policy. DFA may also adjust its review procedures and work with U.S. EPA or other agencies to resolve delays, schedule financing with applicants, or seek additional resources. DFA can also work with stakeholders to evaluate changes to the DWSRF Policy or further adjustments to its application and the application review process.

2. Applicants' Schedule Changes or Delays in Executing Agreements

Beneficial and eligible projects may not be financed if the applicants' schedules change or are delayed. To minimize and avoid delays, DWSRF program staff will coordinate regularly with applicants identified in this IUP, and with others that submit applications during the year, to maintain a consistent demand on the program. As project schedules shift, lower priority projects may be funded if they are ready for financing, bearing in mind the PF and GPR requirements established in this IUP. This funding flexibility maximizes the use of the DWSRF and increases the number of projects funded.

Beneficial and eligible projects may not be financed if DFA encounters delays completing its reviews of the applications. To minimize and avoid delays, DWSRF program staff will internally coordinate regularly during the year to expeditiously complete its reviews and maintain consistent progress toward the goal of executing agreements for all projects on the Fundable List by June 30, 2023. As delays are encountered, other projects on the Fundable List should continue to move forward, bearing in mind the PF and GPR requirements established in this IUP and the amount of leveraging authority approved by the State Water Board. This funding flexibility maximizes the use of the DWSRF and increases the number of projects funded.

After financing is approved, the recipient must start and complete planning or construction promptly. Applicants are required by their financing agreements to report delays to DFA staff so that appropriate action can be taken to address those delays.

3. Cash Balance

The amount of disbursements requested may exceed the DWSRF program's cash balance. DFA staff will maintain accurate account balances and prepare forecasts regularly to identify potential cash shortages in advance. If additional cash is needed, the DWSRF has several options. The DWSRF program has considerable assets it can leverage through revenue bond sales in the municipal bond market or through the Water Infrastructure Finance and Innovation Act (WIFIA) program to obtain additional cash. The State Water Board can prioritize or limit new commitments or potentially negotiate disbursement schedules with applicants. The DWSRF program can also investigate alternative financing (e.g., providing bond insurance) to reduce cash outlays.

Excess cash may accumulate if applications, and the associated disbursements, are too low. Holding excess cash provides no drinking water or public health benefits for California and tends to reduce the DWSRF's earnings. DFA will use its marketing, customer assistance, and project development resources to maintain a pipeline of projects ready for financing. It will closely monitor undrawn balances on outstanding financing agreements to ensure that financing recipients request funds expeditiously.

4. Defaults and Late Payments

Pursuant to the DWSRF Policy, DFA will implement prudent lending standards and borrower surveillance practices that safeguard the DWSRF program's equity. The State Water Board also contracts with a professional financial advisor to provide additional financial expertise.

The DWSRF program has many tools to reduce the risk of default, including loan monitoring and surveillance, as well as enforcement remedies. For example, DFA collects and reviews audited financial statements of all borrowers for the first five years of repayment and may request audited financials for some borrowers for longer periods of time. DFA has an agreement with independent accounting firm CliftonLarsonAllen to audit select borrowers identified as having a higher risk of experiencing financial difficulties. These audits can be conducted to evaluate the financial and management capacities of an entity and provide recommended solutions. The State Water Board will also continue to provide grant/PF funds in SFY 2022-23 to reduce debt service and default risk for Small SDACs and Small DACs or projects that regionalize water infrastructure. Additional subsidies for Small SDACs and Small DACs will reduce borrowing costs and the risk of default. Additionally, the State Water Board can offer water-related technical assistance to SDACs and DACs in areas such as evaluating project alternatives, financial management, rate setting, and operation and maintenance.

5. Accountability and Oversight

The DWSRF is capitalized with public funds, and the State Water Board is responsible for using them lawfully and effectively.

The State Water Board regularly reports to U.S. EPA through the National Information Management System (NIMS) and the Project Benefits Reporting (PBR) system on use of the funds. Among other parameters, the reporting systems will evaluate the number of California DWSRF program projects that provide the following public health benefits:

- Achieve compliance with SDWA;
- Maintain compliance with SDWA; and
- Meet future requirements of SDWA.

The State Water Board will enter project benefits information into PBR by the end of the quarter in which a funding agreement is signed and will enter NIMS data by U.S. EPA's annual deadline (generally end of August).

The State Water Board will also use the Federal Funding Accountability and Transparency Act (FFATA) reporting system to report on all DWSRF program equivalency projects .

In addition, U.S. EPA reviews the management and performance of the DWSRF annually. The results are summarized in its annual [Program Evaluation Reports](#). The DWSRF Program produces an [annual report and audited financial statements](#).

Additional actions are required of the State Water Board to comply with provisions of the Internal Revenue Code applicable to the DWSRF outstanding bond debt. The DWSRF program's [Post-Issuance Tax Compliance Policy for Tax-Exempt Bond Issues](#) provides further detail about actions required of the program's staff to help ensure that its bonds remain exempt from federal income taxes. Additional reporting is required by the program's Continuing Disclosure Agreement; information on the program's bonds can be found on the [Electronic Municipal Market Access](#) system maintained by the Municipal Securities Rulemaking Board.

DFA staff will continue to oversee projects to ensure that they meet the terms of the financing agreements by conducting periodic site visits during construction or implementation. All projects are subject to a "Final Project Inspection," and a final summary report is submitted on each project to confirm that it was completed. DFA maintains copies of inspection and final summary reports in the project files.

IV. SET-ASIDE ACTIVITIES

In addition to the project funding discussed in Section III, the SDWA allows each state to set aside up to 31 percent (31%) of its federal capitalization grant to support various DWSRF and DDW program activities, including (1) the administration of the DWSRF, (2) SWS technical assistance, (3) PWS supervision by DDW and (4) other technical assistance to PWSs in support of technical, managerial, and financial capacity development. The Set-Asides are especially beneficial to SWSs serving SDACs and DACs. The Office of Sustainable Water Solutions uses the technical assistance, in conjunction with subsidized project financing from the DWSRF and state sources, to help SWSs achieve compliance with safe drinking water standards, establish and maintain TMF compliance, and foster consolidation.

For SFY 2022-23, the State Water Board will set-aside 26 percent (26%) of the 2022 Base Program Capitalization Grant and 26 percent (26%) of the 2022 General Supplemental Capitalization Grant for set-aside activities as further described below. Set-aside funding for the EC and LSLR capitalization grants is described in Appendices I and J. The State Water Board does not plan to take any set-asides from the ASADRA capitalization grant. The State Water Board will submit detailed work plans to U.S. EPA for approval in accordance with federal requirements; the Deputy Director of DFA may adjust the 2022 Base Program and General Supplemental Capitalization Grant budgets between these activities for good cause. The Deputy Director of DFA is authorized to enter into contracts to accomplish work covered by the set-aside budgets for each grant. DFA will report on the progress of set-aside activities to U.S. EPA in its DWSRF Annual Report. The State Water Board is also committed to maintaining a set-aside spending rate in accordance with U.S. EPA Memorandum from Peter Grevatt, Director, Office of Ground Water and Drinking Water, dated April 14, 2014, [*Drinking Water State Revolving Fund \(DWSRF\) Unliquidated Obligations \(ULO\) Reduction Strategy*](#).

A. Administration Set-Aside

The DWSRF Administration Set-Aside will fund administration of the DWSRF program in SFY 2022-23. This will include the review and processing of drinking water funding applications, project management and general oversight of DWSRF construction and planning projects. The DWSRF Administration Set-Aside will also cover the costs for accounting, legal, budgetary, and general management and oversight of the DWSRF, and may be used for contracts, including but not limited to the contracts listed below. The DWSRF Administrative Set-Aside Work Plan for SFY 2022-23 will contain detailed information about the specific tasks and full-time equivalent personnel that will be supported in DFA by the DWSRF Administration Set-Aside.

Max Allowed (from each Capitalization Grant):	4%	
Budgeted from FFY 2022 Base Program Grant:	4%	\$2,472,760 (estimate)
Budgeted from FFY 2022 General Supplemental Grant:	4%	\$6,349,320 (estimate)

Contracts:	DWSRF Annual Audit of Financial Statements including Single Audit		\$200,000 (estimate)
	U.S. EPA/Northridge Environmental Management Consultants Maintenance Contract for the State Water Board’s Loans and Grants Tracking System (LGTS)		\$200,000 (estimate)
	Sonoma State CHRIS Contract		\$10,000 (estimate)

B. Small Water System Technical Assistance Set-Aside

The SWSTA Set-Aside will fund DFA technical assistance to small PWSs serving less than 10,000 people, particularly those systems with fewer than 200 service connections. SWSTA will help SWS applicants establish eligibility for DWSRF or complementary funding and provide other technical assistance necessary for project development. The SWSTA Set-Aside may also fund technical assistance contracts to SWSs in support of project environmental documentation. The DWSRF Small Water Systems Technical Assistance Work Plan for SFY 2022-2023 will contain detailed information about the specific tasks and full-time equivalent personnel that will be supported in DFA by the DWSRF SWSTA Set-Aside.

Grant:	Max Allowed (from each Capitalization Grant):	2%	
	Budgeted from FFY 2022 Base Program	2%	\$1,236,380 (estimate)
	Budgeted from FFY 2022 General Supplemental Grant:	2%	\$3,174,660 (estimate)

C. State Program Management Set-Aside

The State Program Management Set-Aside will be used to partially fund DDW’s administration of the State Water Board’s PWSS program. The set-aside will supplement the annual PWSS grant from U.S. EPA and the charges paid by California’s regulated PWSs. The Set-Aside will provide funds for DDW’s permitting, inspection, compliance, and monitoring activities in accordance with the SDWA and delegated PWSS responsibilities by U.S. EPA. The DWSRF State Program Management Set-Aside Work Plan for SFY 2022-23 will contain detailed information about the specific tasks and full-time equivalent personnel that will be supported in DDW by the DWSRF State Program Management Set-Aside.

Max Allowed (from each Capitalization Grant):	10%	
Budgeted from FFY 2022 Base Program Grant:	10%	\$6,181,900 (estimate)
Budgeted from FFY 2022 General Supplemental Grant:	10%	\$15,873,300 (estimate)

D. Local Assistance Set-Aside

The Local Assistance Set-Aside will be used in SFY 2022-23 to fund personnel costs of the Office of Sustainable Water Solutions within DFA and DDW. These staff costs are associated with State Water Board’s implementation of its Capacity Development Strategy and providing direct technical assistance to PWSs in support of this strategy. Historically, the State Water Board has used the Local Assistance Set-Asides to provide third-party technical assistance to Small SDACs and DACs to support technical, managerial, and financial (TMF) capacity development. Beginning in SFY 2022-23, the State Water Board intends to utilize the new Safe and Affordable Drinking Water (SADW) Fund to provide third-party technical assistance to help SDACs and DACs achieve compliance with the State Water Board’s Capacity Development Strategy.

Max Allowed (from each Capitalization Grant):	15%	
Budgeted from FFY 2022 Base Program Grant:	10%	\$6,181,900 (estimate)
Budgeted from FFY 2022 General Supplemental Grant:	10%	\$15,873,300 (estimate)

V. FINANCING AND PROGRAMMATIC REQUIREMENTS

A. Technical, Managerial and Financial (TMF) Capacity

A PWS generally must demonstrate TMF capacity to be eligible for construction funding, regardless of the amount or type of funding provided, and to receive a permit to operate a drinking water facility from DDW. The State Water Board conducts TMF capacity assessments of all drinking water construction applicants to ensure sustainability, resilience, and responsible use of public funds. Where a state agency applicant acts on behalf of a disadvantaged community in applying for State Grant funding, the State Water Board will analyze the TMF capacity of the appropriate PWS.

For projects benefitting Small DACs, Expanded Small DACs, or Small Non-DACs, construction funding may be provided even if the system does not have adequate TMF capacity, subject to funding requirements. In these cases, a TMF capacity evaluation and implementation of an improvement plan to remedy TMF deficiencies will be required as a condition for funding. Applicants must submit TMF assessment forms as provided in Appendix C of the DWSRF Policy.

1. Technical Capacity

To demonstrate technical capacity, PWSs must show that their systems' drinking water sources are adequate²¹; that the treatment, distribution, and storage infrastructure are adequate; and that system personnel have the technical knowledge to properly and efficiently operate and maintain the system. As part of reviewing a funding application, the State Water Board staff will review the engineering reports, plans and specifications, and the PWS's records to verify that the system is being properly operated and maintained.

2. Managerial Capacity

To demonstrate managerial capacity, the PWS must have personnel with expertise to manage the operation of the entire water system. The State Water Board staff will review the PWS's managerial capacity to assure, among other items, that management is (1) involved in the day-to-day supervision of the water system, (2) compliant with all required regulations, (3) available to respond to emergencies, and (4) capable of identifying and addressing all necessary capital improvements and assuring financial viability. The State Water Board staff will also review records to

²¹ On a case-by-case basis, for large water systems that serve more than 10,000 people (which qualify for the Alternative Assessment Certification for TMF) that rely on purchased water, the Deputy Director may waive the requirement for a long-term water service contract in section IX of the DWSRF Policy (Dec. 3, 2019) for good cause.

ensure that the PWS is staffed with a qualified water operator in accordance with the State's Operator Certification Program.

3. Financial Capacity

A PWS generally must demonstrate it has the financial capacity to own, operate, and maintain its water system, including the proposed construction project, as a condition for the award of construction financing. The PWS must show that the system has sufficient revenues to cover necessary operation and maintenance costs and demonstrate credit worthiness with adequate fiscal controls²². The PWS must also demonstrate financial planning for future capital improvements, including providing any water rate studies to demonstrate overall financial capacity. The State Water Board staff will review the PWS's project budget, audited annual financial reports, and other financial information to determine whether the PWS has adequate financial capacity to operate and maintain its system, including the proposed infrastructure project.

For 100% nonrepayable planning projects, DFA generally will not require the applicant to submit a complete financial security package or undergo financial security review prior to receiving funding. DFA will require certain items that have been included in the financial security package, such as an authorizing resolution, to be submitted. A PWS is generally not required to demonstrate financial capacity to operate and maintain its system, or a proposed construction project, prior to receiving 100% nonrepayable planning funding. Planning funding would be provided to an eligible PWS that lacks adequate financial capacity to assist it with establishing its financial capacity to operate and maintain its system, and undertake a construction project, in preparation for an eventual construction funding agreement. Examples of tasks financed with planning funds may include, but are not limited to, water rate studies, budget development, and capital improvement planning.

²² Any rate increase determined to be necessary by the Deputy Director of the Division should occur prior to the execution of the construction Financing Agreement, but the Deputy Director may waive this requirement for good cause, to the extent allowed by the funding source, despite section IX of the Dec. 3, 2019 DWSRF Policy.

A PWS is also generally not required to demonstrate financial capacity to operate and maintain its system if it will be consolidated into another PWS²³, but the Receiving Water System must satisfy financial capacity requirements.

Notwithstanding the requirements in the DWSRF Policy, financial review requirements for the Receiving Water System for non-repayable funding for a construction project that consists solely of the consolidation of two or more public water systems into a single public water system, are as follows. Receiving Water Systems must submit the appropriate TMF assessment form (see Appendix C to the DWSRF Policy), including a five-year budget projection for the system, including the project, in lieu of a complete financial security package.

However, DFA will generally require a complete financial security package and financial security review of the Receiving Water System if any of the following criteria are met : i) the number of connections will increase by more than 5% with the project or the allowable permitted number of connections will be exceeded with the project; ii) any financial risks were identified in the most recent DDW Drinking Water Needs Assessment; iii) other information readily available, including information submitted by the Receiving Water System to DFA for other projects, or information from DDW's most recent sanitary survey of the Receiving Water System, indicates further review is warranted (or generally if a sanitary survey of the Receiving Water System has not been done within the past three years); and iv) the size of the Receiving Water System indicates further review is warranted (generally, for small systems a full financial review will be conducted). DFA will require certain items that have been included in the financial security package, such as the authorizing resolution, to be submitted.

Despite the foregoing, DFA has the discretion to require a complete financial security package or other information, and financial review, for any nonrepayable planning project or for a Receiving Water System.

Notwithstanding information in Appendix A of the DWSRF Policy, projects are not required to submit the Supplemental Information Form for Consolidation Projects. Other requirements in Appendix A may be waived by the Deputy Director on a case-by-case basis for good cause, for example if an administrator has been appointed.

²³ Requirements depend on the funding source, but a financial review of the subsumed system may not be required if the funded project does not include facilities that need to be operated and maintained by the subsumed system. If such facilities exist but are deemed to be minor with minimal O&M requirements, then the Assistant Deputy Director may waive the financial review of the subsumed system. For other cases where a review of the subsumed system will be required, a reduced financial review may be acceptable, with the following documents required as a minimum: prior year's tax returns and/or financial statements.

B. Cap Grant Payments and Draws

1. Federal DWSRF Capitalization Payments

Based upon the State Water Board's cash flow for SFY 2022-23, the State Water Board has requested the following federal payment schedules from U.S. EPA for the 2022 Base and General Supplemental Capitalization Grants as detailed in Table 7 and Table 8. Site Codes reference the federal accounts in which the various loan and set-aside funds of a capitalization grant are deposited and made available for liquidation by the State Water Board.

Table 7: 2022 DWSRF Base Capitalization Grant Payment Schedule

FFY	Payment Date	Percentage of Cap Grant	Estimated Amount	Description	Site Code
2022	Award Date	4%	\$2,472,760	DWSRF Administration Set-Aside	DD
2022	Award Date	2%	\$1,236,380	SWS Technical Assistance Set-Aside	DE
2022	Award Date	10%	\$6,181,900	State Program Management Set-Aside	DF
2022	Award Date	10%	\$6,181,900	Local Assistance & Other Programs Set-Aside	DG
2022	Award Date	74%	\$45,746,060	Loan Fund	DA

Table 8: 2022 DWSRF General Supplemental Capitalization Grant Payment Schedule

FFY	Payment Date	Percentage of Cap Grant	Estimated Amount	Description	Site Code
2022	Award Date	4%	\$6,349,320	DWSRF Administration Set-Aside	DD
2022	Award Date	2%	\$3,174,660	SWS Technical Assistance Set-Aside	DE
2022	Award Date	10%	\$15,873,300	State Program Management Set-Aside	DF
2022	Award Date	10%	\$15,873,300	Local Assistance & Other Programs Set-Aside	DG
2022	Award Date	74%	\$117,462,420	Loan Fund	DA

2. DWSRF Federal Draw Schedule and Estimated DWSRF Project Disbursements

Appendix G represents the State Water Board’s anticipated federal draw schedule for SFY 2022-23 as well as the anticipated liquidation of the 2022 Capitalization Grant in SFY 2022-23. The federal draw schedule assumes U.S. EPA’s “first-in-first-out” policy for liquidating DWSRF capitalization grants. Therefore, the draw schedule includes the anticipated liquidation of the balances of the 2019, 2020 and 2021 DWSRF capitalization grants.

Current cash flow projections suggest that the 2022 DWSRF Capitalization Grant may not be liquidated until late calendar year 2023, due to the expenditure rate of the set-asides. The State Water Board will also disburse the 2022 State Match in accordance with procedures detailed in Section V.C of this IUP.

C. 2022 State Match Source and Proportionality Draw

The State Water Board must provide one dollar of match for each five dollars received through U.S. EPA capitalization grants, constituting twenty percent (20%) of a DWSRF capitalization grant. California’s DWSRF has been capitalized with a variety of state match sources including general fund appropriations, general obligation bonds not repaid by the DWSRF, short-term financings with the California Economic and Infrastructure Bank, and local match funds.

In addition to prior years overmatch from Proposition 1, the State Water Board allocated a portion of the 2021 Budget Act Infrastructure Appropriation to satisfy the State Match requirements for the DWSRF ASADRA and FFY 2022 base and supplemental capitalization grants. Table 9 below demonstrates the DWSRF grants and State Match amount that will be funded with State General Funds.

Table 9: ASADRA/FFY 2022 Capitalization Grants and State Match Sources

DWSRF Grant	Prop. 1 and FY 21/22 General Fund Infrastructure State Match	Federal/State Match Draw Ratio
ASADRA	\$1,127,103	83.33% / 16.67%
FFY 2022 Base Grant	\$12,363,800	78.72% / 21.28%
FFY 2022 General Supplemental Grant	\$15,873,300	88.10% / 11.90%
Total	\$29,364,203	

The State Water Board will not draw capitalization grant and State Match funds per the draw ratio in Table 7 above. Rather, the State Water Board will disburse the entire state match for the ASADRA, FFY 2022 base and supplemental capitalization grants prior to drawing funds from the grants. Therefore, the draw ratio of federal capitalization funds for the ASADRA, FFY 2022 base and supplemental capitalization grants will be one hundred percent (100%).

D. Application of Program Requirements and Federal Cross-Cutters

Applicants are expected to comply with all applicable federal and state requirements. The DWSRF financing agreements will generally include a list of applicable federal statutes and requirements taken from the most recent capitalization grant. DWSRF financing recipients agree to comply with these federal requirements by signing the financing agreement.

In addition to the requirements of the SDWA, projects partially or fully funded by the DWSRF generally must also comply with other federal laws²⁴ commonly known as “cross-cutters.” Certain federal requirements and cross-cutters apply to all DWSRF projects including the projects funded by state DWSRF match funds. Other cross-cutters must be applied to equivalency projects and activities funded by set-asides. Equivalency requirements must be applied to projects in an amount equal to the annual capitalization grants from U.S. EPA, although environmental cross-cutters do not apply to certain set-asides. All projects receiving DWSRF BIL funding (including EC and LSLR) must be reported as meeting equivalency requirements and therefore must meet all federal equivalency requirements to maintain eligibility. All projects requesting DWSRF repayable loan are expected to comply with federal cross-cutting requirements, including equivalency requirements. The State Water Board will ensure that DWSRF financing recipients comply with applicable federal laws through a variety of program procedures. Described below are those federal cross-cutters that often require greater efforts of compliance by DWSRF/ SCG DW funding recipients.

²⁴ See also Appendix O of the DWSRF Policy.

All projects and set-aside activities funded by the DWSRF will be performed in accordance with the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975. All other cross-cutters applicable to the set-aside activities will be adhered to.

Compliance with the requirements in Table 10, as well as any other applicable requirements, is required to maintain eligibility for the associated funding sources. Projects that are not complying with federal requirements will be ineligible to receive funding from DWSRF or DWSRF match sources. Some projects even if not funded with DWSRF or DWSRF match sources may be required to comply with federal requirements to allow the addition of DWSRF funds if needed.

Table 10: List of Federal Requirements Based on Funding Source

Financing and Programmatic Requirements	DWSRF		SCG DW	PFAS	GWGP
	Repayable DWSRF Loan, Repayable General Fund loan used as state match	PF	Prop 1, 68, General Fund (not used as state match for DWSRF)	General Fund	Prop 1
Davis-Bacon Prevailing Wage	X	X			
Disadvantaged Business Enterprise (equivalency requirement)	X	X			
Generally Accepted Accounting Principles	X	X	X	X	X
Single Audit (equivalency requirement)	X	X			
Telecomm Equipment & Services, (equivalency requirement)	X	X			
American Iron and Steel	X	X			
Build America Buy America (equivalency requirement)	X	X			
Environmental Federal Cross-Cutters (equivalency, see discussion below)	X	X, may be Tier II			
TMF	X	X	X*	X*	X*

* Targeted case-by-case exceptions may occur.

1. Environmental Cross-Cutters

Under the DWSRF Operating Agreement, all projects must undergo an environmental review process prior to funding. The State Water Board will use its U.S. EPA-approved SERP to review DWSRF project applications submitted for funding during SFY 2022-23. State Grant-funded projects may be reviewed under CEQA rather than the SERP.

The SERP sets forth a process including compliance with federal environmental cross-cutters and DWSRF requirements, in addition to the requirements of the CEQA (this process will be referred to as “Tier I environmental review” in the SERP). The State Water Board Environmental Scientist Staff will consult with the appropriate federal agencies on projects as required by the SERP.

All applicants must provide a completed Environmental Package as part of their DWSRF Construction Applications, although certain requirements, including compliance with federal environmental cross-cutters, may not be required for State Grant-funded projects. The State Water Board Environmental Scientist Staff will conduct an initial review to verify a complete package has been received and identify any missing information. Once all required environmental documents have been received, the State Water Board Environmental Scientist Staff will conduct a thorough review of all items to determine whether 1) sufficient information has been provided to enable the State Water Board to make environmental determinations, 2) consultation(s) are required with relevant state and federal agencies, and/or 3) if any additional information is needed.

2. Tier II Environmental Review

The State Water Board must apply the Tier I environmental review process, which includes federal environmental cross-cutters, to equivalency projects, as well as projects funded by the source water protection set-aside (40 C.F.R. § 35.3580(b)).

The state has elected to apply an alternative environmental review process (referred to as Tier II environmental review) to certain DWSRF projects and activities for which the State provides assistance in amounts that are greater than the amount of the capitalization grant deposited into the DWSRF or set aside accounts (40 C.F.R. § 35.3580(d)). Pending approval from U.S. EPA, the Tier II process is anticipated to be set forth in an attachment to the SERP. The State Water Board has elected to apply Tier II environmental review to DWSRF-funded planning projects; construction projects for Small or Expanded Small DACs and SDACs; certain non-transient non-community water system projects serving Small DACs/SDACs; construction projects in Categories A through C for Medium DACs/SDACs and Small Non-DACs; consolidation projects involving Small, Expanded Small, and Medium DACs and SDACs or Small Non-DACs, and non-repayable consolidation incentive projects. These categories of projects, set forth in Appendix F, will be designated for a Tier II environmental review, unless the Deputy Director determines that additional projects are required to satisfy the equivalency requirement or determines that the project should maintain eligibility for SRF funding. Projects funded only by State Grant funds may be subject to CEQA environmental review rather than the DWSRF SERP at the discretion of DFA. However, all projects funded by the DWSRF EC and DWSRF LSLR funds are equivalency projects and will be subject to Tier I environmental review under the SERP, so Appendix F does not apply to those projects.

The State Water Board will continue applying federal environmental cross-cutter review requirements to projects totaling the amount made available by federal capitalization grants and reportable as such to the U.S. EPA. The State Water Board

treats all applications not identified as non-DWSRF or Tier II projects, as Tier I projects. There are currently 15 DWSRF applications on the Fundable List requesting \$321 million in funding. The State Water Board has historically selected projects for equivalency as funding agreements are executed. Based on the current list of potential equivalency projects on the fundable list, the State Water Board expects to fulfill all equivalency requirements without the Tier II projects for SFY 2022-23.

3. Davis-Bacon

Federal [Davis-Bacon Act](#) rules apply to the construction activities carried out in whole or in part with assistance made available by the DWSRF. The State Water Board, therefore, will continue to require that DWSRF recipients comply with Davis-Bacon rules. Recipients of DWSRF financing must also agree to provide information necessary to show compliance with Davis-Bacon requirements as a condition of DWSRF funding.

4. Generally Accepted Accounting Principles (GAAP)

Federal rules require that recipients of DWSRF financing maintain project accounts in accordance with generally accepted government accounting standards, including standards relating to the reporting of infrastructure assets. Recipients must agree to comply with GAAP. For governmental entities, the Government Accounting Standards Board establishes these standards. The State Water Board, therefore, will require as a condition of financing that governmental applicants maintain project accounts in accordance with generally accepted government accounting standards.

5. American Iron and Steel (AIS)

Federal rules require DWSRF recipients, absent an exclusion or waiver, to use iron and steel products that are produced in the United States for treatment works projects.

U.S. EPA implementation of these provisions is described on its [State Revolving Fund American Iron and Steel \(AIS\) Requirement](#) website.

6. Build America Buy America (BABA)

Congress passed the Build America, Buy America Act (Pub. L. No. 117-58 § 70901 et seq.) in 2021 as part of the BIL. Section 70914 of this act requires federal agencies to ensure that by May 14, 2022, none of the funds made available for covered infrastructure programs, including the DWSRF program, may be obligated for a project unless the requirements are met, including by the incorporation of a “Buy America preference” in the terms and conditions of each award with an infrastructure project. According to federal guidance, the Act requires the following Buy America preference:

- (1) All iron and steel used in the project are produced in the United States. This means all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.
- (2) All manufactured products used in the project are produced in the United States. This means the manufactured product was manufactured in the United States, and the cost of the components of the manufactured product that are mined, produced, or manufactured in the United States is greater than 55 percent of the total cost of all components of the manufactured product, unless another standard for determining the minimum amount of domestic content of the manufactured product has been established under applicable law or regulation.
- (3) All construction materials are manufactured in the United States. This means that all manufacturing processes for the construction material occurred in the United States.

(Off. of Management and Budget, [Initial Implementation Guidance on Application of Buy America Preference in Federal Financial Assistance Programs for Infrastructure](#) (Apr. 18, 2022), pp. 2-3). U.S. EPA is expected to develop and issue additional guidance surrounding the Buy American preference. The State Water Board will implement the Buy American preference consistent with federal guidance.

7. Disadvantaged Business Enterprise

DWSRF funding recipients will generally be required to seek and encourage the “fair share” employment of businesses categorized as [Disadvantaged Business Enterprises \(DBE\)](#) for the DWSRF funded project. This requirement will apply to all sub-agreements of the DWSRF funded project for equipment, supplies, construction, and services. Additional reporting to the State Water Board on the outcomes of DBE activities will also generally be required of DWSRF funding recipients. However, recipients with planning projects funded by the DWSRF will not be required to comply with federal DBE requirements.

8. Single Audit Act

Federal rules require DWSRF recipients to comply with applicable provisions of the federal Single Audit Act of 1984, OMB Circular No. A-133 and 2 CFR part 200, subpart F, and updates or revisions, thereto. The State Water Board will include applicable Single Audit Act provisions in all DWSRF funding agreements and require Single Audit Act reporting by recipients if they receive more than \$750,000 in combined federal funds for a given fiscal year.

9. Telecommunications Equipment & Services

Effective August 13, 2020, EPA General Terms and Conditions have placed SRF funding prohibitions on certain telecommunications and video surveillance services or equipment. As required by 2 C.F.R. § 200.216, borrowers under EPA funded

revolving loan fund programs are prohibited from obligating or expending loan or grant funds to procure or obtain equipment, services, or systems from Huawei Technologies Company, ZTE Corporation, or certain other companies, subsidiaries, and affiliates.

10. Emergency Drinking Water Projects

Per 40 C.F.R., § 35.3555(c)(2)(iii), “the IUP may allow for the funding of projects which require immediate attention to protect public health on an emergency basis, provided that a State defines what conditions constitute an emergency and identifies the projects in the Biennial Report and during the annual review.” These projects may be funded without being placed on the Fundable List or being subject to the state’s priority system.

The Deputy Director of DFA, or designee, may designate projects as emergency projects if the projects maintain, repair, restore, demolish, or replace property or facilities damaged or destroyed as a result of a disaster in a disaster-stricken area in which a state of emergency has been proclaimed by the Governor pursuant to the California Emergency Services Act, commencing with Section 8550 of the Government Code. This includes emergency repairs to publicly or privately owned service facilities necessary to maintain service essential to the public health, safety, or welfare. Emergency repairs include those that require a reasonable amount of planning to address an anticipated emergency.

Emergency projects designated by the Deputy Director of DFA will be designated as nonequivalency projects, and thus will not be subject to requirements that apply only to equivalency projects.

E. Capitalization Grant Conditions and Other Federal Requirements

The State Water Board will comply with all conditions included in the 2022 Capitalization Grant agreements and will require that DWSRF financing recipients also comply with applicable federal pass-through requirements. Provisions specific to the FFY 2022 appropriation will take effect only if the State Water Board receives the FFY 2022 Capitalization Grant and will apply only as directed by Congress or U.S. EPA. The State Water Board will require that recipients of DWSRF financing must agree to provide information necessary to show compliance with all applicable federal requirements.

F. Other State and State Water Board Requirements

Other State laws not specific to the DWSRF/SCG DW may also apply to projects²⁵ funded in SFY 2022-23. These may include but are not limited to laws affecting urban water suppliers, charter cities, agricultural water users, projects located in the Delta and debt reporting. All projects must demonstrate compliance with California Executive Order N-6-22 regarding economic sanctions imposed in response to Russia's actions in Ukraine while that Executive Order remains in effect.

Commencing with construction of a project and continuing throughout the reasonably expected useful life of the project, recipients must implement water conservation practices consistent with compliance obligations under governing statutes, regulations, and Executive Orders. More information about water conservation can be found at the State Water Board's website at https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/california_statutes.html.

To be eligible for DWSRF and SCG DW funding per this IUP, a project proposed by a PWS owned by a private entity, including utilities regulated by the Public Utilities Commission, shall have a clear and definite public purpose, and shall solely benefit the customers of the PWSs.

The costs of purchasing water systems may be eligible under the DWSRF/SCG DW, including associated water rights. However, acquisition of real property, right-of-way, and easements are eligible only if integral to the project. The eligible cost is limited to the fair market value as determined by a California licensed appraiser. DFA will determine real property eligibility. Project costs associated with water rights may be eligible notwithstanding the DWSRF Policy, although consultation with U.S. EPA may be required.

As a condition of eligibility for planning funding, DWSRF/SCG DW applicants shall submit evidence to DFA of a contract for professional engineering services between the funding recipient and its engineering consultant(s) unless waived for good cause as determined by the Deputy Director of DFA. This agreement shall include the scope of work, cost, and deliverable due dates. DFA will review the budget and identify costs that are ineligible or raise questions related to waste, fraud, or abuse. DFA will also review the professional services agreement(s) for compliance with applicable DWSRF federal and state requirements.

DFA will continue to evaluate all planning/design expenditures and deliverables of funding recipients to ensure the most cost-effective project is developed and to protect against potential waste, fraud or abuse of DWSRF/SCG DW funds. Suspected cases of waste, fraud or abuse of DWSRF/SCG DW funds may be forwarded to the U.S. EPA Office of Inspector General, the California Department of Finance, the State Water Board's Office of Enforcement, and/or the California Bureau of State Audits for further audit and investigation.

DWSRF/SCG DW construction funding recipients will be required to submit construction

²⁵ See also Appendix O of the [DWSRF Policy](#).

contracts to DFA for review of their compliance with applicable state and federal funding requirements. DFA will incorporate the approved construction budget into the funding agreement. Notwithstanding Section XII.B.2.a. of the DWSRF Policy, which limits contingency for projects with exclusively non-repayable financing to ten percent (10%) of the total project cost, projects funded per this DWSRF IUP with non-repayable financing may include contingency of up to twenty percent (20%) of the total project cost. In some cases, unforeseen issues encountered in the field can lead to higher than typical change order costs. On a case-by-case basis for good cause, the Deputy Director of DFA may approve a higher percentage, up to thirty-five percent (35%) of the total project cost.

Although the DWSRF Policy authorizes reimbursement of eligible construction costs for projects on the Fundable List going back to the notice to proceed date for the project, applicants should note that **CONSTRUCTION COSTS INCURRED BEFORE EXECUTION OF A FINANCIAL ASSISTANCE AGREEMENT ARE AT THE APPLICANT'S RISK**. Various factors may restrict reimbursement of costs incurred prior to execution of a funding agreement, including, but not limited to failure of the applicant to adopt a satisfactory reimbursement resolution, appropriations limits of funding sources, and other factors. **Further, starting construction before the State Water Board has completed its environmental review may render the project ineligible for funding**. Additionally, changes to laws or requirements that occur prior to execution of a financial assistance agreement may affect some or all funding eligibility.

G. Other Assurances and Certifications

1. The State has the authority to establish a fund and to operate the DWSRF program in accordance with the SDWA

In California, the responsibility for regulating PWSs and overseeing the safety of drinking water has been assigned to the State Water Board. U.S. EPA recognized California's primacy status beginning in 1978, and has acknowledged the State Water Board's primacy authority, effective July 1, 2014.

2. The State will comply with state statutes and the DWSRF Policy handbook

State statutes governing California's DWSRF program are set forth in California's Health & Safety Code, Division 104, Part 12, Chapter 4.5, commencing with section 116760. The state statutes and DWSRF Policy conform to federal requirements. California will implement its DWSRF program in compliance with all applicable state and federal laws, regulations, and guidelines.

3. The State will deposit all capitalization grant funds in the DWSRF or Set-Aside Accounts

The State Water Board will maintain identifiable and separate accounts for all portions of the capitalization grant to be used. The capitalization grant will be deposited into either the DWSRF or the set-aside accounts.

4. The State will deposit revenues generated from the DWSRF Administration Charge and the DWSCEG Charge into their respective funds

In accordance with Health and Safety Code § 116761.70, the State Water Board will deposit revenues generated from the DWSRF Administration Charge into the Safe Drinking Water State Revolving Fund Administration Fund. The State Water Board will also deposit revenues generated from the DWSCEG Charge into Safe Drinking Water Small Community Emergency Grant Fund, in accordance with Health and Safety Code § 116760.46.

5. The State will deposit net bond proceeds, interest earnings, and repayments into the DWSRF

All interest, earnings, principal repayments, and other proceeds will be deposited into the DWSRF.

6. The State will adopt policies and procedures to ensure that borrowers have a dedicated source of revenue for repayments (or in the case of a privately-owned system, demonstrated that there is adequate security)

The State Water Board has developed policies and procedures for ensuring that borrowers have a dedicated source of repayment and that privately owned systems have adequate security. These policies and procedures are contained in the State Water Board's DWSRF Policy.

7. The State will commit and expend funds as efficiently as possible, and in an expeditious and timely manner

The IUP explains how the State Water Board will use DWSRF funds. The State Water Board will commit and expend 2022 capitalization grants and associated state match funds as efficiently as possible, and in an expeditious and timely manner. The State Water Board will enter into binding commitments with recipients equal to the total amount of each 2022 Capitalization Grant payment and proportional 2022 State Match within one year of each 2022 Capitalization Grant payment. Additionally, the State Water Board will use cash-flow modeling to over-commit cash and undrawn federal funds to continually and timely disburse 100 percent (100%) of those funds.

8. DWSRF funds will be used in accordance with this SFY 2022-23 IUP

The State Water Board will use DWSRF funds in SFY 2022-23 in accordance with this IUP.

9. The State will provide the U.S. EPA with an Annual Report on the performance of the DWSRF

The State Water Board will publish a SFY 2022-23 DWSRF Annual Report on the uses of the DWSRF funds during SFY 2022-23 and provide a final draft of the SFY 2022-23 DWSRF Annual Report to U.S. EPA Region 9. The report will document the projects funded through the DWSRF; financial and programmatic outcomes of the DWSRF; and summarize the accomplishments of the DWSRF program as it relates to the long-term and short-term goals contained within this IUP and the tasks included in the associated DWSRF work plans.

H. Cross-Collateralization

The State Water Board will implement cross-collateralization between the DWSRF and the CWSRF loan programs as necessary to support the goals and objectives of the State Water Board as documented in the [Operating Agreement for Implementing and Managing the Drinking Water State Revolving Fund Program between the State of California and the United States Environmental Protection Agency Region IX](#), as amended March 2020.

VI. OUTCOMES, GOALS, ACTIVITIES, AND MEASURES

The following are the short-term and long-term goals of the State Water Board for its administration of the DWSRF. These goals will help the State Water Board maximize and prioritize its staff and funding resources.

A. Prioritizing DWSRF Funds for Public Health Benefits

Long-Term Goals

- 1. Address Significant Risks to Public Health:** DFA will coordinate with DDW to ensure that DWSRF and all available drinking water funding is targeted to address the most significant public health and compliance issues.
- 2. Promote SDWA Compliance:** DFA will continue to provide and prioritize subsidized financing for planning and construction that addresses SDWA compliance. DFA will also coordinate with DDW on the use of set-asides to promote the development of TMF capacity for all PWSs (especially small CWSs) to achieve or maintain compliance with State drinking water standards and federal SDWA requirements.
- 3. Improve Affordability and Sustainability:** DFA will continue to strategically use the DWSRF additional subsidy, set-aside funds and all available Drinking Water funds to achieve affordable compliance, especially for small severely disadvantaged and small disadvantaged communities. Also, DFA will continue to use DWSRF funds to maximize opportunities for consolidation, in coordination with DDW, to increase economies of scale to improve project affordability and PWS sustainability.

Short-Term Goals

1. Identify public health issues and evaluate solutions for SWSs, including technical assistance and consolidation where feasible.
2. Reduce instances of noncompliance with drinking water standards by providing technical and consolidation assistance to SWSs with significant SDWA violations, including those PWSs that are violating the arsenic maximum contaminant level (MCL).

B. Managing the DWSRF Responsibly to Ensure Its Perpetuity

Long-Term Goals

- 1. Use revenue and capital effectively:** Maximize the funding capacity of the DWSRF while minimizing long-term costs to the DWSRF to maximize safe drinking water results. In accordance with the CWSRF/DWSRF *Debt Management Policy*, the State Water Board may also consider leveraging the DWSRF for greater funding capacity. However, additional debt should be balanced against the long-term financial health of the program and the federal requirement to maintain the DWSRF in perpetuity.

2. **Maintain financial integrity:** Financial integrity is a core value of the DWSRF program. Effective internal controls ensure that the program's finances are dependable and trustworthy. Prudent lending practices and reasonable interest rates ensure the stability and continued growth of the DWSRF program.
3. **Provide good customer service with a special emphasis on assisting DACs.** Ensure that the application forms and review procedures are clear, flexible, up-to-date, and efficient. Ensure staff is well trained and ready to help applicants resolve technical, legal, environmental, and financial issues needed to receive financing. Effectively communicate the status of funding applications as well as the general availability of DWSRF funding through a variety of channels.

Short-Term Goals

1. Continue marketing and outreach efforts to PWSs, including application status reports, Spanish translation services, newsletters, and social media to advertise the availability of technical assistance to assist small, and disadvantaged communities as well as large PWSs.
2. Continue regular staff level finance/audit coordination meetings to ensure the immediate and long-term health of the DWSRF.
 - a. Review cash flow forecasts of existing and potential commitments to assess the State Water Board's ability to meet its DWSRF commitments and to evaluate the need for leveraging or actions to regulate cash flows.
 - b. Compare actual performance with targeted performance measures.
 - c. Verify compliance with post-issuance tax compliance and continuing disclosure requirements associated with outstanding DWSRF bonds.
 - d. Review audit issues, program control issues, and prepare for any anticipated audits.
3. Continue to maximize all available DWSRF state match sources for future capitalization grants, including DWSRF Local Match financing options.
4. Coordinate with Environmental Finance Center and stakeholders on completing a program management review of the CWSRF Program to identify potential efficiencies, improvements, or enhancements that would facilitate review processing, and execution of loan agreements and disbursements for both SRF programs. (Fall 2022).

C. Ensuring Timely and Expedient Use of DWSRF Funds

Long-Term Goals

1. **Ensure the timely commitment and disbursement of DWSRF funds:** Prioritize staff and financial resources to the maximum extent possible to ensure that the State Water Board can timely disburse DWSRF funds on existing obligations before considering new obligations.

2. **Maximize cash flow and the disbursement of funds:** Engage in the over-commitment of DWSRF funds based upon cash-flow modeling of projected disbursements relative to anticipated receipt of repayments and other funding sources, including leveraged funds.

Short-Term Goals

1. Apply for and accept the anticipated 2022 Capitalization Grants from U.S. EPA. Upon award, commit funds from the 2022 Capitalization Grants, including the associated state match, by June 30, 2023, so that the federal funds can be utilized in an efficient and timely manner in accordance with 40 C.F.R. § 35.3550(c). The allotment amount of the 2022 Capitalization Grants provided to the State Water Board from U.S. EPA is \$537 million (\$61.8 million Base Program, \$158.7 million General Supplemental, \$66.6 million EC, and \$250.1 million LSLR). (Initially Submitted July 2022, *Complete Submittal September 2022*)
2. Continue to liquidate DWSRF capitalization grants within two to three years of their award by prioritizing disbursements for federal funds to the maximum extent possible.
3. Review cash flow forecasts of existing and potential commitments to assess the State Water Board's ability to satisfy its obligations timely and to also evaluate the need for leveraging or other actions to regulate cash outflows.

D. DWSRF Performance Metrics

The following constitute performance metrics and targets for DFA to enable the timely and efficient processing of applications and disbursements:

1. Fulfill seventy-five percent (75%) of complete disbursement requests in 60 days or less.²⁶
2. Ninety percent (90%) of DWSRF Ranked, Fundable List Applications Executed by End of Fiscal Year.
3. Issue funding agreements (or approve planning workplans) for ninety percent (90%) of projects with complete applications that are eligible for grant/PF under Appendices D and E.

²⁶ Disbursement fulfillment time is the receipt of a complete disbursement request to warrant date. The metric only includes disbursement requests that are complete and acceptable for processing and filled within the same fiscal year. Disbursement requests that are incomplete or not acceptable for processing and/or not filled by fiscal yearend are not included in the performance metric.

4. Provide TA assistance (TA provider or DDW) to ninety percent (90%) of currently incomplete applications for Category A-C projects that are eligible for grant/PF under Appendices D and E (Table 2), who require TA to complete their application.
5. DWSRF Fund utilization rate²⁷ > one hundred and five percent (105%) of available funds.

The SADW Policy establishes additional metrics that DFA will be tracking and for which goals will be set (see Section XI.I of the SADW Policy). The annual FEPs will identify the specific numeric goals and include a summary of progress made. These performance metrics will be used across programs.

E. Response to Climate Change

DFA will provide technical assistance to support water systems' efforts to prepare for and mitigate the impacts of climate change. This may include, but not be limited to, preparing and implementing climate adaptation plans, implementing drought resiliency and preparedness efforts, improving public health outcomes and providing access to safe and affordable drinking water, and efficiently and sustainably managing their drinking water systems and resources.

DFA will ensure that applications and environmental reviews for potential projects evaluate the impacts related to climate change and account for potential mitigation measures. This may include, but not be limited to, evaluating the potential effects of climate change on the viability of funded projects and helping applicants ensure that mitigation and adaptation measures are implemented as fully as practicable.

²⁷ A utilization rate above 100% indicates that the total of the loan commitments exceeds the DWSRF cash available to fulfill those commitments. Overcommitting the available funds is necessary to ensure that an excessive amount of cash does not accumulate in the DWSRF.

VII. SCHEDULE

The estimated schedule for public comment and State Water Board adoption of the SFY 2022-23 DWSRF IUP, and the application, award, and acceptance of the 2022 DWSRF Base and Supplemental Capitalization Grants is as follows:

Submit FFY 2022 Capitalization Grant applications to U.S. EPA	July 15, 2022
Draft IUP and Draft Supplemental IUPs posted for public comment	August 24, 2022
Board Workshop	September 7, 2022
Deadline for Public Comments on Draft IUP and Draft Supplemental IUPs	September 23, 2022
State Water Board considers IUP and Supplemental IUPs at regularly scheduled meeting	October 3, 2022
Receive FFY 2022 Capitalization Grant agreements from U.S. EPA	September 7, 2022

VIII. ACRONYMS

AIS	American Iron and Steel
BABA	Build America, Buy America
BIL	Bipartisan Infrastructure Law (Infrastructure Investment and Jobs Act)
CWS	Community Water System
DAC	Disadvantaged Community
DBE	Disadvantaged Business Enterprise
DDW	Division of Drinking Water
DFA	Division of Financial Assistance
DWSRF	Drinking Water State Revolving Fund
EC	Emerging Contaminants
ESCWS	Expanded Small Community Water System
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
GPR	Green Project Reserve
GWUDI	Groundwater Under the Direct Influence
IUP	Intended Use Plan
LPA	Local Primacy Agency
LSLR	Lead Service Line Replacement
MCL	Maximum Contaminant Level
MHI	Median Household Income
NIMS	National Information Management System
NTNC	Non-Transient Non-Community Water System
PBR	Project Benefits and Reporting
PFAS	Per- and Polyfluoroalkyl Substances
PWS	Public Water System
PWSS	Public Water System Supervision
SCG DW	Small Community Grant Drinking Water
SCWS	Small Community Water System
SDAC	Severely Disadvantaged Community
SDWA	Safe Drinking Water Act
DWSCEG	Drinking Water Small Community Emergency Grant
SFY	State Fiscal Year
SWIFIA	State infrastructure financing authority Water Infrastructure Financing and Innovation Act
SWS	Small Water System
SWSTA	Small Water Systems Technical Assistance
TMF	Technical, Managerial and Financial
ULO	Unliquidated Obligation
U.S. EPA	United States Environmental Protection Agency

IX. APPENDICES

APPENDIX A: SFY 2022-2023 DWSRF Fundable List¹

(Sort Order: Priority Class, Applicant, Project Number)

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Priority Categories	Population	Service Connections	Water System Size ³	Estimated Project Costs	Estimated PF/Grant Amount	Estimated DWSRF Loan
3610064-008C	13	Construction	East Valley Water District	Plant 134 Disinfection Byproduct Mitigation	C	68,000	21,827	Medium	\$4,000,000		\$4,000,000
1910067-057C	15	Construction	Los Angeles, City of Acting by and through the Department of Water & Power	Manhattan Wellfield On-site Hypochlorite Generation Station	D	4,071,873	680,607	Large	\$8,091,000		\$8,091,000
1910067-061C	15	Construction	Los Angeles, City of Acting by and through the Department of Water & Power	Mission Wells Ammoniation Station	D	4,071,873	680,607	Large	\$25,000,000		\$25,000,000
2000865-001P	11	Planning	Madera, County of (MD#58 Sierra Highlands)	MD-58 Sierra Highlands Water System Improvements	E	75	25	Small	\$350,000		\$350,000
5510016-001C	11	Construction	Sierra Park Water Company, Inc.	Sierra Park Water Company Water System Improvements	E	300	347	Small	\$2,000,000		\$2,000,000
3310021-020C	20	Construction	Jurupa Community Services District	Etiwanda Intervalley Water Quality & Water Resiliency Project - Pipeline Phase I & II	F	68,297	24,684	Medium	\$66,180,000		\$66,180,000
3010017-002C	08	Construction	Laguna Beach County Water District	Rimrock Reservoir and Pump Station Replacement Project	F	25,000	8,554	Medium	\$9,600,000		\$9,600,000
1910204-003C	16	Construction	Los Angeles County Waterworks District 29	Owen Tank Replacement	F	27,807	7,733	Medium	\$3,500,000		\$3,500,000
3610039-053C	13	Construction	San Bernardino, City of - Municipal Water Department	Water Distribution Mainline Replacement	F	173,359	42,301	Large	\$3,406,000		\$3,406,000
3710020-077C	14	Construction	San Diego, City of	Morena Pipeline	F	1,266,731	271,962	Large	\$38,180,000		\$38,180,000
3710020-079C	14	Construction	San Diego, City of	Alvarado 2nd Pipeline Extension	F	1,266,731	271,962	Large	\$86,800,000		\$86,800,000
3410021-004C	09	Construction	San Juan Water District	Eureka Road Transmission Line Replacement	F	33,792	10,240	Medium	\$4,000,000		\$4,000,000
3010038-002C	08	Construction	Santa Ana, City of	Automated Meter Infrastructure (GPR Project)	F	353,428	44,610	Large	\$10,117,365		\$10,117,365
3010038-003C	08	Construction	Santa Ana, City of	Well 32 Nitrate Treatment & Rehabilitation	F	353,428	44,610	Large	\$5,290,000		\$5,290,000
3610004-002C	13	Construction	West Valley Water District	Oliver P. Roemer Water Filtration Facility Expansion Project (RWFF Project)	F	63,693	18,198	Medium	\$55,000,000		\$42,011,200
Total Fundable List				Projects =	15			Subtotal =	\$321,514,365	\$0	\$308,525,565

Projects Removed from Fundable List

Project Number	District Number	Project Type	Applicant	Project Title / Description	Class	Population	Service Connections	Water System Size	Estimated Project Costs	Reason for Removal
7844-110	05	Construction	California American Water Company	Calam Monterey Peninsula Water Supply Project	B	93,000	38,000	LWS	\$279,200,000	Removed for lack of progress
5610024-001C	06	Construction	Casitas Municipal Water District	Ventura-Santa Barbara Counties Intertie	F	10,471	3,184	SWS	\$15,520,270	Expected to receive ASADRA funding only ⁴
1910067-056C	15	Construction	Los Angeles, City of Acting by and through the Department of Water & Power	Century Trunk Line Unit 2	F	4,071,873	680,607	LWS	\$43,900,000	Removed for lack of progress
1910067-059C	15	Construction	Los Angeles, City of Acting by and through the Department of Water & Power	City Trunk Line North Unit 1	F	4,071,873	680,607	LWS	\$112,800,000	Removed for lack of progress
4210007-001C	06	Construction	Montecito Water District	Montecito Water Resilience Project	F	13,500	4,529	LWS	\$8,093,000	Expected to receive ASADRA funding only ⁴
Projects Removed =					5	Subtotal =			\$459,513,270	

Notes:

1. Projects eligible for grant/PF under Appendices D and E, and all consolidation incentive projects, are added to the Fundable List after the Deputy Director, or designee, deems the application complete. These projects are potentially eligible for DWSRF Principal Forgiveness, and DFA intends to award PF in the amounts previously discussed to projects from this group. These projects are included on the Comprehensive List.
2. Project numbers and project names are for administrative purposes only. DFA may assign or reassign project numbers and names as necessary to administer projects.
3. Small = water system serving no more than 10,000 people or no more than 3,300 connections; Expanded Small = water system serving more than 10,000 people but no more than 20,000 people, or more than 3,300 service connections but no more than 6,600 service connections; Medium = water system serving more than 20,000 people but no more than 100,000, or more than 6,600 service connections but no more than 30,000 connections; Large = water system serving more than 100,000 people or more than 30,000 connections. See section I.D.
4. Casitas Municipal Water District and Montecito Water District have requested Principal Forgiveness and loan from ASADRA funds and are listed as Fundable in the ASADRA Supplemental IUP.

APPENDIX B: SFY 2022-23 DWSRF Comprehensive List¹

Loan Projects (Non-DAC or Large DAC) - Sort Order: Applicant, Project Number

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
3010001-003C	8	Construction	Anaheim, City of	Groundwater Treatment Plants (PFAS)	F	No	358,000	64,168	Not Disadvantaged	\$85,000,000
2010009-003C	11	Construction	Bakman Water Company	Rolling Hills Water Meter Project	D	No	727	333	Not Disadvantaged	\$5,000,000
7844-110	5	Construction	California American Water Company	Calam Monterey Peninsula Water Supply Project	B	No	93,000	38,000	Not Disadvantaged	\$279,200,000
5610024-001C	6	Construction	Casitas Municipal Water District	Ventura-Santa Barbara Counties Intertie (ASADRA)	F	No	65,000	3,184	Not Disadvantaged	\$15,520,270
3610064-008C	13	Construction	East Valley Water District	Plant 134 Disinfection Byproduct Mitigation	C	No	68,000	21,827	Not Disadvantaged	\$4,000,000
1210004-001C	1	Construction	Eureka, City of	City of Eureka Energy and Water Conservation Project	F	No	32,800	9,949	Large Severely Disadvantaged	\$5,000,000
3310016-009C	20	Construction	Hemet, City of	Water Distribution System Improvements	F	No	20,047	8,667	Not Disadvantaged	\$16,992,000
3310021-021C	20	Construction	Jurupa Community Services District	Roger Teagarden Ion Exchange Plant Improvements Project	E	No	68,297	24,684	Not Disadvantaged	\$20,000,000
3310021-020C	20	Construction	Jurupa Community Services District	Etiwanda Intervalley Water Quality & Water Resiliency Project - Pipeline Phase I & II	F	No	68,297	24,684	Not Disadvantaged	\$66,180,000
3010017-002C	8	Construction	Laguna Beach County Water District	Rimrock Reservoir and Pump Station Replacement Project	F	No	25,000	8,554	Pending	\$9,600,000
1910204-006C	16	Construction	Los Angeles County Waterworks District 29	Creek Crossing Repairs	F	No	27,807	7,733	Not Disadvantaged	\$1,945,000
1910204-002C	16	Construction	Los Angeles County Waterworks District 29	Coastline Drive 12-inch Waterline Replacement	F	No	27,807	7,733	Not Disadvantaged	\$2,025,000
1910204-003C	16	Construction	Los Angeles County Waterworks District 29	Owen Tank Replacement	F	No	27,807	7,733	Not Disadvantaged	\$3,500,000
1910248-001C	16	Construction	Los Angeles County Waterworks District 37	Acton Well 37-5	C	No	4,282	1,377	Not Disadvantaged	\$1,365,000
1910248-002P	16	Planning	Los Angeles County Waterworks District 37	3220 Tank	F	No	4,282	1,377	Not Disadvantaged	\$653,000
1910067-057C	15	Construction	Los Angeles, City of Acting by and through the Department of Water & Power	Manhattan Wellfield On-site Hypochlorite Generation Station	D	No	4,071,873	680,607	Not Disadvantaged	\$8,091,000
1910067-061C	15	Construction	Los Angeles, City of Acting by and through the Department of Water & Power	Mission Wells Ammoniation Station	D	No	4,071,873	680,607	Not Disadvantaged	\$25,000,000

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
1910067-056C	15	Construction	Los Angeles, City of Acting by and through the Department of Water & Power	Century Trunk Line Unit 2	F	No	4,071,873	680,607	Not Disadvantaged	\$43,900,000
1910067-059C	15	Construction	Los Angeles, City of Acting by and through the Department of Water & Power	City Trunk Line North Unit 1	F	No	4,071,873	680,607	Not Disadvantaged	\$112,800,000
1910067-055C	15	Construction	Los Angeles, City of Acting by and through the Department of Water & Power	Fairmont Sedimentation Plant	F	No	4,071,873	680,607	Not Disadvantaged	\$524,700,000
1910079-001P	22	Planning	Lynwood, City of	Well 19 Improvement Project	F	No	73,212	9,035	Large Disadvantaged	\$100,000
2000865-001P	11	Planning	Madera, County of (MD#58 Sierra Highlands)	MD-58 Sierra Highlands Water System Improvements	E	No	75	25	Not Disadvantaged	\$350,000
4210007-001C	6	Construction	Montecito Water District	MONTECITO WATER RESILIENCE PROJECT (ASADRA)	F	No	13,500	4,529	Not Disadvantaged	\$21,226,654
3310051-001P	20	Planning	Myoma Dunes Mutual Water Company	Chromium-6 Treatment and Compliance	C	No	6,600	2,408	Not Disadvantaged	\$2,671,640
0103040-001P	4	Planning	Norris Canyon Property Owners Association	NCPOA Water System Upgrades	B	No	100	19	Not Disadvantaged	\$245,000
0110008-001C	4	Construction	Pleasanton, City of	Per- and Polyfluoroalkyl (PFAS) Treatment and Wells Rehabilitation Project	F	No	83,000	22,000	Not Disadvantaged	\$31,400,000
4810004-002C	4	Construction	Rio Vista, City of	New Well near the High School	F	No	7,376	3,274	Pending	\$2,700,000
4810004-001C	4	Construction	Rio Vista, City of	New Well, Storage Tank and Booster Station in Core	F	No	7,376	3,274	Pending	\$9,300,000
3310044-015C	20	Construction	Rubidoux Community Services District	RCSD Advanced Meter Infrastructure (AMI) Project	F	No	26,177	6,206	Not Disadvantaged	\$3,000,000
3610039-053C	13	Construction	San Bernardino, City of - Municipal Water Department	Water Distribution Mainline Replacement	F	No	173,359	42,301	Large Disadvantaged	\$3,406,000
3710020-080C	14	Construction	San Diego, City of	Otay 2nd Pipeline Steel Replacement Phase 3	F	No	1,266,731	271,962	Pending	\$19,420,000
3710020-082C	14	Construction	San Diego, City of	El Monte Pipeline Number 2	F	No	1,266,731	271,962	Pending	\$28,000,000
3710020-081C	14	Construction	San Diego, City of	Lakeside Valve Station Replacement	F	No	1,266,731	271,962	Not Disadvantaged	\$36,000,000
3710020-083C	14	Construction	San Diego, City of	La Jolla View Reservoir	F	No	1,266,731	271,962	Pending	\$37,000,000
3710020-077C	14	Construction	San Diego, City of	Morena Pipeline	F	No	1,266,731	271,962	Not Disadvantaged	\$38,180,000
3710020-079C	14	Construction	San Diego, City of	Alvarado 2nd Pipeline Extension	F	No	1,266,731	271,962	Not Disadvantaged	\$86,800,000

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
3510002-002C	5	Construction	San Juan Bautista, City of	Water Main from West Hills Water Treatment Plant	F	No	1,720	694	Not Disadvantaged	\$13,150,000
3410021-004C	9	Construction	San Juan Water District	Eureka Road Transmission Line Replacement	F	No	33,792	10,240	Not Disadvantaged	\$3,125,000
3410021-002C	9	Construction	San Juan Water District	Kokila Reservoir Replacement	F	No	33,792	10,240	Not Disadvantaged	\$7,850,000
3010038-003C	8	Construction	Santa Ana, City of	Well 32 Nitrate Treatment & Rehabilitation	F	No	353,428	44,610	Not Disadvantaged	\$5,290,000
3010038-002C	8	Construction	Santa Ana, City of	Automated Meter Infrastructure (GPR Project)	F	No	353,428	44,610	Not Disadvantaged	\$10,117,365
4410010-003C	5	Construction	Santa Cruz, City of	Graham Hill Water Treatment Plant Facility Improvements Project	F	No	96,168	24,523	Not Disadvantaged	\$177,600,000
4400617-001C	5	Construction	Santa Cruz Mountains Summit West, Inc	Mountain Charlie Tank Replacement	F	No	400	139	Not Disadvantaged	\$250,000
5510016-001C	11	Construction	Sierra Park Water Company, Inc.	Sierra Park Water Company Water System Improvements	E	No	300	363	Not Disadvantaged	\$2,000,000
3010055-001C	8	Construction	South Coast Water District	Doheny Ocean Desalination	F	No	20,500	5,619	Not Disadvantaged	\$102,056,000
0910002-031C	9	Construction	South Tahoe Public Utility District	Tahoe/Glenwood Waterline Upgrades	F	No	60,000	13,635	Pending	\$7,567,939
0910002-030C	9	Construction	South Tahoe Public Utility District	Waterline Upgrades and Improvement Project	F	No	60,000	13,635	Pending	\$16,222,000
3610004-002C	13	Construction	West Valley Water District	Oliver P. Roemer Water Filtration Facility Expansion Project (RWFF Project)	F	No	63,693	18,198	Pending	\$55,000,000
0110010-003C	4	Construction	Zone 7 Water Agency	Chain of Lakes PFAS Treatment Facility	E	No	195,000	39	Not Disadvantaged	\$25,000,000
Projects =						49			Subtotal =	\$1,975,498,868

Construction Projects eligible for grant/PF under Appendices D and E, and Consolidation Projects³ - Sort Order: Consolidation Project, Applicant, Project Number

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
5401003-001C	24	Construction	East Orosi Community Services District	New Well and Consolidation	A	Yes	700	106	SDAC	TBD
3010053-001C	08	Construction	Huntington Beach, City of	Old Pirate Lane Consolidation Project	A	Yes	13	24	non-DAC	\$260,000
5400805-005C	24	Construction	Souls Mutual Water Company	Water System Improvement Project	A	Yes	120	36	DAC	\$2,732,036
4200842-001C	06	Construction	St. Marie Mobile Home Park, LLC	City of Santa Maria Water Service Connection	A	Yes	250	78	SDAC	\$100,000
5700788-003C ⁴	09	Construction	Yolo, County of	North Davis Meadows Water Consolidation Project	A	Yes	110	95	non-DAC	\$8,250,000

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
0410006-001C	21	Construction	Butte, County of	Palermo Drinking Water Consolidation Project	C	Yes	22,348	6,772	Pending	\$11,715,000
3310001-014C ⁴	20	Construction	Coachella Valley Water District	Saint Anthony Mobile Home Park Water Consolidation Project	C	Yes	244,472	97,789	SDAC	\$23,439,658
3310001-015C ⁴	20	Construction	Coachella Valley Water District	Valley View Mobile Home Park Consolidation Project	C	Yes	244,472	97,789	SDAC	\$8,100,000
3310007-003C ⁴	20	Construction	Coachella, City of	Shady Lane MHP Water Consolidation Project	C	Yes	38,406	7,460	SDAC	\$1,643,006
0810001-004C	01	Construction	Crescent City, City of	West Park Properties Mobile Home Park Consolidation	C	Yes	14,000	3,416	SDAC	\$523,746
0810001-005C	01	Construction	Crescent City, City of	Butte Court Mobile Home Park Consolidation	C	Yes	14,000	3,416	SDAC	\$349,662
1510006-001C	12	Construction	East Niles Community Services District	North Weedpatch Hwy Water System Consolidation Project	C	Yes	25,500	7,406	SDAC	\$21,671,724
1000299-001C ⁴	23	Construction	Fresno, City of	Three Palms MHP Water Connection Project	C	Yes	202	101	SDAC	\$344,696
5010008-012C	10	Construction	Hughson, City of	Cobles Corner/County Villa Consolidation with City of Hughson	C	Yes	6,082	1,779	non-DAC	\$4,116,274
3600155-001C ⁴	13	Construction	JHC River Ranch Inc, LLC	River Ranch Mobile Park VWD consolidation	C	Yes	300	136	SDAC	\$1,859,950
3700923-003C	14	Construction	Lake Morena's Oak Shores Mutual Water Company, Inc.	Lake Morena Views Consolidation	C	Yes	710	191	DAC	\$13,810,100
1510012-009C ⁴	12	Construction	Lamont Public Utility District	El Adobe Property Owners Association and Lamont PUD Consolidation Project (Part 2)	C	Yes	13,296	3,475	SDAC	\$25,378,596
1510051-001C ⁴	19	Construction	Lebec County Water District	Frazier Mountain High School/Lebec County Water District Water System Improvement Project	C	Yes	830	290	SDAC	\$8,978,720
3610003-001C	13	Construction	Liberty Utilities (Apple Valley Ranchos Water) Co.	Rehabilitation of the Yermo Water System	C	Yes	52,879	18,744	SDAC	\$5,000,000
1502164-001C	19	Construction	Llanas Camp Four Water System	Llanas Camp Four Water System Consolidation	C	Yes	65	53	Pending	\$4,000,000
1910070-002C ⁴	16	Construction	Los Angeles County Waterworks District No. 40, Antelope Valley	Desert Palms Mobile Home Park Intertie Project	C	Yes	144,215	46,878	SDAC	\$1,749,995
2010004-002C ⁴	11	Construction	Madera, County of (MD19 - Parkwood)	New Well and Pipeline Project	C	Yes	1,240	634	SDAC	\$3,347,208
2000561-002C	11	Construction	Madera, County of (MD8 - North Fork)	MD-8A North Fork Water System Improvements Project	C	Yes	264	80	SDAC	\$15,248,000
5010010-005C	10	Construction	Modesto, City of	Riverdale Park Tract CSD Consolidation	C	Yes	212,000	68,497	Pending	\$2,774,400
5610007-001C	06	Construction	Oxnard, City of	Laguna Vista Elementary School Consolidation Project	C	Yes	192,000	37,964	Pending	TBD
3110005-009C ⁴	02	Construction	Placer County Water Agency	Auburn Mobile Home Village Consolidation	C	Yes	27,199	8,242	SDAC	\$424,836

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
3110005-010C	02	Construction	Placer County Water Agency	Shady Glen Consolidation Construction Project	C	Yes	336	120	Pending	\$7,200,000
5410039-003C ⁴	12	Construction	Plainview Mutual Water Company	Plainview Nitrate Relief Project	C	Yes	800	187	SDAC	\$2,593,020
1500458-002C	19	Construction	R.S. Mutual Water Company	R.S. Mutual Water Company consolidation project	C	Yes	67	23	SDAC	\$538,000
3310028-001C	20	Construction	Riverside, County of (CSA 122- Mesa Verde)	Consolidation – Expanded Feasibility Study, Rate Study and Construction Application	C	Yes	1,240	389	Pending	\$7,865,213
4910009-001C	18	Construction	Santa Rosa, City of	City of Santa Rosa Mobile Home Park Consolidation Project	C	Yes	157,985	54,603	non-DAC	\$5,588,000
1000187-001C	23	Construction	Selma Unified School District	Indianola Elementary School Water System Consolidation	C	Yes	500	1	Pending	\$1,869,612
3610109-001C	13	Construction	Sheep Creek Water Company	Sheep Creek Consolidation Project	C	Yes	3,019	1,108	DAC	\$12,300,000
2000506-001C	11	Construction	Sierra Linda Mutual Water Company, Inc.	Consolidation, Metering, and Water Treatment	C	Yes	180	89	SDAC	\$1,133,900
3910012-001C ⁴	10	Construction	Stockton, City of	Century Mobile Home Park and Silvia Avalos Water System Consolidation Project	C	Yes	158,113	46,119	DAC	\$1,223,750
5400903-001C	24	Construction	Tract 92 Community Services District	Tract 92 CSD – CWS Visalia Water System Consolidation Project	C	Yes	500	91	Pending	\$6,076,600
5400550-002C ⁴	24	Construction	Tulare, County of	Yetter and Seville Water System Improvement Project - Phase 2	C	Yes	400	77	SDAC	\$11,520,975
1500578-003C	19	Construction	Weldon Regional Water District	Weldon Regional Water Project	C	Yes	929	436	SDAC	\$20,000,000
0610002-002C ⁴	21	Construction	Colusa, City of	Water Consolidation - Walnut Ranch Community Facilities Improvement	D	Yes	5,625	2,126	SDAC	\$2,000,000
3310017-002C	20	Construction	South Mesa Water Company	Hillcrest Mobile Estates Consolidation	D	Yes	9,018	2,934	Pending	\$442,000
5510013-010C ⁴	11	Construction	Tuolumne Utilities District	Cuesta Heights Water Storage	D	Yes	3,646	1,545	DAC	\$2,633,879
5010026-001C ⁴	10	Construction	Waterford, City of	Hickman Water System Improvements Construction Project	D	Yes	565	181	DAC	\$3,543,673
3610009-002C ⁴	13	Construction	Bighorn-Desert View Water Agency	Potable Water System Improvements Consolidation of Water Systems	E	Yes	5,000	1,903	SDAC	\$11,000,000
4900694-001C	18	Construction	Wright Elementary School District	Wright Elementary and City of Santa Rosa Water System Consolidation	E	Yes	441	11	Pending	TBD
4510001-002C ⁴	02	Construction	Anderson, City of	Anderson Park Village Consolidation	F	Yes	10,050	3,077	SDAC	\$1,238,400
1510017-002C	19	Construction	Indian Wells Valley Water District	Dune 3 Water Company Consolidation Project	F	Yes	30,000	11,643	DAC	\$2,500,000
3310017-001C	20	Construction	South Mesa Water Company	County Line Pipeline Replacement Project	F	Yes	9,018	2,934	non-DAC	\$2,700,000
5510012-002C	11	Construction	Tuolumne Utilities District	Ponderosa Hills Water System Consolidation Project	F	Yes	3,446	1,460	Pending	\$1,950,000
5510012-003C	11	Construction	Tuolumne Utilities District	Ridgewood Pipeline Consolidation Project	F	Yes	3,446	1,460	Pending	\$2,625,735

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
3600012-002C	13	Construction	Apple Valley View Mutual Water Company	Apple Valley View MWC	A	No	200	81	SDAC	\$600,000
5100138-001C ⁴	21	Construction	Browns Elementary School District	Browns School Well Rehabilitation Project	A	No	160	1	Pending	\$1,345,000
3610117-001C	13	Construction	Devore WC	Nitrate Reduction / Blending Project	A	No	1,500	459	Pending	\$2,300,000
2900502-002C	21	Construction	Floriston Property Owners Association, Inc.	Spring Filtration Project	A	No	100	40	DAC	\$2,750,000
5410019-002C	24	Construction	Ivanhoe Public Utility District	Ivanhoe PUD	A	No	4,474	1,113	Pending	\$2,628,270
5400616-001C	24	Construction	Lemon Cove Sanitary District	New Well and Storage Tank Installation Project	A	No	200	50	Pending	\$6,142,021
2702317-001C	05	Construction	Mission Union Elementary School District	Long Term Solution for Nitrate Contamination	A	No	100	1	Pending	TBD
3700118-001C	14	Construction	Mountain Empire Unified School District	Camp Lockett Middle School Water System Improvement Project	A	No	25	3	SDAC	TBD
2700771-001C	05	Construction	Pajaro/Sunny Mesa Community Services District	Springfield MWC - Nitrate	A	No	200	42	Pending	\$8,589,000
0400060-001C	21	Construction	Palermo Union School District	Honcut School Well Project	A	No	40	2	Pending	\$776,200
4100513-001C	17	Construction	San Mateo, County of	Pescadero High School	A	No	400	1	SDAC	\$1,130,523
3400172-001C	09	Construction	Tokay Park Water Company	New Production Well and Interconnection Project	A	No	525	190	DAC	\$462,000
4900568-001C	18	Construction	Valley Ford Water Association	VFWA New Well	A	No	40	16	SDAC	\$1,500,000
1210024-004C	01	Construction	Westhaven Community Services District	Disinfection Byproduct Reduction Project	A	No	490	213	DAC	\$9,000,000
5410025-001C ⁴	12	Construction	Woodville Public Utility District	Replacement Well Project	A	No	1,678	478	Pending	\$2,591,000
4600012-008C	02	Construction	Alleghany County Water District	Ram Spring Improvement Project	B	No	80	55	SDAC	\$720,000
4700503-004C ⁴	01	Construction	Callahan Water District	Water System Improvement Project	B	No	70	29	SDAC	\$2,100,000
2100582-001C ⁴	18	Construction	Nicasio School District	Nicasio School District Water System Upgrade	B	No	70	5	SDAC	\$225,000
5410038-004C	12	Construction	Terra Bella Irrigation District	Disinfection Byproducts Compliance Project	B	No	2,340	718	SDAC	\$1,186,200
1200553-001C ⁴	01	Construction	Weott Community Services District	Water Tank Replacement and Water Treatment Improvement Project	B	No	364	150	Pending	\$3,974,226
1510001-005C	12	Construction	Arvin Community Services District	123 TCP Treatment for Well No.8 and Well No. 13	C	No	11,847	3,446	SDAC	\$3,115,350
1000004-001C	23	Construction	Belmont Water Corporation	Belmont Water Corporation 1,2,3-TCP Mitigation - Construction	C	No	86	46	non-DAC	\$1,442,700
4100529-002P	17	Construction	Camp Loma Mar	Camp Loma Mar Drinking Water State Revolving Fund Construction Financing Application	C	No	350	31	Pending	\$0
1800512-001C	02	Construction	Clear Creek Community Services District	Drinking Water System Improvements	C	No	400	156	SDAC	\$4,996,800
2000611-001C	11	Construction	Coarsegold Elementary School	Coarsegold Arsenic Removal	C	No	600	6	SDAC	\$1,600,000

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
4510007-001P	02	Construction	Cottonwood County Water District	Water System Improvement Project	C	No	2,700	1,065	Pending	\$500,000
1010035-006C ⁴	23	Construction	Del Rey Community Services District	TCP Wellhead Treatment Project at Wells 4, 5, and 7	C	No	1,100	362	SDAC	\$9,042,297
1000546-006C	23	Construction	Fresno, County of (Service Area 49)	CSA 49 Water System Improvements	C	No	450	31	SDAC	\$50,000
5602108-002C	06	Construction	Garden Acres Mutual Water Co	Sustainable Water Assurance for the Next Generation (SWAN)	C	No	795	110	Pending	\$5,235,119
5100107-009C	21	Construction	Golden State Water Company - Robbins System	Robbins System - New Well and Arsenic Removal Treatment (Sutter Co. WWD#1)	C	No	336	94	DAC	\$3,826,475
3600222-001C	13	Construction	Juniper Riviera County Water District	Improvement Project	C	No	332	168	DAC	\$3,000,000
5010009-005C ⁴	10	Construction	Keyes Community Services District	Construction of TCP Treatment Improvements at Well #7, #8, #9, and #10	C	No	4,575	1,450	SDAC	\$10,410,000
5800805-001P	21	Construction	Lake Francis Mutual Water Company	Lake Francis MWC DWSRF Planning Application	C	No	60	26	DAC	\$300,000
3700919-001C	14	Construction	Lake Wohlford Resort	Lake Wohlford Resort	C	No	235	137	Pending	\$2,000,000
1900038-001C	16	Construction	Lancaster Park Mobile Home Park	Lancaster Park Mobile Home Project	C	No	53	21	SDAC	\$1,000,000
2410004-004C ⁴	11	Construction	Livingston, City of	Livingston 1,2,3-TCP Removal Treatment System Project	C	No	14,228	3,550	DAC	\$12,000,000
3400138-001C ⁴	09	Construction	Locke Water Works Company	Locke Water System Intertie w/ SCWA	C	No	65	55	SDAC	\$1,000,000
1210023-003C	01	Construction	Loleta Community Services District	Loleta Water Storage Tank Replacement	C	No	750	236	SDAC	\$1,500,000
0910007-001C	09	Construction	Lukins Brothers Water Company	Phase 2 Waterline Project - James Avenue	C	No	3,168	968	DAC	\$3,309,419
0910007-003C	09	Construction	Lukins Brothers Water Company	Two Well Replacements	C	No	3,168	968	DAC	\$1,500,000
2000729-001C	11	Construction	Madera County of (CSA #16 - Sumner Hill)	Sumner Hill Water System Improvement Project	C	No	135	41	non-DAC	\$4,849,650
2000544-003C	11	Construction	Madera, County of	MD-1 Hidden Lakes Surface Water Treatment Plant	C	No	150	53	non-DAC	\$1,000,000
2010008-006C ⁴	11	Construction	Madera, County of (MD10A - Madera Ranchos)	Dublin Plant - Storage Tank and Booster Pump Station	C	No	2,255	922	non-DAC	\$3,381,457
2010008-007C	11	Construction	Madera, County of (MD10A - Madera Ranchos)	Meter and Pipeline Replacement Project	C	No	2,255	922	non-DAC	\$36,482,438
2210907-001C	11	Construction	Mariposa County Unified School District	Sierra Foothill Charter School Safe Drinking Water Project	C	No	93	1	Pending	TBD
0202504-002C ⁴	09	Construction	Markleeville Water Company	Markleeville Water Company System Improvement Project	C	No	25	167	DAC	\$5,875,000
2300584-001C ⁴	03	Construction	Mendocino Unified School District	MUSD Water Supply and Storage Project	C	No	750	15	SDAC	\$4,600,000
1900785-001C	16	Construction	Mitchell's Avenue E Mobile Home Park	Mitchell's Avenue E. Park - Arsenic Treatment Facility & Well Drilling	C	No	35	24	SDAC	\$1,110,000
0410007-003C	21	Construction	Paradise Irrigation District	Paradise Irrigation District Water System Recovery and Reservoir B Replacement Project	C	No	26,299	10,063	DAC	\$23,367,540
1010025-001C ⁴	11	Construction	Parlier, City of	1,2,3-TCP Removal Treatment Systems	C	No	15,312	2,429	SDAC	\$14,233,850

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
1200541-003C	01	Construction	Phillipsville Community Services District	Water Quality, Supply, and Distribution Improvements Project	C	No	300	65	Pending	\$3,850,964
3301380-001C	20	Construction	Pueblo Unido Community Development Corporation	St. Anthony On-Site Water Distribution System	C	No	250	60	SDAC	\$1,101,203
4100522-001P	17	Construction	Redwood Glen	Redwood Glenn Supply Adequacy Improvements	C	No	25	10	non-DAC	\$504,300
3600114-003C	13	Construction	San Bernardino, County of	CSA 70 W3 Hacienda Uranium Treatment Facilities	C	No	695	139	DAC	\$56,000
3600226-001C	13	Construction	San Bernardino, County of	CSA 70 F Morongo Uranium Treatment Facilities	C	No	450	90	DAC	\$455,000
1010034-005C ⁴	23	Construction	San Joaquin, City of	San Joaquin Phase 2 Water System Improvement Project	C	No	4,020	735	SDAC	\$7,930,000
3910014-001C	10	Construction	San Joaquin, County of	Raymus Village TCP Mitigation Project	C	No	1,086	329	non-DAC	\$1,900,000
1910017-002C	22	Construction	Santa Clarita Valley Water Agency	Santa Clarita Valley Water Agency Groundwater Contamination Treatment	C	No	111,000	28,014	non-DAC	\$24,000,000
4600019-001C ⁴	02	Construction	Sierra County (Calpine) Waterworks District No. 1	New Well and Treatment Facilities	C	No	225	142	non-DAC	\$2,600,000
4900510-001C	18	Construction	South Cloverdale Water Corporation	Proposition 1 Technical Assistance (TA) Work Plan	C	No	90	37	SDAC	\$117,808
1700536-004C ⁴	3	Construction	Sunrise Shore Mutual Water Company	Compliance and Sustainability Project	C	No	83	42	DAC	\$1,789,000
5410014-002C	12	Construction	Tipton Community Services District	North Burnett Road Water System Project	C	No	1,998	608	SDAC	\$4,150,000
1010030-007C	23	Construction	Tranquillity Irrigation District	TID Rural Water System Improvement Project	C	No	897	348	SDAC	\$4,700,000
5610003-001C	06	Construction	Ventura County Waterworks District No. 17	Bell Canyon Reservoir #3	C	No	2,154	711	Pending	\$10,400,000
1510021-004C	12	Construction	Wasco, City of	Water System Improvement & Treatment Project	C	No	19,448	3,936	Pending	\$15,975,965
1503475-001C	19	Construction	Western Acres Mutual Water Company	TCP Treatment Design Project	C	No	310	90	Pending	TBD
3301529-001C	20	Construction	Western Water Conservation	ANZA-RAMONA WATER SYSTEM IMPROVEMENT PROJECT	C	No	250	106	SDAC	\$5,780,000
1310008-003C	14	Construction	Westmorland, City of	Westmorland Water Treatment Plant Improvements	C	No	2,444	601	SDAC	\$5,000,000
4710011-003C ⁴	01	Construction	Yreka, City of	Water Supply and Storage Improvements	C	No	7,290	2,876	SDAC	\$4,939,000
3610002-001C ⁴	13	Construction	Alpine Water Users Association	Alpine Water Users Association Meter Replacement Project	D	No	3,000	965	DAC	\$498,288
2000597-001C	11	Construction	Alview-Dairyland Union School District	Dairyland Elementary School New Well and Alview Elementary School Back-Up Source	D	No	250	1	SDAC	\$930,000
1610002-003C	12	Construction	Avenal, City of	Water Meter Replacement Project	D	No	16,737	1,936	SDAC	\$1,652,850

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
0610002-001C	21	Construction	Colusa, City of	City of Colusa Well Consolidation Project	D	No	5,625	2,126	SDAC	\$3,495,624
4400571-005C	05	Construction	Davenport County Sanitation District	Old Coast Water Line Extension	D	No	350	130	SDAC	\$240,066
4500008-001C	02	Construction	Lakeshore Villa Mutual Water Company	Meter Installation	D	No	134	48	SDAC	\$32,600
4300721-001C	17	Construction	Loma Prieta Joint Union School District	Loma Prieta Joint Unified School District Drinking Water Supply	D	No	462	6	SDAC	\$264,988
0910007-004C	09	Construction	Lukins Brothers Water Company	Lukins Brothers Water Company Inc. Meter Project	D	No	3,168	968	DAC	\$3,974,600
2010008-002C	11	Construction	Madera, County of	MD #10A- Consolidation Incentive Construction Project	D	No	2,255	922	non-DAC	\$15,508,940
2000728-001C ⁴	11	Construction	Madera, County of (MD37 - La Vina)	MD37 La Vina - Water Meter Installation Project	D	No	350	99	SDAC	\$365,554
5810006-002C	21	Construction	North Yuba Water District	North Yuba Meter Replacement Project	D	No	5,303	695	DAC	\$3,361,000
5400519-001C	24	Construction	Palo Verde Union Elementary School District	Palo Verde Elementary School Well Project	D	No	500	26	SDAC	\$645,000
0310005-002C ⁴	10	Construction	Pine Grove Community Services District	Meter Replacement Project	D	No	900	361	DAC	\$2,725,000
2410018-003C ⁴	11	Construction	Santa Nella County Water District	Residential Water Meter Improvement Project	D	No	1,500	454	DAC	\$319,153
1800575-001C	02	Construction	Shaffer Union Elementary School District	Shaffer Elementary School Source Capacity Project	D	No	320	1	SDAC	\$554,996
1010030-008C	23	Construction	Tranquillity Irrigation District	TID Ag Well 19B Treatment	D	No	897	348	SDAC	\$4,237,000
4710009-002C	01	Construction	Weed, City of	City of Weed Bypass Water Supply Pipeline Project	D	No	2,963	1,042	SDAC	\$6,906,000
4510003-003C	02	Construction	Burney Water District	Burney Water District Water System Improvement Project	E	No	3,000	1,377	SDAC	\$5,135,000
1010005-003C	23	Construction	Firebaugh, City of	HUD Water Storage Tank	E	No	6,500	1,347	SDAC	\$4,851,300
1010034-004C ⁴	23	Construction	San Joaquin, City of	Well #3 and Well #5 Manganese Removal System	E	No	4,020	735	SDAC	\$8,235,000
5510016-001C	11	Construction	Sierra Park Water Company, Inc.	Sierra Park Water Company Water System Improvements	E	No	300	363	non-DAC	\$1,250,000
1910160-010C ⁴	07	Construction	Tract 349 Mutual Water Company	Tract 349 Water Quality Improvement Project	E	No	8,500	920	SDAC	\$7,381,950
3610053-001C	13	Construction	Western Heights Water Company	Lead and Copper Service Lateral Replacement	E	No	7,120	2,225	Pending	\$5,300,000
4510001-001C	02	Construction	Anderson, City of	Anderson Heights Reservoir Replacement and Pressure Regulating Valve (PRV) Station Project	F	No	10,050	3,077	SDAC	\$2,250,000
0510003-003C	10	Construction	Angels, City of	City of Angels Water Treatment Plant Improvements	F	No	3,441	1,773	Pending	\$6,000,000

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3301180-001C ⁴	20	Construction	Anza Mutual Water Co., Inc.	Anza Mutual Water System Improvements Project	F	No	200	82	SDAC	\$5,000,000
3600009-001C	13	Construction	Apple Valley Heights County Water District	Storage Tanks and Transmission Pipeline Improvements Project	F	No	977	286	SDAC	\$3,350,000
1210001-001C	01	Construction	Arcata, City of	Steel Water Line Replacement	F	No	16,651	5,278	SDAC	\$4,945,963
1910108-001C	15	Construction	Bell Gardens, City of	Bell Gardens Water Reservoir Construction Project	F	No	5,247	1,590	SDAC	\$4,205,000
0410001-002C ⁴	21	Construction	Biggs, City of	Storage Tank and Pump Station	F	No	1,805	650	DAC	\$5,000,000
4400751-002C	05	Construction	Bonny Doon Union Elementary School District	Bonny Doon School Water System Storage Tank Replacement	F	No	165	9	Pending	\$1,500,000
4510016-003C ⁴	02	Construction	Clear Creek Community Services District	Clear Creek Community Services District Backwash Ponds Repair Project	F	No	8,000	2,645	DAC	\$3,060,633
1710012-001C	03	Construction	Cobb Area County Water District	Pine View Heights Distribution System Improvements	F	No	2,500	708	Pending	\$2,000,000
1710012-003C	03	Construction	Cobb Area County Water District	Mount Hanna Distribution System Improvements	F	No	2,500	708	Pending	\$2,000,000
5410002-002C ⁴	24	Construction	Dinuba, City of	Well #21 Project	F	No	25,759	6,311	SDAC	\$950,000
2310001-002C	03	Construction	Fort Bragg, City of	Raw Water Line Replacement Project	F	No	6,963	2,791	SDAC	\$12,337,250
4710003-001C	01	Construction	Fort Jones, Town of	Water Meter Replacement	F	No	675	342	SDAC	\$883,202
5602108-001C	06	Construction	Garden Acres Mutual Water Co	SWAN Tank B Inlet/Outlet Modernization Upgrade	F	No	795	110	Pending	\$209,036
2910001-004C	21	Construction	Grass Valley, City of	Water Distribution System Pipeline Repair and Replacement	F	No	5,600	2,328	SDAC	\$5,000,000
2910001-005C	21	Construction	Grass Valley, City of	Water Treatment Plant Improvement Project	F	No	5,600	2,328	SDAC	\$5,000,000
2910001-006C	21	Construction	Grass Valley, City of	Water Service, Earthquake Preparation, and Control Project	F	No	5,600	2,328	SDAC	\$5,000,000
2710008-002C	05	Construction	Greenfield, City of	Elm Avenue Well, Booster Station, Reservoir, and Connecting Distribution Pipeline	F	No	17,547	3,469	Pending	\$5,500,000
5510009-002C ⁴	11	Construction	Groveland Community Services District	GCSD Water System Improvements	F	No	3,147	3,230	Pending	\$5,352,675
4700513-005C	01	Construction	Hornbrook Community Services District	Hornbrook CSD Improvement Project	F	No	280	141	Pending	\$8,880,000
1710006-006C	03	Construction	Konocti County Water District	Cache Creek Mobile Home Estates Water Service Connection Project	F	No	4,986	1,733	SDAC	\$812,713
2800526-006C	03	Construction	Lake Berryessa Resort Improvement District	Water Tank No. 3 Replacement and Distribution Improvements	F	No	500	188	DAC	\$1,753,858
1710022-009C	03	Construction	Lake, County of (CSA 20)	Soda Bay Water Treatment Plant Improvements	F	No	1,342	596	SDAC	\$5,000,000

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1710010-002C	03	Construction	Lower Lake County Water District	Lower Lake/Konocti/Highlands Emergency Interties	F	No	1,902	851	SDAC	\$1,200,000	
1210017-001C ⁴	01	Construction	Manila Community Services District	Manila CSD Water Infrastructure Improvement Project	F	No	1,000	343	SDAC	\$3,504,000	
4900551-001C	18	Construction	Melita Heights Mutual Water Company	Water Tank Replacement	F	No	60	19	Pending	\$180,000	
4710008-003C	01	Construction	Mt. Shasta, City of	Water Distribution System Improvements	F	No	3,642	1,675	SDAC	\$6,125,000	
3610032-005C	13	Construction	Needles, City of	New 1.5 MG Storage Tank	F	No	3,631	1,832	SDAC	\$2,780,608	
2310007-018C ⁴	03	Construction	North Gualala Water Company, Incorporated	Parr Tank and Pipeline Improvement Project	F	No	2,630	1,068	DAC	\$1,440,000	
3110001-001C	02	Construction	North Tahoe PUD - Main	Kings Beach Grid and Brockway Water System Improvements	F	No	5,000	3,294	non-DAC	\$14,000,000	
1010023-004C	23	Construction	Orange Cove, City of	Water Treatment Plant Improvements	F	No	9,780	1,450	SDAC	19,438,750	
1200701-001C ⁴	01	Construction	Orick Community Services District	Water System Improvement Project	F	No	400	139	SDAC	\$1,246,220	
1206002-001C	01	Construction	Palomino Estates M.W.C.	Palomino Estates Water System Upgrade Project	F	No	64	19	SDAC	\$2,320,000	
1000345-003C	23	Construction	Panoche Water District	Drinking Water Treatment Plant	F	No	27	15	Pending	\$9,340,000	
0310005-003C	10	Construction	Pine Grove Community Services District	Infrastructure Replacement	F	No	900	361	DAC	\$5,000,000	
1210012-008C	01	Construction	Rio Dell, City of	Water Distribution System Improvement Project	F	No	3,174	1,134	SDAC	\$9,672,770	
0310006-002C ⁴	10	Construction	River Pines Public Utility District	River Pines PUD Storage and Distribution Rehab Project	F	No	510	210	SDAC	\$5,000,000	
3600220-001C ⁴	13	Construction	San Bernardino, County of	CSA 42 Oro Grande Reservoir Rehabilitation/Replacement Project	F	No	700	140	SDAC	\$1,244,112	
1010029-002C	11	Construction	Sanger, City of	City of Sanger Water Capacity Project	F	No	25,404	5,971	DAC	\$4,000,000	
4510013-005C	02	Construction	Shasta Community Services District	Shasta CSD Office Building Project	F	No	2,320	708	DAC	\$3,105,000	
4910028-001C	18	Construction	Sweetwater Springs Water District	Monte Rio Bridge Water Main Attachment	F	No	3,000	1,061	DAC	\$800,000	
3110013-001C	02	Construction	Tahoe City Public Utility District	Tahoe Cedars Interconnection and Distribution Improvements	F	No	2,775	1,114	non-DAC	\$22,000,000	
3110043-001C	02	Construction	Tahoe City Public Utility District	Madden Creek Interconnection and Distribution Improvements	F	No	518	175	non-DAC	\$13,000,000	
5510012-001C	11	Construction	Tuolumne Utilities District	Sierra Pines Water Treatment Facility	F	No	3,446	1,460	Pending	\$30,000,000	
0510001-002C ⁴	10	Construction	Union Public Utility District	Treatment Plant Backwash/Recycling and Storage Tank Aeration Project	F	No	4,300	1,521	Pending	\$1,377,000	
1210015-002C ⁴	06	Construction	Willow Creek Community Services District	Brannan Mountain Water Storage Tank	F	No	1,030	344	DAC	\$1,907,550	
			Construction Projects eligible for grant/PF and Consolidation Projects=				185			Subtotal =	\$872,034,498

Planning Projects - Sort Order: Consolidation Project, Applicant, Project Number

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
1995015-001P	07	Planning	Palmdale Water District	Alpine Mobile Home Park Consolidation and Palmdale Water District Sierra Highway Reservoir Project	C	Yes	175	53	SDAC	\$475,000
3110005-009P	02	Planning	Placer County Water Agency	Heather Glen Consolidation Planning Project	C	Yes	250	86	Pending	\$500,000
0600005-005P	21	Planning	Colusa, County of	CSA1/CSA2 Consolidation project	D	Yes	200	66	Pending	\$433,600
0710007-002P	04	Planning	Diablo Water District	Willow Mobile Home Park Consolidation	F	Yes	33,250	9,907	Pending	\$450,000
0710007-003P	04	Planning	Diablo Water District	Bethel Island Consolidation	F	Yes	40,144	12,054	Pending	TBD
5301002-005P	01	Planning	Lewiston Community Services District	Bud Fine MWC and Lewiston CSD Consolidation Project	F	Yes	150	37	Pending	\$233,000
5000072-001P	10	Planning	Mulberry Mobile Home Park	Water System Metering and Consolidation	F	Yes	49	42	SDAC	\$243,000
5200008-001P	21	Planning	Breese Mutual Water Company	Breese Subdivision 2 Consolidation	TBD	Yes	90	33	Pending	TBD
5500040-001P	11	Planning	Blue Bell Valley Mutual Water Company	The Blue Bell Valley Nitrate Removal & Water System Improvements	A	No	230	90	Pending	\$49,000
5700623-001P	09	Planning	Davis Joint Unified School District	Fairfield Elementary School Improvements to Water Quality	A	No	65	1	SDAC	\$500,000
2701040-001P	05	Planning	Hacienda Investments, Inc.	Hacienda Apartments (aka McCoy Rd WS #05)	A	No	72	24	Pending	\$160,000
2000589-001P ⁴	11	Planning	Legacy Development, LLC	MPMH Well Replacement	A	No	60	32	SDAC	\$500,000
2702317-001P	05	Planning	Mission Union Elementary School District	Long Term Solution for nitrate contamination	A	No	100	1	Pending	TBD
5304502-001P	01	Planning	Salyer Heights Water Supply, Inc.	Salyer Heights New Treatment Plant & Water Tanks Project	A	No	82	42	SDAC	\$159,500
5000295-001P	10	Planning	Shiloh School District	Shiloh School Planning Project	A	No	105	7	Pending	\$425,000
1100616-001P	21	Planning	Elk Creek Community Services District	Elk Creek CSD-Water Treatment Plant Improvements	B	No	300	90	DAC	\$180,000
1200553-001P	01	Planning	Weott Community Services District	Replacement of Raw and Treated Water Transmission Pipelines	B	No	364	150	Pending	\$455,783
0600121-001P ⁴	NA	Planning	Big Sandy Rancheria of Western Mono Indians of California	Big Sandy Rancheria Water System Capital Improvement	C	No	150	55	DAC	\$213,607
0600122-001P	NA	Planning	Bishop Paiute-Shoshone Tribe	Bishop Paiute Tribe Water System Improvements	C	No	2,150	748	SDAC	\$233,932
5800924-001P	88	Planning	Camptonville Comm. Serv. Dist	Water System Resiliency Project	C	No	180	72	SDAC	\$621,202
1010039-004P	23	Planning	Caruthers Community Services District	Well 3 & 5 GAC/1,2,3-TCP Treatment	C	No	2,103	672	SDAC	\$645,000

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
1000206-002P ⁴	23	Planning	Central Unified School District	Houghton-Kearney K-8 School Well Project	C	No	310	94	SDAC	\$722,000
5000109-001P	10	Planning	Ceres Unified School District	Westport Elementary - Ceres Unified School District Water Quality Project	C	No	100	1	SDAC	\$500,000
5410001-004P	24	Planning	Cutler Public Utility District	Water Supply Improvements Project	C	No	6,200	1,218	SDAC	\$406,900
5410001-005P	24	Planning	Cutler Public Utility District	Surface Water Treatment Plant Project	C	No	6,200	1,218	Pending	\$500,000
2410006-001P	11	Planning	Delhi County Water District	Drinking Water Planning Project	C	No	5,548	2,253	DAC	\$493,000
5410003-001P ⁴	24	Planning	Exeter, City of	Drinking Water System Improvement Project	C	No	10,334	3,317	Pending	\$617,683
5000273-002P ⁴	10	Planning	Gratton School District	Gratton Elementary School Drinking Water Planning Project	C	No	110	2	SDAC	\$280,470
0410004-003P	21	Planning	Gridley, City of	Wilson Well Assessment	C	No	6,403	2,077	DAC	\$278,605
3610017-001P ⁴	13	Planning	Havasu Water Company	Havasu Water Company Improvements Plan	C	No	350	211	SDAC	\$442,200
1010044-009P	23	Planning	Huron, City of	City of Huron New Groundwater Well and Miscellaneous Potable Water System Improvements	C	No	7,306	862	SDAC	\$280,000
5410019-001P	24	Planning	Ivanhoe Public Utility District	Well No. 6 Improvements	C	No	4,474	1,113	SDAC	\$382,180
0800548-001P	01	Planning	Klamath Community Services District	Water Storage Tank Replacement and Infrastructure Improvement	C	No	100	41	SDAC	\$500,000
5410017-004P ⁴	12	Planning	London Community Services District	1,2,3-TCP Compliance Improvements	C	No	1,638	432	SDAC	\$500,000
1710010-001P	03	Planning	Lower Lake County Water District	Lower Lake CWD - Source Capacity & Treatment Plant	C	No	1,902	851	SDAC	\$500,000
2010008-005P	11	Planning	Madera, County of (MD10A - Madera Ranchos)	MD10A New Wells Improvement Project	C	No	2,255	922	non-DAC	\$2,990,712
5510026-001P	11	Planning	Phoenix Lake Estates Country Club Mutual Water Company	Phoenix Lake Estates Country Club Mutual Water Company Water Supply	C	No	870	351	SDAC	\$500,000
5410009-001P	12	Planning	Pixley Public Utilities District	Well 2A/3A/4A/5 TCP Study	C	No	2,793	800	SDAC	\$469,200
1210011-001P	01	Planning	Redway Community Services District	Drinking Water Improvements Planning Project	C	No	1,500	638	DAC	\$485,790
5110007-001P ⁴	21	Planning	Sutter Community Services District	Sutter CSD Water Storage Reservoir	C	No	2,885	1,025	non-DAC	\$276,000
3700958-001P	14	Planning	The Los Tules Mutual Water Company	Los Tules Mutual Water Company Infrastructure and Fire Safety Project	C	No	140	100	SDAC	\$30,000
3301045-001P	20	Planning	Blythe Mobile Home Estates	Water Filtration System for Iron and Manganese Project	D	No	35	24	SDAC	\$459,000
3200509-001P	02	Planning	Clio Public Utility District	Clio Public Utility District Meter Project	D	No	74	49	Pending	\$500,000
4210009-001P ⁴	06	Planning	Cuyama Community Services District	Cuyama CSD Water System Capital Improvements	D	No	820	253	DAC	\$570,000
1210019-001P	01	Planning	Hydesville County Water District	Hydesville County Water District Water System Improvements	D	No	1,200	394	DAC	\$679,677
3900805-001P	10	Planning	Morepark Properties, LP	Morehead Park CWS Meter Project	D	No	300	108	non-DAC	\$50,000

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
3700117-001P	14	Planning	Mountain Empire Unified School District	Mountain Empire High School Water Facility Reconstruction Project	D	No	1,000	11	SDAC	\$496,000
3700963-001P	14	Planning	Mountain Empire Unified School District	Potrero Elementary School Water Facility Reconstruction Project	D	No	300	19	SDAC	\$480,000
4700531-005P ⁴	01	Planning	Tennant Community Services District	Water Distribution Replacement Project	D	No	94	94	DAC	\$253,000
3702354-001P ⁴	14	Planning	Warner Springs Estates Homeowners Association	Warner Springs Tank, Wells, and Meters Improvement Project	D	No	340	287	SDAC	\$365,500
1010021-002P	23	Planning	Mendota, City of	Water Supply Planning Project	E	No	8,656	1,680	SDAC	\$500,000
3600306-005P ⁴	13	Planning	Thunderbird CWD	Thunderbird CWD Planning for Water Production Facility, Well 5	E	No	720	332	DAC	\$660,000
1500371-001P	19	Planning	Union Pacific Railroad Company	Keene Water System - New Water Supply and System Modifications	E	No	147	42	SDAC	\$500,000
5200014-001P	21	Planning	Wilson Acres Mutual Water Company	Wilson Acres MWC Infrastructure Rehabilitation Project	E	No	80	29	DAC	\$195,000
2210925-001P	11	Planning	Yosemite Terrace Estates LLC	Yosemite Terrace Estates-Iron & Manganese Mitigation & Source Capacity Improvements	E	No	40	52	SDAC	\$526,000
3301491-003P	20	Planning	Alpine Village	Planning for Uranium treatment and Meter Installation	F	No	130	33	DAC	\$221,200
2510001-001P	05	Planning	Alturas, City of	City of Alturas Drinking Water Improvement Project	F	No	2,600	1,470	Pending	\$500,000
1200592-001P	01	Planning	Big Lagoon Community Services District	Big Lagoon Pipeline Replacement Serving the School District	F	No	140	35	SDAC	\$54,600
1700561-001P	03	Planning	Blue Lakes Improvement Club Water, Inc.	Blue Lakes Water System Improvements	F	No	150	43	SDAC	\$90,000
1200587-003P	01	Planning	Briceland Community Services District	Briceland Water Sytem Rehabilitation	F	No	75	27	DAC	\$280,000
4510003-002P	02	Planning	Burney Water District	Burney Water District Water Storage Planning Project	F	No	3,000	1,377	SDAC	\$380,000
0510002-004P	10	Planning	Calaveras Public Utilities District	Jeff Davis Water Treatment Plant Improvements Project	F	No	4,758	1,903	DAC	\$483,000
2510002-001P	01	Planning	Cedarville County Water District	Cedarville Capital Improvements	F	No	500	265	SDAC	\$490,000
4510016-004P ⁴	02	Planning	Clear Creek Community Services District	Distribution Pipe Replacement	F	No	8,000	2,645	SDAC	\$500,000
4400571-006P	05	Planning	Davenport County Sanitation District	Davenport Diversion Facility Upgrade Feasibility Study	F	No	350	130	SDAC	\$475,000
1000221-002P	23	Planning	Easton Community Water System Authority	Easton Authority Water Connection Project	F	No	1,150	23	SDAC	\$102,055
4510008-002P	02	Planning	Fall River Valley Community Services District	Water System Improvements	F	No	1,600	490	Pending	\$2,016,000
1210008-007P ⁴	01	Planning	Garberville Sanitary District	Meadows Aerial Waterline Reconstruction Project	F	No	1,500	420	SDAC	\$300,000

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
0410004-002P	21	Planning	Gridley, City of	Waterline Replacement Project	F	No	6,403	2,077	SDAC	\$560,914
0910006-001P	09	Planning	Grizzly Flats Community Services District	Water System Improvement Planning Project	F	No	1,300	609	DAC	\$385,000
3210010-001P	02	Planning	Hamilton Branch Community Services District	Capacity Development & Associated Infrastructure Improvements	F	No	1,624	495	Pending	\$775,000
4500023-001P	02	Planning	Hat Creek Highlands Mutual Water Company	Hat Creek Highlands Mutual Water Company Application for Planning and Design Financing	F	No	75	43	Pending	TBD
3100038-001P	02	Planning	Heather Glen Community Services District	Water Treatment Plant Storage and Reliability Project	F	No	250	86	SDAC	\$434,350
1710003-001P	03	Planning	Highlands Water Company	Highlands Water Treatment Plant and Distribution Improvements	F	No	5,300	2,303	SDAC	\$500,000
1610007-003P	12	Planning	Home Garden Community Services District	Home Garden System Deficiencies Planning Project	F	No	1,750	502	SDAC	\$350,000
4700513-004P	01	Planning	Hornbrook Community Services District	Hornbrook Water Treatment Plant Rehabilitation	F	No	280	141	SDAC	\$497,000
0310001-001P ⁴	10	Planning	Jackson, City of	Martell Reservoir Replacement	F	No	5,223	2,089	DAC	\$474,000
3710011-001P ⁴	14	Planning	Jacumba Community Services District	Jacumba CSD Distribution System Replacement Project	F	No	500	221	SDAC	\$228,820
5304209-001P ⁴	01	Planning	Junction City Elementary School District	Junction City School Water System Evaluation and Source Improvement Project	F	No	100	1	DAC	\$138,000
3610045-001P	13	Planning	Lake Arrowhead Community Services District	Rimforest Planning	F	No	256	298	SDAC	\$372,000
1710018-002P ⁴	03	Planning	Lake County Special Districts	Spring Valley Distribution System Upgrades	F	No	1,018	420	DAC	\$387,003
5510008-014P	11	Planning	Lake Don Pedro Community Services District	Surface Water Reliability and Water Treatment Plant Modernization	F	No	3,600	1,442	Pending	\$500,000
2410011-001P	11	Planning	Le Grand Community Services District	Le Grand Community Services District Well Site Seven	F	No	1,700	415	SDAC	\$297,600
1910084-001P	16	Planning	Maywood Mutual Water Company #1	Water Quality Improvement Project	F	No	5,500	1,161	SDAC	\$485,000
4710006-001P	01	Planning	McCloud Community Services District	McCloud CSD Distribution System Improvements Project	F	No	1,020	728	Pending	\$500,011
1200707-001P ⁴	01	Planning	Miranda Community services District	MCSD Tank Replacement	F	No	600	143	SDAC	\$185,000
5500243-001P	11	Planning	OLA Rambling Hills, LLC	Water Source Planning	F	No	78	39	SDAC	\$500,000
1010023-006P ⁴	23	Planning	Orange Cove, City of	City of Orange Cove Water Supply Reliability Project	F	No	8,500	1,450	SDAC	\$500,000
1995015-002P	07	Planning	Palmdale Water District	Palmdale Water District Sierra Highway Reservoir Project	F	No	115,525	26,797	non-DAC	\$475,000
4110020-001P	17	Planning	Palo Alto Park MWC	PAPMWC Iron and Manganese Removal System	F	No	2,500	652	SDAC	\$500,000

Project Number ²	District Number	Project Type	Applicant	Project Title / Description	Class	Consolidation Project	Population	Service Connections	Degree of Disadvantaged	Estimated/ Requested Project Costs
0900308-001P	09	Planning	Quintette Service Corporation, Inc	Quintette Service Corporation Infrastructure Enhancement Project	F	No	100	41	DAC	\$694,914
1200518-001P	01	Planning	Riverside Community Services District	Riverside CSD Backup Well	F	No	293	98	DAC	\$100,000
4010028-001P ⁴	06	Planning	San Luis Obispo, County of	Shandon (CSA 16) - Water System Improvement Project	F	No	1,030	344	SDAC	\$622,358
1210010-001P	01	Planning	Scotia Community Services District	Scotia Water Treatment Facility Replacement	F	No	1,000	309	SDAC	\$500,000
4500317-001P	02	Planning	Shasta, County of	Shasta County CSA#11 - French Gulch Modernization	F	No	185	100	SDAC	\$455,000
0810002-001P ⁴	01	Planning	Smith River Community Services District	Smith River Infrastructure Rehabilitation Project	F	No	2,568	508	SDAC	\$455,000
3610051-001P	13	Planning	Valley of Enchantment Mutual Water Company	Infrastructure Replacements, tanks, services lines, auto metering systems	F	No	1,815	823	DAC	\$500,000
0510010-001P	10	Planning	Valley Springs Public Utility District	Distribution System Improvement Project	F	No	900	276	Pending	\$620,000
2900523-003P	21	Planning	Washington Water District	Water System Improvements	F	No	250	130	SDAC	\$499,120
5310001-012P ⁴	01	Planning	Weaverville Community Services District	East Weaver WTP Construction Project	TBD	No	3,554	1,577	SDAC	\$733,000
Planning Projects =						94	Subtotal =			\$41,695,696
Total Comprehensive List Projects =						328	Total =			\$2,889,229,062

Notes:

1. Projects eligible for grant/PF under Appendices D and E, and all consolidation incentive projects, are added to the Fundable List after the Deputy Director, or designee, deems the application complete.
2. Project numbers and project names are for administrative purposes only. DFA may assign or reassign project numbers and names as necessary to administer projects.
3. Construction Projects eligible for grant/PF under Appendices D and E are potentially eligible for DWSRF Principal Forgiveness, and DFA intends to award PF in the amounts previously discussed to projects from this group. The demand for grant/PF well exceeds the \$108 million in principal forgiveness available from the FFY 2022 DWSRF Base Program and General Supplemental capitalization grants.
4. Projects have a complete funding application and are therefore added to the Fundable List (per footnote 1).

APPENDIX C: SFY 2022-23 DWSRF IUP Fiscal Impact Summary²⁸

	Projected SFY 2022-23	Projected SFY 2023-24	Projected SFY 2024- 25	Projected SFY 2025-26	Projected SFY 2026-27
Beginning Balance (Cash + Undrawn Federal Capitalization Grants)	\$134,066,448	\$375,411,446	\$314,745,722	\$416,264,250	\$529,698,489
Estimated Principal Payments + Interest Earnings	\$92,013,268	\$117,931,776	\$117,348,903	\$116,591,739	\$115,835,786
Estimated SMIF ²⁹ Interest Earnings	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Estimated Federal Capitalization Grants Received ³⁰ (Loan Fund)	\$163,208,480	\$180,338,000	\$192,770,000	\$205,128,000	\$277,200,000
General Fund State Match ³¹	\$345,000,000	\$0	\$0	\$0	\$0
Estimated Bond Proceeds Received	\$0	\$0	\$0	\$0	\$0

²⁸ Forecast as of July 2022.

²⁹ SMIF means Surplus Money Investment Fund.

³⁰ These numbers include estimates for the FFY 2022 through FFY 2026 Base and Supplemental Capitalization Grants. The forecasted capitalization grants are listed in the aggregate amounts. Principal forgiveness, if available, is included in the aggregate grant amount in the forecast.

³¹ The Deputy Director of DFA was authorized at the March 15, 2022 Board meeting to use up to \$85 million of 2021 Budget Act Infrastructure Appropriation grant funds as state match for the CWSRF and DWSRF programs and determine the appropriate allocation. AB 180 authorized an additional \$400 million for the state share of the CWSRF and DWSRF, consistent with existing law, and the Deputy Director of DFA is authorized to determine the appropriate allocation of the additional funds appropriated by AB 180 between the CWSRF and DWSRF. The estimated \$345 million General Fund State Match includes \$45 million of the 2021 Budget Act appropriation and an additional \$300 million of AB 180 funding.

DWSRF Revenue Bond Debt Service	(\$9,376,750)	(\$9,435,500)	(\$9,100,375)	(\$8,785,500)	(\$8,158,375)
New Debt Service	\$0	\$0	\$0	\$0	\$0
Estimated Disbursements ³²	(\$350,000,000)	(\$350,000,000)	(\$200,000,000)	(\$200,000,000)	\$90,060,950
Estimated Year-End Balances ³³	\$375,411,446	\$314,745,722	\$416,264,2500	\$529,698,489	\$825,014,949

	SFY 2022-23	SFY 2023-24	SFY 2024-25	SFY 2025-26	SFY 2026-27
Estimated Yearly Cash Flows ³⁴	\$241,344,998	(\$60,665,724)	\$101,518,528	\$113,434,239	\$295,316,461

³² Estimated disbursements are a forecast of the cash disbursements for projects with executed financing agreements.

³³ Estimated Year End Balances represent a running total based on the previous year's ending balance.

³⁴ Estimated Yearly Cash Flows represent the projected difference between revenues and capitalization grants (inflows) and disbursements and expenses (outflows) for each year, and do not include the previous year's ending balance. Positive numbers indicate that inflows are projected to be greater than outflows for that year. Negative numbers indicate that outflows are projected to be greater than inflows for that year.

APPENDIX D: Planning Project Grant and PF for an Eligible PWS³⁵

Affordability Criteria		Grant Amount	
Size	Community MHI ³⁶	Percent of Total Project Cost	Maximum Grant/PF Per Project ³⁷
≤3,300 connections or ≤10,000 persons	<80% of Statewide MHI	Up to 100%	N/A
<p>To the extent consistent with state law, this grant/PF may be awarded to the extent that DFA reasonably believes that there may be subsequent construction financing resulting from this planning/design that will be considered for repayable financing per the affordability criteria included in this IUP or subsequent IUPs.</p> <p>DFA may deny planning grant funding if the planning project has already been funded in part by other drinking water funding sources, including DWSRF and/or SCG DW funding.</p> <p>Prop 1 GWGP planning grant funding may be awarded to eligible DACs/SDACs of any size, but DACs must have water rates ≥1.5% MHI.</p>			

³⁵ Not applicable to ASADRA funding (see Appendix H), EC/PFAS funding (see Appendix I), or LSLR funding (see Appendix J).

³⁶ The Deputy Director of DFA may approve planning grants/PF for small, non-DAC Category A-C and/or consolidation projects for good cause to the extent authorized under state law.

³⁷ The maximum grant/PF for a community is based on all funding the community receives in a five-year period. This includes planning, TA, and construction funding for all DWSRF projects for the community, but not GWGP funding. Funds disbursed to the community under planning will be subtracted from the maximum eligible construction grant.

APPENDIX E: Construction Project Grant and PF Limitations for an Eligible PWS

Maximum PF, Grant or Combination Thereof Per Construction Project ^{38, 39}				
Type of Community ⁴⁰	Residential Water Rates as a Percentage of MHI ⁴¹	Percentage of Total Eligible Project Cost	Maximum Amount Per Connection ^{42,43, 44}	
Category A – C and/or Consolidation Projects ⁴⁵				
Small DAC/SDAC; Eligible NTNC ⁴⁶ That Serves a Small DAC/SDAC; Expanded Small DAC/SDAC; Medium DAC/SDAC; ⁴⁷ or Small Non-DAC with MHI < 150% of Statewide MHI	N/A	up to 100%	\$60,000 ⁴⁸	
Category D – F Projects				
Small DAC/SDAC or Eligible NTNC That Serves a Small DAC/SDAC	N/A	up to 100%	\$45,000	
Expanded Small DAC/SDAC	>=1.5%			
	<1.5%	Not Eligible for PF, Grant or Combination Thereof		
Repayable Construction Financing Terms				
Type of Community	Residential Water Rates as a Percentage of MHI	Interest Rate	Maximum Financing Term ⁴⁹	Local Cost Share ⁵⁰
Small SDAC or Eligible NTNC That Serves a Small DAC	N/A	0%	40 Years	Waived
Small DAC or Expanded Small DAC/SDAC	>=1.5%			
	<1.5%	½ General Obligation Bond Rate		
SDACs and DACs may be eligible for Prop. 1 GWGP drinking water treatment grants. For GWGP grants, the funding maximums provided above apply in addition to the limit for grant/PF from other funding sources. SDACs of any size may be eligible for GWGP grant funds regardless of water rates, and DACs of any size may be eligible for GWGP grant funds if residential water rates as a percentage of MHI ≥ 1.5%. For GWGP grants, DACs and SDACs of any size, including large DACs, are subject to the grant limits specified for Small DACs in the table above. No local match is required.				
NOTES: Where DFA amends an existing agreement for final budget approval or to add a subsequent phase of work, PF/grant for the final budget approval amendment or new phase may be awarded based on current IUP criteria or those in place at the time of original agreement execution, at DFA’s discretion. DFA may deny DWSRF/SCG DW grant, PF or a combination thereof if the construction project has already been funded in part by other drinking water funding sources, including DWSRF and SCG DW funding. Where a PWS is privately owned, DFA may also consider the private owner’s assets and ability to afford a loan before otherwise awarding PF, grant or combination thereof.				

³⁸ The Deputy Director of DFA has the discretion to apply grant and PF limitations from the 2021-22 DWSRF IUP, adopted June 15, 2021, to projects with complete applications submitted to DFA before March 15, 2022.

³⁹ Not applicable to ASADRA funding (see Appendix H), EC/PFAS funding (see Appendix I), or LSLR funding (see Appendix J).

⁴⁰ See Section I.D. of this IUP for the specific definitions of each type of community. Eligibility for PF or grant may be based on the community that will be served by the project rather than the funding recipient, if consistent with the requirements of the funding source. If eligibility depends on rates, then adopted rates that will apply upon completion of construction may be considered. Eligibility is subject to limitations depending on the funding source. For example, at the time of adoption of this IUP, PF may be provided to DACs. PF may only be provided to a CPUC-regulated water corporation that serves DACs with fewer than 3,300 service connections, with consideration of such system’s rate of return for three fiscal years (Health & Saf. Code, section 116761.20(b).).

⁴¹ For the purposes of a consolidation project, the residential water rate of the Receiving Water System may be considered. For systems that do not charge monthly water rates, including, but not limited to, migratory labor camps, mobile home parks, or tribes, residential water rates as a percentage of MHI is considered not applicable and DFA may approve State Grant/PF funding per other limitations specified above.

⁴² The Deputy Director of DFA may approve financing for construction projects with a total eligible project cost up to \$6,000,000 regardless of the amount per connection.

⁴³ The maximum grant/PF is based on all funding the community receives in a five-year period. This includes planning, TA, and construction funding for all DWSRF projects for the community, but not GWGP funds.

⁴⁴ Construction projects that receive only Prop 1 and Prop 68 grant funds shall be limited to \$5,000,000 per project (\$20,000,000 limit for projects that provide regional benefits or are shared among multiple entities).

⁴⁵ Funding priority will be given to Category A-C Projects and consolidation projects. For consolidation projects, grant/PF eligibility may be determined based on the Subsumed Water System, although the recipient must be eligible under the applicable funding source. Throughout this document, Category A-C Projects may include projects that will address DAC/SDAC state small water systems or domestic wells with water quality or quantity issues deemed equivalent to Category A-C to the extent eligible under the applicable funding source. To be eligible for funding for a consolidation of a state small water system or individual residences, the Receiving Water System need not be one of the specified types of communities, but must be eligible under the funding source.

⁴⁶ For NTNC requirements, see section III.A.3.c

⁴⁷ Funding priority will be given to projects that serve Small DACs/SDACs and Expanded Small DACs /SDACs. Projects for Medium DACs/SDACs and eligible Small Non-DACs may receive a maximum grant of \$20 million per project, unless the Deputy Director of DFA approves a case-by-case exception for good cause.

⁴⁸ The Deputy Director of DFA may approve up to \$80,000 per connection for good cause.

⁴⁹ Financing Term shall not exceed the useful life of the facilities being financed.

⁵⁰ The applicant may choose to fund the remainder of the total project cost (Local Cost Share) from other sources (e.g., repayable DWSRF/Prop 1/Prop 68 financing; grant funding from sources other than the State Water Board; or other sources).

APPENDIX F: Tier II Environmental Review or CEQA Review

DWSRF projects that will be subject to the Tier II environmental review process, and thus excluded from federal environmental cross-cutters (see section V.D. above), include the following^{51, 52}. Projects funded only by State Grant funds may be subject to CEQA environmental review rather than the DWSRF SERP at the discretion of the Deputy Director of DFA.

- 1) Planning projects;
- 2) Construction projects that serve one of the following community types, as defined in this IUP:
 - a. Small DAC/SDAC;
 - b. Non-transient non-community water system that serves a small DAC/SDAC, if the system serves solely the following:
 - i. A public K-12 school;
 - ii. A not-for-profit K-12 private school;
 - iii. A not-for-profit daycare facility;
 - iv. A not-for-profit labor camp;
 - v. A not-for-profit elder care facility; and/or
 - vi. A not-for-profit health care facility.
 - c. Expanded small DAC/SDAC; or
 - d. Medium DAC or Small Non-DAC with a Category A-C project.
- 3) Consolidation projects and non-repayable consolidation incentive projects.

Applying Tier II review to these categories of projects will promote operational efficiency. Consultation under federal environmental cross-cutters can add time to the State Water Board's review of projects that might never receive DWSRF funding, are not viable equivalency projects, or are not needed to fulfill the equivalency requirement. Projects consistent with categories identified above would undergo Tier II environmental review, and the State Water Board would not undertake federal environmental cross-cutter review on these projects, resulting in a more expedited environmental review process for Tier II

⁵¹ The Deputy Director of DFA may designate projects in these categories as projects for which the state provides assistance in amounts up to the amount of the capitalization grant subject to Tier I environmental review and federal cross-cutters to the extent necessary to satisfy the equivalency requirement, or may require that Tier I review apply to a project to preserve eligibility for DWSRF funding.

⁵² The Deputy Director of DFA may designate additional individual projects for Tier II environmental review for good cause.

projects. Alternatively, review under CEQA rather than the SERP may be applied to State Grant funded projects at the Deputy Director's discretion.

Tier II drinking water projects include projects that are in one of the categories listed above and are in the following groups:

- Projects in the planning phase during the term of this IUP (either in an existing planning agreement or completing planning work through an approved technical assistance [TA] workplan) regardless of whether federal environmental cross-cutters are listed in the existing scope of work.
 - If federal environmental cross-cutters are part of the scope of work, the applicant/TA provider will be notified by DFA Project Manager (PM) not to prepare the relevant federal environmental cross-cutters documents.
 - PM will also notify DFA Contracts Staff of the changes to the scope of work, to amend the project financing agreement to relieve the applicant/TA provider of the obligation to prepare the relevant federal environmental cross-cutter documents.
- Projects with a complete planning application submitted to DFA or with an environmental review requested by the PM by June 30, 2023.
- Projects with complete construction applications submitted by June 30, 2023 (including environmental documents). This may include projects in which the applicant has self-funded the environmental documents.
- Projects with construction applications submitted by June 30, 2023, that had a Tier II environmental review completed under a planning agreement or TA workplan.

APPENDIX G: FFY 2022 Estimated Federal Capitalization Grant Cash Draw Schedule

FFY 2022 DWSRF Base Capitalization Grant/Accounts	Total Amount (Date of Award)	SFY 2022-23 Federal Draws				SFY 2023-24 Federal Draws			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Project Loan Fund									
FFY 2019 - FFY 2021 Set-Asides		\$10,000,000	\$10,000,000	\$2,200,000	\$2,200,000				
2022 Loan Funds	\$45,746,060			\$45,746,060					
Set-Aside Accounts									
2022 DWSRF Administration	\$2,472,760				\$600,000	\$600,000			
2022 SWS Administration	\$1,236,380				\$300,000	\$300,000			
2022 PWSS	\$6,181,900					\$6,181,900			
2022 Local Assistance	\$6,181,900				\$1,400,000	\$1,400,000			

FFY 2022 DWSRF General Supplemental Capitalization Grant/Accounts	Total Amount (Date of Award)	SFY 2022-23 Federal Draws				SFY 2023-24 Federal Draws			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Project Loan Fund									
2022 Loan Funds	\$117,462,420			\$35,238,726	\$35,238,72	\$46,984,968			
Set-Aside Accounts									
2022 DWSRF Administration	\$6,349,320				\$3,200,000	\$3,149,320			
2022 SWS Administration	\$3,174,660*								
2022 PWSS	\$15,873,300*					\$8,000,000			
2022 Local Assistance	\$15,873,300*								

*Set-aside fund draws to be determined following final determination of planned use.

APPENDIX H: Additional Supplemental Appropriations for Disaster Relief Act, 2019 (ASADRA) Revised Supplemental Intended Use Plan

APPENDIX I: Emerging Contaminants Supplemental Intended Use Plan

APPENDIX J: Lead Service Line Replacement Supplemental Intended Use Plan