DRAFT

STATE OF CALIFORNIA

Clean Water State Revolving Fund

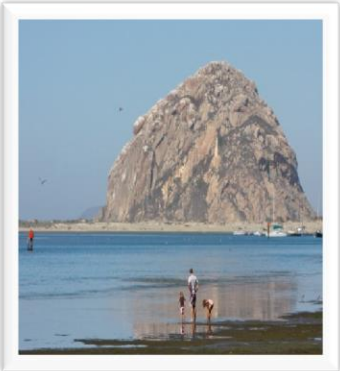
INTENDED USE PLAN

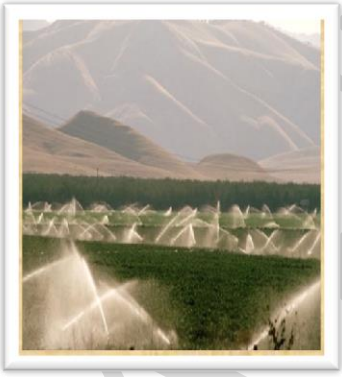
FEDERAL FISCAL YEAR 2014

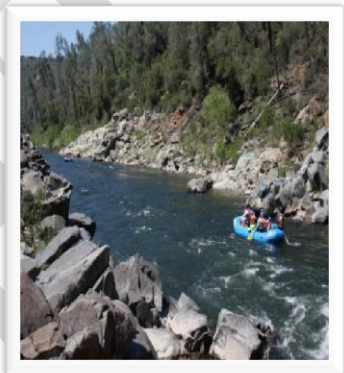
Prepared By: Division of Financial Assistance | Approved By: State Water Resources Control Board
(Date Approved) / Resolution No. 2013-_____

OUR VISION

Abundant clean water for human uses and environmental protection to sustain California's future.







OUR MISSION

To preserve, enhance, and restore the quality of California's water resources, and ensure their proper allocation and efficient use for the benefit for present and future generations.

DRAFT

Table of Contents

I. INTRODUCTION 1

A. Authority, History, and Past Achievements 1

B. Connections to Other Plans, Goals, and Programs of the State Water Board and the California Environmental Protection Agency (Cal/EPA) 2

C. Intended Use Plan (IUP) and Federal Fiscal Year (FFY) 2014 Guidance 4

II. WATER QUALITY FINANCING NEEDS 4

A. Clean Watersheds Needs Survey 4

B. Project List 4

C. State Water Quality Guidance 5

III. PROGRAM CAPACITY 6

A. Financial Outlook and Funding Forecast 6

B. Resources 8

C. Overall Funding Approach 10

D. CWSRF Financing and Programmatic Requirements 15

E. Risks 17

IV. OUTCOMES, GOALS, ACTIVITIES, AND MEASURES 19

A. Sound Finances 19

B. Fund the Most Beneficial Projects 21

C. Efficient Service and Recognizable Products 22

V. SCHEDULE 23

VI. TABLES 24

A. TABLE 1: SOURCES AND USES OF THE CWSRF 24

B. TABLE 2: CWSRF PROJECT FINANCING FORECAST FOR FFY 2014 25

C. Table 3: Forecasted Administration Fund and SCG Fund Balances for FFY 2014 29

D. TABLE 4: 2014 CWSRF PRINCIPAL FORGIVENESS (PF) AND SMALL COMMUNITY GRANTS (SCG) BY CATEGORY OF APPLICANT 30

E. TABLE 5: CWSRF CAPITALIZATION GRANT PAYMENT(S) AND DRAW(S) 33

VII. INDEX OF ACRONYMS 34

DRAFT

I. INTRODUCTION

Water is one of the most essential natural resources in California. The State Water Resources Control Board (State Water Board) and the nine Regional Water Quality Control Boards (Regional Water Boards), collectively the Water Boards, protect and improve water quality in California through several regulatory and financial assistance programs. The federal Clean Water Act established the Clean Water State Revolving Fund (CWSRF) Program to finance protection and improvement of water quality. The CWSRF Program has protected and promoted the health, safety, and welfare of Californians since 1989. Many of the projects funded by the CWSRF Program address wastewater discharge violations or enforcement orders from the Regional Water Boards. Every project is directly related to improving public health and/or water quality.

A. Authority, History, and Past Achievements

In 1987 the U.S. Congress and the President amended the Clean Water Act to replace the long-standing, federal Construction Grants Program (Title II) with the more flexible CWSRF Program (Title VI). The CWSRF Program provides each state the opportunity to establish an environmental infrastructure bank capitalized by federal and state funds. The CWSRF in each state provides financial assistance with this capital and the earnings generated by the Program's capital, interest payments, and investment earnings, to fund a wide variety of water quality projects. These include all types of non-point source, estuary management, and traditional publicly owned treatment works (POTW) projects.

The revolving nature of the CWSRF Program provides a sustainable source of funds for water quality protection and improvement. All 50 states and Puerto Rico are currently operating successful CWSRF Programs. The total CWSRF financing nationwide exceeds $89 billion.

States may offer a variety of financing options to assist recipients with their water quality efforts. These include loans, refinancing debt, purchasing or guaranteeing local debt, and purchasing bond insurance. States may set specific terms, including any below market interest rate down to zero percent. Loan repayment periods are generally up to 20 years, but states can also extend repayment periods more than 20 years in some cases. States have the flexibility to target resources and customize terms to meet their particular water quality needs.

Federal and state laws historically have prohibited the CWSRF from offering grants, and have required complete repayment of all financial assistance. However, beginning in 2009 federal appropriations authorized grants, negative interest rates, and principal forgiveness on a limited basis. California law has been modified to accommodate these additional types of subsidy.

California's CWSRF Program is authorized under Water Code Sections 13475-13485. California operates its Program pursuant to an "*Operating Agreement*" between the State Water Board and the United States Environmental Protection Agency (U.S. EPA).

DRAFT

California's CWSRF has grown since its beginnings in 1989. It has executed more than $6.6 billion in financial agreements. The Net Assets of the Program exceed $3.4 billion, and its annual revenue after debt service and service charges are deducted is approximately $215 million.

California's CWSRF Program has funded a broad range of projects. About 76 percent of funds were used for wastewater treatment and water recycling facilities. About 20 percent of funds were used for wastewater collection systems. About four percent of funds were used for non-point source or estuary projects.

B. Connections to Other Plans, Goals, and Programs of the State Water Board and the California Environmental Protection Agency (Cal/EPA)

The CWSRF Program supports the following goals from the Water Boards' *Strategic Plan Update for 2008-2012*.

Goal 1 - Implement strategies to fully support the beneficial uses for all 303(d) listed water bodies by 2030.

Goal 2 - Improve and protect groundwater quality in high-use basins by 2030.

Goal 3 - Increase sustainable local water supplies available for meeting existing and future beneficial uses by 1,725,000 acre-feet per year, in excess of 2002 levels, by 2015, and ensure adequate flows for fish and wildlife habitat.

Goal 4 - Comprehensively address water quality protection and restoration, and the relationship between water supply and water quality, and describe the connections between water quality, water quantity, and climate change, throughout California's water planning processes.

Goal 5 - Improve transparency and accountability by ensuring that Water Board goals and actions are clear and accessible, by demonstrating and explaining results achieved with respect to the goals and resources available, by enhancing and improving accessibility of data and information, and by encouraging the creation of organizations or cooperative agreements that advance this goal, such as establishment of a statewide water data institute

Goal 6 - Enhance consistency across the Water Boards, on an ongoing basis, to ensure our processes are effective, efficient, and predictable, and to promote fair and equitable application of laws, regulations, policies, and procedures.

Goal 7 - Ensure that the Water Boards have access to information and expertise, including employees with appropriate knowledge and skills, needed to effectively and efficiently carry out the Water Boards' mission.

DRAFT

The CSWRF Program also supports the following *Cal/EPA Strategic Vision* goals. (Note: The goals below are numbered consistent with the Cal/EPA *Strategic Vision*.)

Goal 2 - Rivers, lakes, estuaries, and marine waters that are fishable, swimmable, support healthy ecosystems and other beneficial uses.

Goal 3 - Groundwater that is safe for drinking and other beneficial uses.

Goal 4 - Communities that are free from unacceptable human health and ecological risks due to exposure from hazardous substances and other potential harmful agents.

Goal 5 - Reduce or eliminate the disproportionate impacts of pollution on low-income and minority populations.

Goal 6 - Ensure the efficient use of natural resources.

Goal 7 - Continuous improvement and application of science and technology.

The Division of Financial Assistance (DFA) administers the California CWSRF and additional state funded financial assistance programs that complement and leverage the financial resources of the CWSRF. These other sources of funding include:

- **CWSRF Small Community Grant (SCG) Fund** - Provides grants to small, disadvantaged communities for their wastewater projects through a fee, assessed in lieu of interest, on CWSRF financing agreements.
- **Water Recycling Funding Program (WRFP)** - Provides grants and loans for construction of water recycling facilities.
- **Clean Beaches Initiative (CBI) Grant Program** - Provides grants to restore and protect coastal waters, estuaries, bays, and near shore waters.
- **Integrated Regional Water Management (IRWM) Grant Program -** Provides grants to protect communities from drought, protect and improve water quality, and improve local water security by reducing dependence on imported water.
- **Storm Water Grant Program** - Provides matching grants for reduction and prevention of storm water contamination of rivers, lakes, and streams.

The availability of funding from these programs can vary. DFA continues to manage the CWSRF and its other funding programs to maximize its ability to fund projects that support the Water Boards' water quality goals.

DRAFT

C. Intended Use Plan (IUP) and Federal Fiscal Year (FFY) 2014 Guidance

This IUP is required by federal statutes and regulations. It, or an amendment, will be included in the State Water Board's application for the FFY 2014 Capitalization Grant for the CWSRF Program.

The FFY 2014 IUP sets out the State Water Board's business plan for the year. It discusses management's general approach and its ability to successfully carry out the business plan with the available financial and programmatic resources.

In particular, this IUP includes a forecast of the Program's cash flows (Table 1) for the next several years and identifies projects (Table 2) the State Water Board is working to finance in FFY 2014. The IUP also includes performance measures to track the effectiveness of the CWSRF Program.

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

- The *Policy for Implementing the Clean Water State Revolving Fund (CWSRF Policy)*;
- The *Operating Agreement* between the State Water Board and U.S. EPA Region 9; and
- Any additional federal requirements in the 2014 budget appropriation and/or guidance from U.S. EPA.

The State Water Board or the Executive Director may amend this IUP, but only after the public and interested parties are given an opportunity to comment on the proposed changes.

II. WATER QUALITY FINANCING NEEDS

A. Clean Watersheds Needs Survey

California needs significant funding to achieve its clean water goals. The most recent Clean Watersheds Needs Survey in 2008 shows that California needs an estimated $30.0 billion for wastewater treatment and collection, wastewater recycling, non-point source pollution elimination, and storm water pollution prevention over the next 20 years. This includes an estimated $24.4 billion to update aging infrastructure.

B. Project List

The State Water Board maintains a Project List (List) that reflects projects interested in CWSRF financing. A project must be on the List to receive financing, but the List does not guarantee financing or the order of financing. Applicants

DRAFT

must submit a complete application that meets the *CWSRF Policy* requirements to receive financing. The List classifies each project application relative to the Water Board's water quality and sustainability priorities, and helps prioritize the Program staff's marketing and application review efforts.

C. State Water Quality Guidance

1. Small and/or Disadvantaged Communities

   On July 1, 2008, the State Water Board adopted Resolution No. 2008-0048 to assist small and/or disadvantaged communities with their wastewater needs. Resolution No. 2008-0048 refers to the *Small Community Wastewater Strategy (SC Strategy)*.

   The *SC Strategy* provides an overview of the challenges facing small and/or disadvantaged communities. These include failing septic systems or outdated and undersized wastewater treatment plants. Small and/or disadvantaged communities generally have higher per capita costs. Disadvantaged (median household income (MHI) of less than 80 percent of the statewide MHI) and severely disadvantaged (MHI of less than 60 percent of the statewide MHI) small communities face the additional burden of lower household incomes. The result is higher, sometimes prohibitive, sewer rates.

   The *SC Strategy* discusses options and offers solutions to the problems faced by these communities. The strategies outlined in Resolution No. 2008-0048 include a number of modifications, such as extended term financing (ETF) or reduced interest rates, to make the CWSRF Program more affordable for small and/or disadvantaged communities.

2. Protection of the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay-Delta)

   On July 16, 2008, the State Water Board adopted the *Strategic Workplan for Activities in the San Francisco Bay/Sacramento-San Joaquin Delta Estuary* (*Workplan*). The *Workplan* describes the actions the Water Boards will complete, in cooperation with other agencies, to protect beneficial use of water in the Bay-Delta and the associated timelines and resources needed.

   Workplan activities are divided into nine broad elements. The CWSRF Program can help implement the *Workplan* by funding point and nonpoint source projects such as:

   - Measures identified in Total Maximum Daily Loads (TMDLs);
   - Storm water and dry weather runoff reduction from Municipal Separate Storm Sewer Systems (MS4);
   - Conservation measures to reduce sediment and non-point discharges;
   - Ammonia discharge reduction from POTWs; and

DRAFT

- Urban and agricultural water use efficiency to reduce demand on the Delta and reduce runoff of pesticides to the Delta.

3. Sustainability and Global Climate Change

The State Water Board adopted Resolution No. 2008-0030 on May 6, 2008, emphasizing sustainability as a core value for all the Water Boards' activities and programs. Resolution No. 2008-0030 directed the Water Boards' staff to take a number of actions that may affect the CWSRF Program such as:

- Promote recycled water use, water conservation, and low impact development (LID);
- Assign a higher priority to climate-related and LID projects; and
- Coordinate with government agencies, non-profit organizations, and private sector businesses to enhance and encourage sustainable activities.

III. PROGRAM CAPACITY

A. Financial Outlook and Funding Forecast

The decision to finance a CWSRF project is based in part on its forecasted cash disbursements relative to the forecasted uncommitted cash flow of the Program. The uncommitted cash flow is the Program's cash on hand, plus projected future revenues and Capitalization Grants, minus projected future disbursements and expenses.

Table 1 shows the currently forecasted cash flows of the Program. The projected cash flows include U.S. EPA Capitalization Grants, principal and interest on outstanding receivables, investment earnings, matching funds, disbursements to projects with existing financing agreements or commitments, debt service payments, and Program administrative costs. Except for Capitalization Grants, the future cash flows of the CWSRF Program can be predicted with reasonable certainty.

State Water Board staff believes the 2014 Capitalization Grant will be less than the 2013 Grant given current federal finances. Based on the President's 2014 budget, the 2014 Capitalization Grant is expected to be approximately 20 percent less than the 2013 Capitalization Grant – a total 2014 Grant of approximately $76 million. Based on U.S. EPA's recommendation, though, the Table 1 forecast shows, for Grant application purposes, a 2014 Capitalization Grant of $105,033,500 – the 2013 Grant amount ($95,485,000) plus 10 percent. U.S. EPA recommends overestimating the amount in the Grant application to avoid amending the application, and thereby slowing down the award process, should the final federal appropriation be higher than the President's budget.

DRAFT

Through June 30, 2018, the estimated, cumulative, uncommitted cash available for financing new projects is approximately $882 million, assuming a 2014 Grant of $105,033,500, according to the forecast in Table 1.

Table 2 is a forecast of the projects most likely to receive CWSRF financing during FFY 2014[1]. Table 2 includes only projects that have submitted elements of an application to the CWSRF Program. DFA staff has evaluated the completeness of the applications submitted to date, and estimated in Table 2 when each project could be ready for a financing agreement. Table 2 includes the estimated financing agreement dates, the estimated project costs, the probable source(s) of funds for the projects, and the estimated GPR. The cumulative financing needed for all of the projects listed in Table 2 is approximately $1,185 million.

Note that being listed in Table 2 is not a commitment to provide funding, a guarantee of the order of funding, or a guarantee that sufficient funds from the identified sources of funds will be available for the projects listed.

Table 2 does not include all of the projects on the Project List. DFA staff cannot predict when a project will be ready for financing based solely on the information collected for the Project List. All projects in Table 2, as well as any project on the Project List, are potentially eligible for funding, bearing in mind the minimum principal forgiveness and GPR requirements associated with federal funds. If a project identified in this IUP is not eligible for the CWSRF Program or is not ready for a financing agreement, it may be bypassed in favor of any other project in Table 2 or on the Project List that is ready for financing.

If complete applications are submitted for each project in Table 2, each project is eligible, and each applicant signs a financing agreement, the CWSRF will need an additional $303 million in cash to finance all of the projects in Table 2.

The State Water Board's forecast for new financing in 2014 depends on a number of factors. Based on past program experience, a significant percentage of the projects in Table 2 will not be financed during FFY 2014. Some projects in Table 2 will be financed in a future year or not at all for various reasons. Project financing decisions will also depend on their forecasted cash disbursements and updated analyses of the Program's uncommitted cash flow at the time each project is approved.

[1] Each project application will be reviewed by State Water Board staff to determine that it meets all applicable eligibility rules prior to execution of a financing agreement.

DRAFT

Based on the program's current demand for financing, the State Water Board forecasts approximately $500 million in new financing during FFY 2014. The actual level of new financing may be higher or lower depending on several factors that will be tracked throughout FFY 2014. Although this is above the average CWSRF financing level for the last eight years, approximately $425 million per year, it is a conservative and feasible estimate based on the Program's uncommitted cash flow. The positive year-end balances in Table 1 and the below average financing level in SFY 2012/13, approximately $275 million, indicate that the CWSRF will have significant financing capacity in 2014 even with a lower Capitalization Grant of $76 million. Year-end balances would remain positive in the current forecast, even if the 2014 Capitalization Grant were $0. In addition, on June 5, 2012, (Resolution No. 2012-0025) the State Water Board authorized the sale of up to $300 million in revenue bonds on behalf of the CWSRF to provide additional cash for project financing.

B. Resources

1. Organization, Program Resources, and Skills

   Approximately 55 Personnel Years (PY) are budgeted for the CWSRF Program in 2014. The number of positions is not expected to change in 2014. These positions are distributed among DFA, the Division of Administrative Services (DAS), the nine Regional Water Boards, the Office of Chief Counsel (OCC), and the Division of Information Technology (DIT) as follows:

   - ✓ Five PYs for Environmental Scientists to ensure compliance with state and federal environmental and cultural resources requirements (DFA);
   - ✓ 18.4 PYs for Water Resources Control Engineers to manage project applications (DFA), with one unit of staff dedicated to processing applications from small, disadvantaged communities;
   - ✓ 0.9 PYs for Regional Water Board coordination and support (Regional Water Boards);
   - ✓ 12.4 PYs for administrative support (DFA);
   - ✓ 10.9 PYs for Program management and staff oversight (DFA);
   - ✓ Five PYs for accounting, personnel, budget, and contract support (DAS);
   - ✓ Two PYs for legal support (OCC); and
   - ✓ One PY for information technology support (DIT).

   The CWSRF Program relies on some contracted services that 1) cannot be provided economically by Water Boards staff, 2) require skills not available in the Water Boards, or 3) require independence from the Program. Approximately $1.4 million are budgeted for contract services such as an independent accounting firm for annual audits, outside legal counsel for specialized tax advice, an outside contractor to conduct credit analyses, an

DRAFT

outside contractor to provide technical assistance to small, disadvantaged communities, a vendor to provide maintenance for the Loans and Grants Tracking System (LGTS), and an independent, external financial advisor.

2. Administrative Funding

Administrative funding comes from two sources – the Capitalization Grants awarded yearly by U.S. EPA and the State Water Pollution Control Revolving Fund Administrative Fund (Administrative Fund). Up to 4.0 percent of the cumulative Capitalization Grants may be spent on administration. Section 13477.5(c)(1) of the California Water Code allows the State Water Board to apply an annual service charge[2] on a financing agreement. The revenue generated by this service charge goes into the Administrative Fund and may be used for administration. The Administrative Fund and the Capitalization Grants provide a reliable source of funds to administer the CWSRF Program.

The service charge rate cannot exceed 1.0 percent 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 CWSRF Program.

The State Water Board will use the Administrative Fund as its primary source of administrative funding. The Administrative Fund can only be used for CWSRF Program administration, while the administrative allowance from the Capitalization Grants may be used for both administration and local assistance financing. The federal administrative allowance serves as a backup source of administrative funding. If cash flow conditions warrant in 2014, the State Water Board will disburse 100 percent of its federal Capitalization Grants for local assistance and bank the four percent administrative allowance for use in future years.

Based on the budgeted positions for the program for 2014 and the projected Administrative Fund balances through the end of FFY 2014 (see Table 3.a), the State Water Board does not anticipate applying the Administrative Service charge to any additional agreements during 2014. The State Water Board

[2] For federal purposes, the Administrative Fund service charge is a fee "other than program income not included as principal in CWSRF 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.

DRAFT

hereby establishes the 2014 service charge rate at 1.0 percent. This shall be the effective rate until the State Water Board establishes a different rate.

3. CWSRF SCG Fund[3]

Section 13477.6 of the Water Code authorizes the SCG Fund. The SCG Fund is composed of charges[4] on CWSRF financing agreements. As with the administrative service charge, the SCG charge is applied by reducing the interest obligation by a like amount so that the annual payment stays the same.

The annual SCG charges are deposited into the SCG Fund, separate from the CWSRF. Monies deposited into the SCG Fund are used as grants for small, disadvantaged communities for otherwise eligible CWSRF projects. State law requires the State Water Board to give grant priority to projects that serve severely disadvantaged communities (defined as communities with a median household income less than 60 percent of the statewide median household income).

The State Water Board is authorized to spend $8 million in State Fiscal Year (SFY) 2013/14 from the SCG Fund. Additional SCG funds may be appropriated in future years. The projected income and SCG Fund balances through the end of FFY 2014 are shown in Table 3.b.

C. Overall Funding Approach

In order to meet identified water quality financing needs, the State Water Board will attempt to fund all eligible and complete applications during FFY 2014 consistent with the *CWSRF Policy*, the Operating Agreement, and applicable federal and state statutes, regulations, and guidance.

The *CWSRF Policy* directs staff to review and finance complete applications consistent with the Project List's classification and sustainability points systems. If the State Water Board has insufficient funds for all projects with complete applications, then it will first fund projects based on the projects' classifications, giving priority within the class to the small, disadvantaged community with the lowest median household income, and then fund the project that most effectively addresses sustainability and global climate change.

All funds available to the CWSRF Program will be distributed as described below. The CWSRF Program has committed, as of June 30, 2013, all federal Capitalization Grants except for approximately $4.9 million in Category 1 principal

[3] State law allows the State Water Board to assess an annual charge through 2014. The State Water Board may collect a cumulative amount of $50 million for the SCG Fund.

[4] Like the service charge, the SCG charge is also a fee "other than program income not included as principal in CWSRF financing" for federal purposes. The SCG charge is collected in lieu of an equal amount of interest that would otherwise be due on the outstanding balance of the financing agreement.

DRAFT

forgiveness from FFY 2012. None of the FFY 2013 Capitalization Grant has been committed as of July 31, 2013, because the State Water Board has not received the grant award. The State Water Board's priority during FFY 2014 will be committing any uncommitted FFY 2012 funds, the FFY 2013 funds, the FFY 2014 funds, the $8 million in SCG funds available in SFY 2013/14, and any additional SCG funds that may be appropriated in SFY 2014/15. After committing all federal Capitalization Grant funds and available SCG funds, DFA will commit payments of principal and interest or investment earnings to meet anticipated disbursement needs. If these sources are not sufficient to meet the cash needs of the CWSRF Program, DFA will evaluate prioritizing project applications, selling revenue bonds, or regulating cash disbursements.

Provisions that depend on the FFY 2014 appropriation will take effect only if the State Water Board receives the FFY 2014 Capitalization Grant, and will apply only as directed by Congress or U.S. EPA.

Without restricting the approach described in this section, the Executive Director, or designee, should update the State Water Board Members and the public at State Water Board meetings, or by other appropriate communication, on the progress of implementing the CWSRF Program and recommend appropriate adjustments to this IUP or other changes in policy or procedure necessary to achieve the most favorable water quality results in California.

Key provisions applicable to projects receiving financing in 2014 may include, but are not limited to:

1. Best Use of Available Financing Sources and Terms

   The State Water Board will consider the requirements associated with all available sources of funds, and match up available funds with projects to achieve the maximum water quality benefit. This includes the use of extended term financing (up to 30 years) and the CWSRF SCG Fund, to the extent these are available and applicable, with the CWSRF to maximize financing of projects for small, disadvantaged communities. The State Water Board will also use extended term financing to encourage the regionalization of wastewater treatment facilities.

2. Principal Forgiveness and CWSRF SCG Fund

   Principal forgiveness, if available, and the CWSRF SCG Fund help the State Water Board finance the neediest communities in California. These additional subsidies reduce the cost of water quality improvements for those communities that cannot otherwise afford a loan or similar financing. In its *FFY 2012 Guidance*, U.S. EPA provided policy advice to the States regarding the use of the additional subsidy provided by principal forgiveness. U.S. EPA's guidance is based on its *Infrastructure Sustainability Policy* and the HUD-DOT-EPA Partnership for Sustainable Communities' Livability Principles (in particular Principles 4, 5, and 6). U.S. EPA encourages states to target

DRAFT

additional subsidies as follows:

- to communities that could otherwise not afford a loan;
- to revitalize existing communities, increase public works investments, and safeguard rural landscapes;
- to coordinate and leverage federal policies and funding to remove barriers to collaboration; and
- to support and enhance the unique characteristics of all communities and neighborhoods by investing in healthy, safe, and walkable neighborhoods.

Most of the State Water Board's principal forgiveness and SCG funds are used to reduce the principal amount of financing for disadvantaged community wastewater projects. Most disadvantaged communities cannot afford to repay 100 percent of their total project costs. Targeting principal forgiveness to these projects is consistent with Principles 4, 5, and 6 of the Livability Principles for the following reasons:

- these projects serve existing communities (rather than new developments);
- many of these projects are located in rural areas;
- many of the projects are funded jointly by the United States Department of Agriculture, Housing and Urban Development Community Development Block Grants, or the Drinking Water State Revolving Fund; and
- these projects enhance communities and neighborhoods by addressing environmental or health and safety concerns.

The State Water Board also provides principal forgiveness for projects in California's three nationally designated estuaries. The non-profit organizations sponsoring these projects often do not have a revenue stream to support repayment of a loan, and have limited funds for their local contribution.

Disadvantaged communities and estuary project sponsors are separated into two categories – "small" and "other" as shown in Table 4.

The President's 2014 budget proposal caps the available amount of principal forgiveness at 30 percent of the total CWSRF appropriation. The State Water Board will provide the maximum amount allowed by U.S. EPA from the FFY 2014 appropriation as principal forgiveness. Based on the President's 2014 budget, the estimated maximum amount of principal forgiveness allowed from the FFY 2014 Grant is $22.8 million; the estimated minimum principal forgiveness required by the FFY 2014 Grant is

DRAFT

$15.2 million. The principal forgiveness available from the FFY 2014 Capitalization Grant will be added to the two categories in Table 5 – 2014 CWSRF Principal Forgiveness (PF) and Small Community Grants (SCG) by Category of Applicant, in the ratio of 60 percent for Category 1 and 40 percent for Category 2. These additional principal forgiveness funds will be used in conjunction with any uncommitted principal forgiveness from the FFY 2012 and 2013 Capitalization Grants. As of July 31, 2013, $8,956,314[5] in uncommitted principal forgiveness was available in Category 1 and $2,776,135[6] in uncommitted principal forgiveness in Category 2. Assuming $22.8 million in estimated principal forgiveness authority from the 2014 Capitalization Grant, approximately $34.5 million will be available in principal forgiveness in Categories 1 and 2 for 2014.

The $8 million in SCG funds appropriated for SFY 2013/14 will be used for qualifying projects in Category 1. Any SCG funds appropriated in future years will be used for qualifying projects in Category 1 also, unless otherwise directed by the State Water Board. All SCG funds appropriated in SFY 2010/11, 2011/2012, and 2012/2013 have been committed.

The distribution and limitations associated with principal forgiveness and the SCG Fund are shown in Table 4[7]. To ensure that principal forgiveness and SCG funds are distributed to a large cross-section of community needs throughout California, a single community may not receive cumulatively more than $6 million in principal forgiveness and SCG funding in any given three year period.

3. Local Contributions for Principal Forgiveness and SCG Fund Projects

The State Water Board believes that local involvement and investment in projects is crucial for successful project development and completion. The 2014 IUP establishes the minimum project contribution from a recipient to qualify for principal forgiveness or SCG funds. Costs for planning and design specific to a project financed with principal forgiveness or SCG funds may be counted as part of the local contribution regardless of the date incurred. Costs incurred after October 1, 2011, for construction or implementation specific to a project financed with principal forgiveness or SCG funds may be counted toward the local contribution.

Table 4 breaks down the amounts available by applicant and project type. Small, disadvantaged communities generally receive higher per project and

[5] The uncommitted Category 1 principal forgiveness is approximately $4.9 million from the FFY 2012 grant plus approximately $4.0 million pending award of the FFY 2013 capitalization grant.
[6] The uncommitted Category 2 principal forgiveness is approximately $77,000 from the FFY 2012 grant plus approximately $2.7 million pending award of the FFY 2013 capitalization grant.
[7] The upper limit of principal forgiveness and SCG funds may be modified in the future based on the amount of principal forgiveness and SCG funds available and the priorities of the State Water Board. All conditions on the funds shown in Table 4 will remain in effect until modified by the State Water Board at a regular meeting.

DRAFT

cumulative funding levels. Higher per project limits are also available for regionalization projects.

Upon request, the State Water Board will finance the portion of the project not receiving principal forgiveness or SCG funds with the same repayment terms available to other applicants.

4. Green Project Reserve (GPR)

Based on the minimum GPR requirements in past Grants, staff believes that the 2014 GPR requirement is likely to be a minimum of 10 percent of the 2014 Grant allocation – or a minimum estimated GPR between $7.6 million and $10.5 million based on the estimated range of the 2014 Grant. As seen from the estimated demand for GPR projects in Table 2, the CWSRF has significantly more demand than the minimum expected GPR in 2014. Therefore, the State Water Board does not plan to solicit additional GPR projects during 2014.

To ensure that California meets or exceeds the minimum GPR requirement for 2014, the State Water Board will prioritize the review and approval of GPR projects until the minimum GPR, if any, is met. GPR projects will be evaluated consistent with *U.S. EPA's FFY 2012 Guidance* or any subsequent guidance issued by U.S. EPA.

5. Match Financing Option

The CWSRF Program has met its state matching fund requirement for several years' worth of Capitalization Grants from U.S. EPA at the currently expected levels. See Section III.D.3 below for more detail. Since additional match is unnecessary for the foreseeable future and since match financing reduces earnings for the CWSRF, the State Water Board will not offer the match financing option to CWSRF recipients until further notice.

6. Reduced Interest Rates

If the total amount of CWSRF financing to be repaid by a small, disadvantaged community qualifying for Category 1 (see Table 4) is less than $10 million, the Division may approve a reduced interest rate (not less than zero percent), if the community is unable to afford all or a portion of the interest payments.

If the total amount of CWSRF financing to be repaid by a non-point source or estuary management project is less than $10 million and the project has at least one sustainability point (see Section IV.A.3 of the *CWSRF Policy*), the Division may approve a reduced interest rate (not less than zero percent) if the applicant is unable to afford all or a portion of the interest payments.

DRAFT

D. CWSRF Financing and Programmatic Requirements

1. Davis-Bacon Requirements

   Federal Davis-Bacon rules apply to the construction of treatment works "carried out in whole or in part with assistance made available by a State water pollution control revolving fund." The State Water Board, therefore, will continue to require that applicants comply with Davis-Bacon rules during 2014. Recipients of CWSRF financing must agree to provide information necessary to show compliance with Davis-Bacon requirements.

2. Payment and Draw Schedules

   Table 5 shows the State Water Board's requested payment schedule for the 2014 Capitalization Grant funds from the U.S. Treasury and the estimated draws of the 2014 funds and the CWSRF's remaining federal funds ("unliquidated obligations").

3. State Match and Cash Draw Ratio

   The State Water Board must provide one dollar of match for each five dollars received through U.S. EPA Capitalization Grants. Cumulatively, the CWSRF Program has been awarded $2,380,814,530 in Capitalization Grants as of June 30, 2013, that must be matched. The total matching requirement as of June 30, 2013, therefore, was $476,272,917. The CWSRF Program has provided a total of $627,928,772 in matching funds as of June 30, 2013, resulting in an excess contribution of $152 million in match funds to the CWSRF. This excess match amount is sufficient to match approximately $760 million in Capitalization Grants.

   Since the CWSRF is overmatched at this point, the State Water Board will not provide any matching funds during FFY 2014, and the cash draw ratio during 2014 will be 100 percent federal funds.

4. Types of Assistance and Financing Terms

   The State Water Board will provide funding for all eligible categories of projects using loans, installment sale agreements, and purchase of debt for the construction of treatment works or implementation of non-point source or estuary projects. The State Water Board will also provide optional separate planning and design financing during FFY 2014 to applicants that can legally accept such financing.

   Principal forgiveness, if available, will be provided to those applicants that meet the conditions specified in Table 4 and Section III.C above.

   The terms associated with financial assistance vary by applicant and financing approval date. Planning and design financing is amortized over five or ten years unless rolled into a construction or implementation financing

DRAFT

agreement. Construction or implementation financing agreements are generally amortized for periods up to 20 years, but can be amortized over as much as 30 years for small, disadvantaged communities or regionalization projects. The interest rate applied to a financing agreement is established at the time the financing agreement is prepared for approval. The interest rate will generally be one-half of the state's most recent general obligation bond rate rounded up to the nearest one-tenth of a percent, except as described in Section III.C.6 above.

5. Binding Commitment Threshold

The State Water Board must make binding commitments in an amount equal to 120 percent of each quarterly Capitalization Grant payment from U.S. EPA within one year after the receipt of each quarterly payment (40 C.F.R., § 35.3135). As of June 30, 2013, the State Water Board made binding commitments equal to 249 percent of all Capitalization Grant payments including the American Recovery and Reinvestment Act of 2009 (ARRA.) The State may bank the balance towards the binding commitment requirements of subsequent quarters if it commits more than the required 120 percent. Given the high level of binding commitments to date relative to the federal investment, the State Water Board will remain above the minimum 120 percent threshold during FFY 2014.

6. Timely and Expeditious Expenditure

The State Water Board will ensure timely and expeditious expenditure of all funds during FFY 2014. This IUP establishes as a goal during FFY 2014 to overcommit cash and undrawn federal grant funds so as to continually disburse 100 percent of those funds less a minimum cash balance of $25 million plus any assets restricted for other uses, (i.e., bond payments and administration). The State Water Board will continue to use and refine its existing procedures. These procedures are designed to quickly identify and approve projects, execute financing agreements, and disburse funds to recipients. As of June 30, 2013, the State Water Board has disbursed 98 percent of all federal grants awarded including the ARRA grant. These results are consistent with recent trends, and indicate that the State Water Board is able to quickly and productively use federal funds.

7. Federal Cross-Cutters and Environmental Reviews

Projects funded by the CWSRF Program must comply with certain federal laws known as "cross-cutters." The State Water Board will ensure that CWSRF financing recipients comply with applicable federal laws through a variety of program procedures.

CWSRF financing agreements include a list of applicable federal statutes and requirements taken from the most recent Capitalization Grant (40 C.F.R., § 35.3145). The financing recipient agrees to comply with these federal requirements by signing the financing agreement.

DRAFT

The State Water Board will use its *State Environmental Review Process* (*SERP*) to review the environmental impacts of projects during FFY 2014. While the SERP generally follows the requirements of the California Environmental Quality Act, each applicant must also complete and submit an Evaluation Form for Environmental Review and Federal Coordination. State Water Board staff will distribute environmental analysis documents and consult with relevant federal agencies on projects with known or suspected effects under federal environmental regulations, consistent with the Operating Agreement between the State Water Board and U.S. EPA.

DFA requires compliance with Disadvantaged Business Enterprise (DBE) requirements for all CWSRF financing, except planning and design financing, and requires Single Audit Act (Office of Management and Budget Circular A-133) and Federal Funding Accountability and Transparency Act (FFATA) reporting on all agreements. To date, planning and design financing agreements have been funded with repayment funds. Future planning and design financing agreements may be funded with Capitalization Grants to provide principal forgiveness for planning and design. DFA does not intend to apply DBE requirements to such agreements, but will ensure that DBE compliance for projects totaling an amount at least equivalent to the Capitalization Grants from U.S. EPA.

8. Capitalization Grant Conditions and Other Federal Requirements

The State Water Board will comply with all conditions included in the FFY 2014 Capitalization Grant agreement. The 2014 federal appropriation may also include new requirements. The State Water Board will require that CWSRF financing recipients also comply with applicable requirements. Recipients of CWSRF financing must agree to provide information necessary to show compliance with all applicable federal requirements.

E. Risks

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

1. Application Demand vs. Resources

Demand for financing may exceed the resources needed to review and approve all applications. Staff resources are the most inflexible aspect of the CWSRF Program. Because additional staff must be approved through the state's budget process, additional staff cannot be added quickly to address high demand. Also, hiring may be frozen or work hours reduced due to state budget concerns. Upon receipt of an abundance of applications, DFA will prioritize applications consistent with this *IUP* and the *CWSRF Policy*, seek changes to the *CWSRF Policy*, further adjust its review procedures, work with U.S. EPA or other agencies to resolve delays, schedule financing with applicants, or seek additional resources.

DRAFT

2. Applicants' Schedule Changes

Beneficial and eligible projects may not be financed if the applicants' schedules change or are delayed. To minimize and avoid delays, CWSRF Program staff will coordinate regularly with applicants identified in this *IUP*, and with others that submit applications during the year. As project schedules shift, lower priority projects may be funded if they are ready for financing, bearing in mind the minimum principal forgiveness and GPR requirements associated with the federal funds. This funding flexibility maximizes the use of the CWSRF and increases the number of projects funded.

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

3. Cash Flow vs. Application or Disbursement Demand

The amount of financing and disbursements requested may exceed the CWSRF Program's cash flow. DFA staff will maintain accurate account balances and forecast future revenue and disbursements on a regular basis to identify potential cash shortages. If additional cash is needed, the CWSRF Program has several options. The Program has considerable revenue that it can leverage through a bond sale to obtain additional cash. The State Water Board can prioritize funding requests or negotiate disbursement schedules with applicants. The CWSRF Program can also investigate alternative financing (e.g., providing bond insurance) to reduce cash outlays.

Excess cash may accumulate if applications or disbursement requests are too low. Excess cash provides no water quality benefit for California. 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

Pursuant to the *CWSRF Policy*, DFA will implement prudent lending and borrower surveillance practices that safeguard the Program's equity. The State Water Board contracts with California Municipal Securities, Inc. (CalMuni), a financial analysis firm, to evaluate the credit of certain CWSRF applicants before approving funding. The State Water Board also contracts with a professional financial advisor to provide additional financial expertise.

The CWSRF Program has a number of tools to reduce the risk of default. The State Water Board will continue to provide applicable subsidies (e.g., extended term financing, principal forgiveness, SCG funds) in FFY 2014 to reduce debt service and default risk for small, disadvantaged communities or

DRAFT

for projects that regionalize wastewater infrastructure. Additional subsidies for disadvantaged communities will reduce borrowing costs and the risk of default. Additionally, the State Water Board has contracted with the California Rural Water Association to offer wastewater-related technical assistance to small, disadvantaged communities in such areas as evaluating project alternatives, financial management, rate setting, and operation and maintenance.

5. Accountability and Oversight

The CWSRF 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 CWSRF Benefits Reporting (CBR) on use of the funds. In addition, U.S. EPA produces a Program Evaluation Report (PER) annually.

The CWSRF Program produces an annual report and audited financial statements.

DFA staff will continue to oversee projects 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. OUTCOMES, GOALS, ACTIVITIES, AND MEASURES

This section summarizes the activities planned for the CWSRF Program for FFY 2014, and describes how those activities contribute to the expected Program outcomes. Specific projects or activities include target completion dates. The performance measurements will be used to track progress toward meeting the goals and outcomes.

A. Sound Finances

The State Water Board, the CWSRF Program's stakeholders, and the CWSRF bondholders expect the Program to be financially sound.

DRAFT

Long Term Goals:

1) **Maximize cash flow**. For maximum benefit, CWSRF disbursements should equal the Program's receipts, less the minimum $25 million balance and restricted assets.

2) **Use revenue and capital effectively**. California faces tremendous water quality needs. The repayment stream to the CWSRF Program is sizeable, and the Program continues to receive new capital. The CWSRF Program's net assets may make additional debt to finance water quality projects feasible. Additional debt should be balanced against the long-term financial health of the Program and the federal requirement to maintain the CWSRF in perpetuity.

3) **Maintain financial integrity**. Financial integrity is a core value of the CWSRF 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 CWSRF Program.

Key Short Term Activities:

a) **Prepare and review cash management reports regularly**. Ensuring that sufficient cash is available to fulfill disbursement requests requires careful and regular oversight of the cash flows. (*Complete bi-monthly.*)

b) **Continue regular staff level finance/audit committee meetings.** (*Complete bi-monthly.*)

   i) Review cash flows of existing and potential commitments to assess the Program's ability to meet its commitments and to evaluate the need for leveraging.

   ii) Compare actual performance with target performance measures.

   iii) Review audit issues, program control issues, and plan for upcoming audits.

c) **Continue regular project staging meetings to identify and resolve process delays and ensure an ongoing pipeline of new projects.** (*Complete monthly.*)

d) **Apply for and accept FFY 2014 Capitalization Grant**. The 2014 Grant application will be submitted to U.S. EPA after approval of this IUP by the State Water Board. For 2014, a Capitalization Grant application will be submitted for $105,033,500. (*Complete March 2014.*)

e) **Prepare Annual Report and Audited Financial Statements for SFY 2013/14.** *(Complete September 30, 2014.)*

DRAFT

Performance Measurements:

- Total executed financing agreements > 120 percent of federal grants.
- Disbursement rate = 100 percent of available funds less $25 million minimum balance and restricted funds.
- Federal funds disbursement rate = 100 percent of federal payments.
- Undisbursed cash balance not increasing year-to-year.
- Default ratio = 0.

B. Fund the Most Beneficial Projects

The CWSRF Program has finite funds and resources. These limitations require the State Water Board to prioritize so that the most pressing water quality problems are addressed first.

Long Term Goals:

1) **Achieve compliance statewide with water quality objectives**.

2) **Maximize the water quality benefits and sustainability achieved by the CWSRF Program**.

3) **Finance infrastructure that will achieve or maintain compliance with federal and state water quality requirements**. Support the Water Board's *Strategic Plan*, Cal/EPA's *Strategic Vision*, and U.S. EPA's *Strategic Plan* Goal 2 (Protecting America's Waters), Objective 2.2 (Protect and Restore Watersheds and Aquatic Ecosystems), Sub-Objective 2.2.1 (Improve Water Quality on a Watershed Basis).

4) **Assist with the State Water Board's *Plan For California's Nonpoint Source Pollution Control Program* and estuary Comprehensive Conservation and Management Plans**.

5) **Invest in disadvantaged communities disproportionately affected by pollution and water contamination**.

Key Short Term Activities:

a. **Provide funds for high-priority projects**. Table 2 lists projects that the CWSRF Program anticipates funding in FFY 2014 that supports the Water Boards' and U.S. EPA's priorities (see Table 2 for expected binding commitment [executed agreement] dates).

b. **Adopt the FFY 2014 IUP**. The 2014 IUP will guide marketing and assistance efforts targeting the Water Boards' and U.S. EPA's highest priorities in FFY 2014. (*Complete October 22, 2013.*)

DRAFT

c. **Extended Term Financing (ETF)**. The State Water Board's goal is to use ETF to enhance the CWSRF's ability to address specific water quality needs. ETF should result in funding more wastewater projects for small, disadvantaged communities and regionalization projects, and should have a direct water quality benefit. (*Ongoing.*)

d. **Report activities supporting the State Water Board's *Strategic Plan*, the Cal/EPA *Strategic Vision*, and the U.S. EPA *Strategic Plan* in the CWSRF Annual Report, CBR, NIMS, and the FFATA Reporting System.** (*Complete annually.*)

Performance Measurements:

- Fund utilization rate (U.S. EPA Program Reporting Measure WQ-17 Fund Utilization) > 105 percent of available funds.
- At least 50 percent of funded projects should be identified in the IUP.
- At least 25 percent of projects should assist disadvantaged communities.
- FFY 2014 funds committed as principal forgiveness = maximum allowed by 2014 appropriation.
- Percentage of FFY 2014 funds committed to GPR projects > minimum GPR percentage established by FFY 2014 appropriation.

C. Efficient Service and Recognizable Products

Applicants have many choices for their financing needs. The CWSRF Program should attract high value projects that support the policies and goals of the State Water Board.

Long Term Goals:

1) **Provide good customer service with a special emphasis on assisting disadvantaged communities**.

2) **Ensure that the application forms and review procedures are clear, flexible, and efficient**.

3) **Ensure staff is well-trained and ready to help applicants resolve technical, legal, environmental, and financial issues needed to receive financing**.

DRAFT

Key Short Term Activities:

a. **Marketing and Outreach**. Develop a written marketing plan to guide the Program's marketing and outreach efforts[8]. (*Complete June 2014.*)

b. **Application Revamp and Policy Amendment Rollout**. Complete the transition to the new, revamped application and fully implement the additional *CWSRF Policy* changes which were approved by the State Water Board at its May 6, 2013 meeting. (*Complete January 2014.*)

c. **Online applications**. Modify the Financial Assistance Application Submittal Tool (FAAST) so that CWSRF financing applications can be submitted online. (*Complete January 2014.*)

Performance Measurements:

- 95 percent of financing agreements executed in nine months or less.[9]
- 100 percent of disbursement requests fulfilled in 30 days or less.[10]
- Amend financing agreements no later than 60 days after receipt of complete Final Budget Approval Package.

V. SCHEDULE

The schedule for public comment and State Water Board adoption of the FFY 2014 IUP, and the application, award, and acceptance of the 2014 Capitalization Grant is as follows.

End public comment period	September 16, 2013
State Water Board adopts FFY 2014 IUP at regularly scheduled meeting	October 22, 2013
Submit FFY 2014 Capitalization Grant application to U.S. EPA	October 23, 2013
Execute FFY 2014 Capitalization Grant agreement with U.S. EPA	March 2014 (estimated)

[8] Limited staffing and travel requires an increased focus on web-based outreach, including webinars and video training.
[9] Agreement processing time is the time from receipt of a complete application to execution of the financing agreement.
[10] Disbursement fulfillment time is the time from receipt of a complete disbursement request to warrant date.

DRAFT

VI. TABLES

A. TABLE 1: SOURCES AND USES OF THE CWSRF [1]

	SFY 2013-14	SFY 2014-15	SFY 2015-16	SFY 2016-17	SFY 2017-18
Beginning Balance [2]	$405,172,728	$248,408,997	$231,058,777	$362,562,689	$594,098,039
Estimated Principal + Interest Received	$234,836,870	$244,836,870	$254,836,870	$264,836,870	$274,836,870
Estimated SMIF Earnings Received [3]	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
Debt Service	($15,070,800)	($14,713,300)	($14,323,300)	($13,808,100)	($9,980,925)
Federal Capitalization Grants Received [4]	$95,485,000	$105,033,500	$30,000,000	$30,000,000	$30,000,000
Administration Allowance [5]	($3,819,400)	($4,201,340)	($1,200,000)	($1,200,000)	($1,200,000)
Estimated Disbursements [6]	($469,695,400)	($349,805,950)	($139,309,658)	($49,793,420)	($6,623,937)
Estimated Year End Balances [7]	**$248,408,997**	**$231,058,777**	**$362,562,689**	**$594,098,039**	**$882,630,046**

	SFY 2013-14	SFY 2014-15	SFY 2015-16	SFY 2016-17	SFY 2017-18
Estimated Yearly Cash Flows [8]	**($156,763,730)**	**($17,350,220)**	**131,503,912**	**$231,535,350**	**$288,532,007**

1. Forecast dated July 1, 2013.
2. The "Beginning Balance" does not include the $25 million set aside for the minimum balance of the CWSRF. It is excluded to reflect that it is not available for other uses.
3. SMIF means Surplus Money Investment Fund.
4. These numbers include a final amount for the FFY 2013 Grant that the State Water Board expects to receive in SFY 2013-14. The amounts for all Grants past FFY 2013 are estimated. The forecasted Capitalization Grants are listed in the aggregate amounts. Principal Forgiveness, if available, is included in the aggregate Grant amount in the forecast.
5. These numbers include a final amount for the FFY 2013 Grant that the State Water Board expects to receive in SFY 2013-14. The amounts allowed for administration from all Grants past FFY 2013 are based on estimates of the future Grant amounts. The numbers reflect the percentage of the Capitalization Grants that may be used for program administration. The CWSRF's primary source of administrative funds is the "Administrative Fund." See Section III.B.2. Administrative Funding for further discussion. Funds from the "Administration Allowance" that are not used for program administration may be used to finance projects.
6. Estimated disbursements are a forecast of the cash disbursements for projects with executed financing agreements or preliminary (conditional) commitments to fund. The estimated cash disbursements include the local match credits on past projects that used match financing. Local match credits are contributions made by financing recipients in exchange for using match financing; match credits are used to meet the federal Capitalization Grant matching requirement.
7. "Year End Balances" represent a running total based on the previous year's ending balance.
8. "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.

DRAFT

B. TABLE 2: CWSRF PROJECT FINANCING FORECAST FOR FFY 2014

Sort: Estimated Agreement Date

								ESTIMATED SOURCES OF FINANCING					GREEN PROJECT RESERVE		
Project Number	Region	Agency	Project Name	NPDES/WDR Permit Number	Class	Type*	Estimated Agreement Date	Capitalization Funds Federal Year 2014** (Loan Financing)	Capitalization Funds Federal Year 2014*** (Principal Forgiveness)	Other CWSRF Funds (Loan Financing)	Estimated Extended Term Financing	Estimated Total Financing	Capitalization Funds Federal Year 2014	Green Project Type****	Determination, Categorical (C) or Business Case (BC)
7862-110	5	Grass Valley, City of	Wastewater Master Plan Project	R5-2009-0067	D	POTW	7/30/2013	$0	$499,000	$0	$0	$499,000	$0		
7805-110	6	Victor Valley Wastewater Rec Authority	Upper Narrows Pipeline Repair/Replacement Project	CA0102822	C	POTW	8/30/2013	$4,000,000	$0	$0	$0	$4,000,000	$0		
5892-110	4	Los Angeles County Sanitation District	Joint Outfall A District 5 Interceptor Trunk Sewer Section 2A Rehab	SWRCB Order 2006-003-DWQ	C	POTW	8/31/2013	$10,400,000	$0	$0	$0	$10,400,000	$0		
5223-110	2	Union Sanitary District	Thickener Control Building Improvements Project	CA0038733	C	POTW	8/31/2013	$10,300,000	$0		$0	$10,300,000	$0		
7846-110	2	Yountville, Town of	Yountville Recycled Water Expansion Project	CA0038121	C	POTW	9/6/2013	$3,465,362	$0	$0	$0	$3,465,362	$3,465,362	W	C
7831-110	8	Eastern Municipal Water District	Recycled Water Pond Expansion and Optimization project	CA8000188	C	POTW	9/20/2013	$16,810,000	$0	$0	$0	$16,810,000	$16,810,000	W	C
5318-110	8	Inland Empire Utilities Agency	Central Area Recycled Water Project	CA8000409	C	POTW	9/27/2013	$11,812,000	$0	$0	$0	$11,812,000	$11,812,000	W	C
7808-110	8	Idyllwild Water District	Tertiary Recycled Water System	Pending	C	POTW	9/30/2013	$1,500,000	$0	$0	$0	$1,500,000	$1,500,000	W	C
7861-110	8	Eastern Municipal Water District	Wine Country Infrastructure Project	R8-2008-0008	D	POTW	9/30/2013	$22,173,000	$0	$0	$0	$22,173,000	$0		
5254-110	5	Farmersville, City of	City Farmersville Clean Water Project	R5-1981-0122	C	POTW	9/30/2013	$13,000,000	$4,000,000	$0	$0	$17,000,000	$0		
7867-110	8	Orange County Water District	Fletcher Basin Improvement Project	N/A	C	POTW	9/30/2013	$3,633,400	$0	$0	$0	$3,633,400	$3,633,400	W	C
5274-110	5	Placer County Sewer Maintenance District #1	SMD No. 1 Regionalization Project	SWRCB Order 2006-0003-DWQ	C	POTW	9/30/2013	$65,857,371	$6,000,000	$24,142,629	$90,000,000	$96,000,000	$0		
5283-110	5	Placer County Sewer Maintenance District #3	SMD 3 Regional Sewer Project	SWRCB Order 2006-0003-DWQ	B	POTW	9/30/2013	$0	$0	$9,007,099	$0	$9,007,099	$0		
7887-110	5	Live Oak, City of	Wastewater Treatment Plant Solar Feasibility Study	CA0079022	E	POTW	10/1/2013	$0	$75,000	$0	$0	$75,000	$75,000	E	C
7638-110	5	Nevada County Sanitation District No. 1	Penn Valley WWTP Extension	R5-2001-0210	A	POTW	10/1/2013	$0	$5,000,000	$0	$0	$5,000,000	$0		
7085-110	5	Stockton, City of	Tuxedo Avenue Sewer Rehabilitation	CA0079138	D	POTW	10/2/2013	$0	$1,625,000	$0	$0	$1,625,000	$0		
4806-110	6	Victor Valley Wastewater Rec Authority	Apple Valley Sub regional Wastewater Reclamation Plant	R6V-2003-028	C	POTW	10/4/2013	$0	$0	$26,400,651	$0	$26,400,651	$0		
7646-110	5	Thermalito Water and Sewer District	East Trunk Line Replacement Project	CA0079235	C	POTW	10/15/2013	$0	$2,000,000	$2,000,000	$0	$4,000,000	$0		
7863-110	4	South Pasadena, City of	Sewer Rehabilitation & Replacement Project	SWRCB Order 2006-0003-DWQ	D	POTW	10/30/2013	$0	$0	$11,000,000	$0	$11,000,000	$0		
7811-110	2	San Mateo County Crystal Springs County Sanitation District	Collection System Improvement Project	CA0037541	C	POTW	10/31/2013	$0	$0	$2,400,000	$0	$2,400,000	$0		

DRAFT

Sort: Estimated Agreement Date

								ESTIMATED SOURCES OF FINANCING					GREEN PROJECT RESERVE		
Project Number	Region	Agency	Project Name	NPDES/WDR Permit Number	Class	Type*	Estimated Agreement Date	Capitalization Funds Federal Year 2014** (Loan Financing)	Capitalization Funds Federal Year 2014*** (Principal Forgiveness)	Other CWSRF Funds (Loan Financing)	Estimated Extended Term Financing	Estimated Total Financing	Capitalization Funds Federal Year 2014	Green Project Type****	Determination, Categorical (C) or Business Case (BC)
7885-110	8	Inland Empire Utilities Agency	Regional Water Quality Laboratory	N/A	D	POTW	10/31/2013	$0	$0	$17,100,000	$0	$17,100,000	$0		
5696-110	9	Vista, City of	W. Vista Way Sewer (V1)	SWRCB Order 2006-0003-DWQ	D	POTW	10/31/2013	$0	$0	$2,021,400	$0	$2,021,400	$0		
7612-110	9	El Cajon, City of	Johnson Avenue Sewer Interceptor	SWRCB Order 2006-0003-DWQ	B	POTW	11/1/2013	$0	$2,718,576	$9,809,424	$0	$12,528,000	$0		
5544-110	5	Biggs, City of	Wastewater Treatment Plant Upgrades Phase 1	CA0078930	A	POTW	11/1/2013	$0	$1,331,000	$1,331,000	$0	$2,662,000	$0		
7216-110	5	Eastern Municipal Water District	Quail Valley Sub Area 9 - Planning	R8-2008-0008	A	EXP USE	11/1/2013	$0	$500,000	$0	$0	$500,000	$0		
7886-110	5	Isleton, City of	Wastewater Treatment System Improvements - planning	R5-1990-0186	A	POTW	11/1/2013	$0	$175,000	$0	$0	$175,000	$0		
7866-110	5	Red Bluff, City of	Wastewater Treatment Reliability Project	CA0078891	D	POTW	11/1/2013	$0	$1,777,565	$1,777,565	$0	$3,555,130	$0		
7215-110	5	Visalia, City of	Water Conservation Plant Upgrade	R5-2006-0091	C	POTW	11/11/2013	$0	$0	$92,425,000	$0	$92,425,000	$0		
7847-110	9	Vista, City of	Vista/Carlsbad Interceptor & Agua Hedionda Pump Station Replacement Project	SWRCB Order 2006-0003-DWQ	D	POTW	11/18/2013	$0	$0	$21,991,869	$0	$21,991,869	$0		
7623-110	8	Anaheim, City of	Sewer Reconstruction at Cerritos Ave from Nutwood St to Brookhurst St	R8-2002-0014	C	POTW	12/1/2013	$0	$0	$2,250,000	$0	$2,250,000	$0		
7629-110	8	Anaheim, City of	Sewer Reconstruction at Arbor St and Romneya Dr	R8-2002-0014	C	POTW	12/1/2013	$0	$2,350,000	$5,350,000	$0	$7,700,000	$0		
7621-110	8	Anaheim, City of	Sewer Reconstruction at Acacia St, Romneya Dr and La Palma Ave	R8-2002-0014	C	POTW	12/1/2013	$0	$850,000	$2,250,000	$0	$3,100,000	$0		
7624-110	8	Anaheim, City of	Sewer Reconstruction at Rio Vista St and Jackson Ave	R8-2002-0014	C	POTW	12/1/2013	$0	$750,000	$5,750,000	$0	$6,500,000	$0		
7625-110	8	Anaheim, City of	Sewer Reconstruction at Westport Drive	R8-2002-0014	C	POTW	12/1/2013	$0	$360,000	$1,040,000	$0	$1,400,000	$0		
5158-110	5	Springville Public Utility District	Treated Effluent Disposal Project	R5-1996-0195	C	POTW	12/1/2013	$0	$2,414,250	$804,750	$0	$3,219,000	$0		
4807-110	6	Victor Valley Wastewater Rec Authority	Hesperia Subregional Wastewater Reclamation Plant	R6V-2003-028	C	POTW	12/6/2013	$0	$0	$33,508,515	$0	$33,508,515	$0		
5402-110	2	Hillsborough, Town of	EC/CS Phase II Sewer Improvements	CA0037541	A	POTW	12/30/2013	$0	$0	$8,000,000	$0	$8,000,000	$0		
7845-110	8	Western Municipal Water District	Chino Desalter Phase III Expansion	CAG998001	E	EXP USE	12/30/2013	$0	$0	$24,000,000	$0	$24,000,000	$0		
4905-150	9	San Diego, City of	Sewer Pipeline Rehabilitation Project - U-1, V-1, W-1, & Y-1	SWRCB Order 2006-0003-DWQ	D	POTW	12/30/2013	$0	$0	$26,000,000	$0	$26,000,000	$0		
7109-110	5	Fresno County Waterworks District No. 38	Wastewater Treatment Plant Improvements	R5-1990-088	D	POTW	12/30/2013	$0	$250,000	$250,000	$0	$500,000	$0		
5228-110	3	Monterey, City of	Sewer System Rehabilitation Project	SWRCB Order 2006-0003-DWQ	D	POTW	12/30/2013	$0	$0	$16,800,000	$0	$16,800,000	$0		

DRAFT

Sort: Estimated Agreement Date

								ESTIMATED SOURCES OF FINANCING					GREEN PROJECT RESERVE		
Project Number	Region	Agency	Project Name	NPDES/WDR Permit Number	Class	Type*	Estimated Agreement Date	Capitalization Funds Federal Year 2014** (Loan Financing)	Capitalization Funds Federal Year 2014*** (Principal Forgiveness)	Other CWSRF Funds (Loan Financing)	Estimated Extended Term Financing	Estimated Total Financing	Capitalization Funds Federal Year 2014	Green Project Type****	Determination, Categorical (C) or Business Case (BC)
7858-110	2	San Mateo, City of	25th Avenue Sanitary Sewer Relief Line	CA0037541	D	POTW	12/30/2013	$0	$0	$4,300,000	$0	$4,300,000	$0		
7871-110	5	Galt, City of	Galt Wastewater Treatment Plant Upgrade	CA0081434	C	POTW	12/31/2013	$0	$0	$25,641,300	$0	$25,641,300	$0		
7868-110	8	Orange County Water District	Alamitos Barrier Improvements	CAG994005	C	POTW	12/31/2013	$0	$0	$7,755,000	$0	$7,755,000	$7,755,000	W	C
7873-110	5	Woodland-Davis Clean Water Agency	Woodland/Davis Water Supply/Water Quality Improvement Project	CA0079049 & CA0079050	C	POTW	12/31/2013	$0	$0	$194,523,000	$0	$194,523,000	$0		
7841-110	5	Yuba City, City of	Wastewater Infrastructure Upgrades 2012	CA0079260	D	POTW	12/31/2013	$0	$0	$10,000,000	$0	$10,000,000	$0		
5210-110	2	Napa County Department of Public Works	MST Recycled Water Project	Pending	C	POTW	1/14/2014	$0	$0	$14,025,550	$0	$14,025,550	$14,025,550	W	C
7872-110	8	Beaumont, City of	6th Street/Maple Avenue Septic Conversion Project	R8-2006-0003	C	POTW	1/31/2014	$0	$1,500,000	$1,500,000	$0	$3,000,000	$0		
7844-110	3	California American Water Company	Monterey Peninsula Water Supply Project	R3-2009-0060	B	EXP USE	1/31/2014	$0	$0	$132,100,000	$0	$132,100,000	$0		
7834-110	8	Corona, City of	Water Reclamation Facility No. 2 Tertiary Filtration	CA8000395	D	POTW	1/31/2014	$0	$0	$11,731,039	$0	$11,731,039	$0		
5541-110	5	Fresno, County of	Monte Verdi CSA 44-D	R5-1992-0203	D	POTW	1/31/2014	$0	$0	$1,200,000	$0	$1,200,000	$0		
7869-110	5	Lake Berryessa Resort Improvement District	Wastewater Storage and Disposal Expansion Project	R5-2008-0068	C	POTW	1/31/2014	$0	$6,000,000	$0	$0	$6,000,000	$0		
7853-110	2	Rodeo Sanitary District	Rodeo Creek Bridge Force Main Relocation	CA0037826	D	POTW	1/31/2014	$0	$0	$1,170,000	$0	$1,170,000	$0		
7870-110	5	Stanislaus, County of	Parklawn Sewer Project	R5-2008-0059	A	POTW	1/31/2014	$0	$4,500,000	$500,000	$0	$5,000,000	$0		
7833-110	6	Victor Valley Wastewater Rec Authority	Nanticoke Pump Station Bypass Sewer Project	CA0102822	D	POTW	2/14/2014	$0	$0	$4,500,000	$0	$4,500,000	$0		
7814-110	2	San Mateo County Fair Oaks Sewer Maintenance District	Collection System Improvement Project	CA0038369	C	POTW	2/15/2014	$0	$0	$5,400,000	$0	$5,400,000	$0		
5295-110	7	Hi-Desert Water District	Hi-Desert Water District Wastewater Treatment and Water Reclamation	R7-2009-0059	A	POTW	3/1/2014	$0	$6,000,000	$113,000,000	$113,000,000	$119,000,000	$119,000,000	W	C
7860-110	7	Hi-Desert Water District	Septic System Abatement & Private Lateral Installation	N/A	A	EXP USE	3/1/2014	$0	$0	$11,000,000	$11,000,000	$11,000,000	$0		
7826-110	2	San Mateo, City of	South Trunk Sanitary Sewer Relief Project, Phases 1 and 2	CA0037541	C	POTW	3/1/2014	$0	$0	$27,000,000	$0	$27,000,000	$0		
7837-110	2	Sausalito-Marin City Sanitary District	Treatment and Wet Weather Flow Upgrade Project	CA0038067	D	POTW	3/1/2014	$0	$0	$21,800,000	$0	$21,800,000	$0		
7857-110	3	Santa Barbara, City of	El Estero Wastewater Treatment Plant Air Process Improvements Project	CA0048143	D	POTW	3/31/2014	$0	$0	$20,000,000	$0	$20,000,000	$0		

DRAFT

Sort: Estimated Agreement Date

								ESTIMATED SOURCES OF FINANCING					GREEN PROJECT RESERVE		
Project Number	**Region**	**Agency**	**Project Name**	**NPDES/WDR Permit Number**	**Class**	**Type***	**Estimated Agreement Date**	**Capitalization Funds Federal Year 2014** (Loan Financing)**	**Capitalization Funds Federal Year 2014*** (Principal Forgiveness)**	**Other CWSRF Funds (Loan Financing)**	**Estimated Extended Term Financing**	**Estimated Total Financing**	**Capitalization Funds Federal Year 2014**	**Green Project Type****	**Determination, Categorical (C) or Business Case (BC)**
7874-110	5	Kern, County of	Golden Hills Sanitation Wastewater Planning Project	R5-1986-0152	C	POTW	4/1/2014	$0	$500,000	$0	$0	$500,000	$0		
7810-110	2	San Mateo County Burlingame Hills Sewer Maintenance District	Collection System Improvement Project	CA0037788	C	POTW	6/30/2014	$0	$0	$1,000,000	$0	$1,000,000	$0		
7446-110	4	Channel Islands Beach Community Services District	Force Main Improvement Project - Kiddie and Hobbie Beach	CA0054097	A	POTW	6/30/2014	$0	$0	$1,995,000	$0	$1,995,000	$0		
7829-110	1	Humboldt Community Services District	Martin Slough Interceptor Project Phase 2	CA0024449	B	POTW	6/30/2014	$0	$0	$8,500,000	$0	$8,500,000	$0		
7249-110	2	San Mateo, City of	Kingridge Sanitary Sewer Line Improvements - Phase III	CA0037541	A	POTW	7/1/2014	$0	$0	$2,300,000	$0	$2,300,000	$0		
5611-110	6	South Tahoe Public Utility District	Diamond Valley Ranch Emergency Retention/Irrigation Field	R6T-2004-0010	C	POTW	7/16/2014	$0	$0	$1,030,000	$0	$1,030,000	$0		
68								**$162,951,133**	**$51,175,391**	**$971,780,791**	**$214,000,000**	**$1,185,907,315**	**$178,076,312**		

2014 - Estimated Financing Available = (2014 Cap Grant - 4% Admin) = $100,832,160. Estimated Principal Forgiveness Available = $22,800,000. Estimated Loan Available = (2014 cap grant - 4% Admin - Estimated 2014 Principal Forgiveness) = $78,032,160.

2013 – Financing Available = (2013 Cap Grant – 4% Admin) = $91,665,600. Principal Forgiveness Available = $6,746,627. Loan Available = (2013 Cap Grant - 4% Admin - 2013 Principal Forgiveness) = $84,918,973.

* EXP USE: Expanded use projects per Clean Water Act (CWA) Sections 319 or 320. POTW: Publicly-owned treatment works projects per CWA section 212.

** Includes remaining Capitalization Grant funds available for loans from 2013 of $84,918,973 and estimated 2014 loan funds of $78,032,160. FFATA reporting will be done on an amount of projects equal to the 2014 Capitalization Grant, as necessary.

*** The number of Projects shown as receiving Principal Forgiveness exceeds the available Principal Forgiveness. Projects will be funded in readiness-to-proceed order. Some projects may receive CWSRF SCG funds in lieu of Principal Forgiveness. This is a preliminary analysis only. It does not track funds associated with Category 1 and Category 2 separately.

**** Green Project Types: W = Water Efficiency; E = Energy Efficiency; I = Innovative. Estimated Minimum 2014 GPR Funding Requirement = $10,503,350.

DRAFT

C. Table 3: Forecasted Administration Fund and SCG Fund Balances for FFY 2014

TABLE 3.A: ADMINISTRATION FUND BALANCES

	7/1/13-12/31/13	1/1/14-6/30/14	7/1/14-12/31/14
Beginning Balance	$22,059,313	$21,689,295	$20,864,137
Collected	$3,879,982.	$3,424,842.	$4,389,178
Spent	($4,250,000)	($4,250,000)	($4,250,000)
End Balance	$21,689,295.	$20,864,137	$21,003,315

TABLE 3.B: SCG FUND BALANCES

	7/1/13 - 12/31/13	1/1/14-6/30/14	7/1/14 - 12/31/14
Beginning Balance	$13,297,967	$14,354,348	$16,238,513
Collected	$4,323,249	$4,104,555	$5,617,267
Projected disbursed	($3,266,868)	($2,220,390)	($2,342,553)
End Balance	$14,354,348	$16,238,513	$19,063,227

DRAFT

D. TABLE 4: 2014 CWSRF PRINCIPAL FORGIVENESS (PF) AND SMALL COMMUNITY GRANTS (SCG) BY CATEGORY OF APPLICANT[1]

Category 1	
Project Types	Eligible project types include wastewater, stormwater, nonpoint source, or estuary [3].
Communities: Small, Disadvantaged with Substantial Costs [2]	a. (i) Population <20,000 and (ii) community median household income (MHI) <80 percent of statewide MHI and (iii) rates for wastewater or wastewater plus stormwater at least 1.5 percent of community MHI [4,5]; or b. (i) Population <20,000 and (ii) rates for wastewater or wastewater plus stormwater more than 4 percent of community MHI [4,5].
Total Principal Forgiveness/ SCG	• 60 percent of the maximum 2014 PF shall be available to projects in this category. • Any uncommitted 2010 through 2013 Category 1 PF shall be available to projects in this category [1]. • At least $8 million from the SCG Fund shall be disbursed to wastewater projects in this category, with priority given to projects that serve severely disadvantaged communities (community MHI <60 percent of statewide MHI) [6]. • At least 50 percent of this category will be allocated to wastewater projects.

Principal Forgiveness/SCG per Project

A project may receive 50 percent of eligible project costs, not to exceed $4 million, in PF/SCG financing.

Exceptions:
(i) For "Category 1a" wastewater projects with wastewater rates at least 1.5 percent but less than 2.0 percent of community MHI, if the community's credit review shows inadequate revenues to finance the remaining eligible costs, "Category 1a" Disadvantaged Communities (DACs) may receive PF/SCG financing up to 75 percent of eligible costs or a "Category 1a" severely DAC (community MHI <60 percent of statewide MHI) may receive PF/SCG financing up to 100 percent of eligible project costs, not to exceed $4 million.
(ii) For "Category 1a" wastewater projects with wastewater rates at least 2.0 percent of community MHI, projects may receive 75 percent of eligible costs, not to exceed $6 million in PF/SCG financing. If the community's credit review shows inadequate revenues to finance the remaining eligible costs, the DAC may receive PF/SCG financing up to 100 percent of eligible costs, not to exceed $6 million.
(iii) For projects that connect previously unsewered areas or join communities to regionalize wastewater or stormwater treatment works, consistent with the *CWSRF Policy*, PF will be allocated to each community served by the project on a per community basis, rather than a per project basis. For these projects, communities qualifying under "Category 1" may receive 100 percent PF/SCG financing not to exceed $4 million, and communities qualifying under "Category 1a" with rates at least 2.0 percent of community MHI may receive 100 percent PF/SCG financing not to exceed $6 million.
(iv) "Category 1" entities eligible for planning or design financing may receive 100 percent of eligible planning or design costs, not to exceed $500,000 in PF/SCG financing, for planning or design activities. Planning activities may include, but are not limited to, feasibility/engineering studies, environmental studies, legal analyses, and financial/rate analyses. [7]
(v) For projects that connect previously unsewered areas or join communities to regionalize wastewater or stormwater works, consistent with the *CWSRF Policy*, if the community that will be served by the project does not have wastewater rates and charges in place, but would otherwise qualify for "Category 1a," that community may receive 100 percent of eligible planning or design costs, not to exceed $500,000 in PF/SCG financing, for planning or design activities. [7]

DRAFT

(Table 4 – Continued)

Category 2	
Project Types	Eligible project types include wastewater, stormwater, nonpoint source, or estuary [3].
Communities: Other [2]	a. Project serves a DAC (community MHI <80 percent of statewide MHI) not qualifying under Category 1 above; b. Project serves a disadvantaged area (area MHI <80 percent of statewide MHI) of a larger community; or c. Project implements a nationally designated estuary plan. [8]
Total Principal Forgiveness	• 40 percent of the maximum 2014 PF amount shall be available in this category. • Any remaining 2010 through 2013 Category 2 PF amounts shall be available to projects in this category. [1]

Principal Forgiveness per Project
Portions of the project that serve a DAC or disadvantaged area may receive PF of 50 percent of eligible project costs, not to exceed $2 million in PF. Exceptions: (i) Consistent with the *CWSRF Policy*, for projects that connect previously unsewered areas or join communities to regionalize wastewater or stormwater treatment works, PF will be available to each community served by the project on a per community basis, rather than a per project basis. For these projects, communities qualifying under Category 2 may receive PF of 50 percent of eligible project costs not to exceed $3 million. (ii) "Category 2c" projects that implement a project for a nationally designated estuary may receive PF up to 75 percent of eligible project costs. Cumulative PF shall not exceed $1 million per estuary plan area. (iii) For a small DAC only (community population less than 20,000 and MHI <80 percent of statewide MHI), an entity eligible for planning or design financing may receive 50 percent of eligible planning or design costs, not to exceed $250,000 in PF for planning or design. Planning activities may include, but are not limited to, feasibility/engineering studies, environmental studies, legal analyses, and financial/rate analyses. [7]
Requirements and Deadlines Applicable to All Projects
• Costs for planning and design specific to a project financed with CWSRF Principal Forgiveness or the Small Community Grant fund may be counted as part of the local contribution regardless of the date incurred. Costs incurred after October 1, 2011, for construction or implementation specific to a project financed with Principal Forgiveness or Small Community Grant funds may be counted as part of the local contribution. • Projects may not receive financing for more than 100 percent of total project costs, and must meet all applicable eligibility requirements.

1. The criteria in Table 4 and Section IV.A.5 of the CWSRF Policy apply to all qualifying projects receiving approval of Principal Forgiveness or Small Community Grant financing after the date this *IUP* is adopted by the State Water Board.
2. At least 50 percent of the dwellings or dwelling units must be the primary dwelling of permanent residents for a community or community area to qualify for Principal Forgiveness/SCG financing. Permanent residents are those residing in the community at least six months out of the year. Seasonal, migrant laborers can also be counted as permanent residents.

DRAFT

3. Projects must be eligible under Clean Water Act (CWA) Section 603. This section refers to project types defined in Sections 212, 319, and 320 of the CWA.
4. Rates as a percentage of MHI demonstrate a community's investment in water quality. For wastewater projects, only wastewater rates will be used to calculate the community's rates as a percentage of MHI. For other types of water quality improvement projects, wastewater rates plus stormwater rates, if applicable, may be used to calculate the community's rate as a percentage of MHI. Projects qualifying in Category 1.b must receive approval from the State Water Board, and are not eligible for the SCG Fund.
5. For the purposes of calculating rates as a percentage of MHI, service charges plus other costs related to the system may be considered, including, but not limited to, taxes, assessments, and fees. For wastewater projects, only wastewater costs, (including, but not limited to, service charges, taxes, assessments, and fees) will be used to calculate the community's rate as a percentage of MHI. For other types of water quality improvement projects, wastewater costs plus stormwater costs, if applicable, (including, but not limited to, service charges, taxes, assessments, and fees) may be used to calculate the community's rate as a percentage of MHI.
6. $8 million has been appropriated from the Small Community Grant Fund for SFY 2013/14. $2 million is reserved for planning financing agreements. If reserved planning funds are not committed by March 31, 2014, any remaining funds will be available for either planning or construction projects. Additional appropriated funds will be disbursed consistent with Category 1 limitations unless otherwise directed by the State Water Board.
7. Any Principal Forgiveness/SCG Funds provided as part of a planning or design financing agreement will count toward the maximum Principal Forgiveness/SCG Funds amount for which the community is eligible.
8. Communities that implement a project for a nationally designated estuary plan are not required to meet size or household income criteria to receive Principal Forgiveness in Category 2.

DRAFT

E. TABLE 5: CWSRF CAPITALIZATION GRANT PAYMENT(S) AND DRAW(S)

PAYMENT(S)

	FFY 14 – Q1	FFY 14 – Q2	FFY 14 – Q3	FFY 14 – Q4
FFY 2014 Grant			$105,033,500	

DRAW(S)

	FFY 14 – Q1	FFY 14 – Q2	FFY 14 – Q3	FFY 14 – Q4
FFY 2012 Grant	$52,480,700			
FFY 2013 Grant	$36,250,000	$15,000,000	$15,000,000	$29,235,000
FFY 2014 Grant				$55,000,000
Cumulative Draws – FFY 14	**$88,730,700**	**$15,000,000**	**$15,000,000**	**$84,235,000**
	FFY 15 – Q1	**FFY 15 – Q2**	**FFY 15 – Q3**	**FFY 15 – Q4**
FFY 2014 Grant	$20,000,000	$15,000,000	$15,033,500	
Cumulative Draws – FFY 15	**$20,000,000**	**$15,000,000**	**$15,033,500**	

DRAFT

VII. INDEX OF ACRONYMS

Administrative Fund	State Water Pollution Control Revolving Fund Administrative Fund
ARRA	American Recovery and Reinvestment Act of 2009
Bay-Delta	San Francisco Bay/Sacramento-San Joaquin Estuary
Cal/EPA	California Environmental Protection Agency
CalMuni	California Municipal Securities, Inc.
CBI	Clean Beach Initiative
CBR	Clean Water State Revolving Fund Benefits Reporting
CFCC	California Financing Coordinating Committee
CFR	Code of Federal Regulations
CWNS	Clean Watersheds Needs Survey
CWSRF	Clean Water State Revolving Fund
DAC	Disadvantaged Community
DAS	Division of Administrative Services
DBE	Disadvantaged Business Enterprise
DFA	Division of Financial Assistance
DIT	Division of Information Technology
ETF	Extended Term Financing
FAAST	Financial Assistance Application Submittal Tool
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
GRP	Green Project Reserve
IRWM	Integrated Regional Water Management
IUP	Intended Use Plan
LGTS	Loans and Grants Tracking System
LID	Low Impact Development
MHI	Median Household Income
MS4	Municipal Separate Storm Sewer Systems
NIMS	National Information Management System
OA	Operating Agreement
OCC	Office of Chief Counsel

(continued on next page)

DRAFT

(Index of Acronyms – Continued)

PER	Program Evaluation Report
PF	Principal Forgiveness
POTW	Publicly Owned Treatment Works
PL	Project List
PY	Personnel Years
Regional Water Boards	Regional Water Quality Control Boards
SCG	Small Community Grant
SC Strategy	Small Community Wastewater Strategy
SCWG	Small Community Wastewater Grant
SERP	State Environmental Review Process
SFY	State Fiscal Year
SMIF	Surplus Money Investment Fund
State Water Board	State Water Resources Control Board
TMDL	Total Maximum Daily Load
U.S. EPA	United States Environmental Protection Agency
WRFP	Water Recycling Funding Program

DRAFT