California Department of Public Health
Safe Drinking Water State Revolving Fund

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APPLICATION GUIDELINES AND INSTRUCTIONS
Construction Funds
Fall State Fiscal Year 2013-2014

A completed Application for Construction Funds and all required attachments must be submitted (postmarked) no later than **June 23, 2014**. Only completed construction fund applications submitted by the deadline will be considered for funding.

These guidelines and instructions are intended to assist Safe Drinking Water State Revolving Fund (SDWSRF) applicants in completing an Application for Construction Funds. The guidelines should be used in conjunction with a copy of the SDWSRF regulations for a better understanding of the program requirements.

California Department of Public Health (CDPH) will notify the applicant by letter when it has been determined that an application is complete, at which time a detailed review will begin. Only applications determined to be complete will be processed.

GUIDELINES

Applicants are encouraged to contact their respective CDPH District Office to request assistance in completing the necessary forms. In many cases it will be helpful to have an initial meeting with District Office staff to discuss the proposed project, timing, project eligibility, environmental review procedures, federal cross-cutters, or any other aspects of the project. See Enclosure 6 for a CDPH district map and contact information.

SDWSRF is a low interest loan program. A determination as to whether or not a disadvantaged community qualifies for possible grant assistance will not be made until the application is processed.

Applicants are advised that **only** complete applications for projects that are "ready to proceed" will be processed for Construction Funds. There are several components of the application package that must be submitted. Some of which are listed below. For a complete list please see the Applicant's Checklist (Enclosure 4c).

1. Complete plans and specifications
2. Technical, Managerial, and Financial (TMF) Assessment Form
3. Application form CDHS 8585 (1c) and all required attachments listed at the back of the application

The application package can be found at:
http://www.cdph.ca.gov/services/funding/Pages/SRFApplication.aspx

Information on statutes and regulations relating to the SDWSRF program:
http://www.cdph.ca.gov/certlic/drinkingwater/Pages/Lawbook.aspx

District Office contact information:
http://www.cdph.ca.gov/programs/Documents/DDWEM/OriginalDistrictMapCDPH.pdf

Environmental Review contact information:
http://www.cdph.ca.gov/certlic/drinkingwater/Documents/ERU/2013/ERU%20District%20Map.pdf

Technical, Managerial, and Financial (TMF) Assessment:

Federal law states that SDWSRF can only fund water systems that demonstrate that they have adequate TMF capacity to operate a public water system satisfactorily. The mandatory TMF elements listed on the ***TMF Assessment Form*** must be submitted with the application. The necessary TMF elements not previously addressed will be listed as permit conditions. If you need assistance in completing the *TMF Assessment Form*, please contact your CDPH District Office.

CDPH can provide technical assistance to small water systems serving populations less than 10,000 as well as any disadvantaged community in developing the TMF documents. Upon receiving such a request, engineers from the CDPH District Office or a third party contractor hired by CDPH will visit the water system and provide “hands-on” technical assistance in developing the necessary documents at no cost to the applicant.

IMPORTANT NOTICE
CDPH requires that each SDWSRF project must meet federal Davis-Bacon wage requirements and California Labor Compliance requirements.

INSTRUCTIONS

Project Number
This is the number of the project that appears on the project priority list and Statement of Intent. An example of a water system's complete project number is 1234567-001. The first seven digits make up the water system identification number.

Priority List Category
This is the category ranking of the problem to be solved by the project that appears on the project priority list (see Statement of Intent for your project category).

PART A. GENERAL INFORMATION

1. **Legal Name of the Applicant Water System**. Provide the legal name of the public water system that is acting as the applicant for the loan. The name used should be the same as used and defined in the water system's formation documents (i.e. Charters, Articles of Incorporation/Organization, bylaws, etc.) If the name has changed, please attached supporting documentation for the name changed.

   If the applicant is a privately owned for-profit business such as a mobile home park, and is doing business under any name other than the owner's true name, the name of the applicant must be the name on the fictitious business statement. A copy of the certificate of fictitious business statement from the county in which the statement was filed must be provided along with the application.

   If the project involves more than one existing public water system, the water system whose name appears as the applicant must be the system that has been designated in writing by all participants as the lead (see Guidelines for Consolidation Projects (Enclosure 13) for the documents to be submitted with the application.) This system will be the recipient of the loan on behalf of all the water systems involved in the project. This entity will be the party responsible for repayment of the loan and would sign the SDWSRF funding agreement. For projects involving consolidation of several water systems, the CDPH District Office should be contacted and asked to determine whether each system involved in the project needs to submit a separate Application for Construction Funds.

2. **Name/Title of Project**
   Provide the common name of the improvement project.

3. **Water System Street Address**
   Provide the street address where the water system is located not the address of an owner or company headquarters that may be located in a different city.

4. **Water System's California Senate District Number**
   Provide the California Senate District number for the primary place of business of the water system. The primary place of business is typically located at the street address

of the water system. California Senate and Assembly Districts numbers can be found at the following website: http://www.legislature.ca.gov/

5. **Water System's California Assembly District Number**
   Provide the California Assembly District number for the primary place of business of the water system. The primary place of business is typically located at the street address of the water system. California Senate and Assembly Districts numbers can be found at the following website: http://www.legislature.ca.gov/

6. **Project Address**
   If different than the above water system street address, provide the address of the project

7. **Project's California Senate District Number**
   Provide the California Senate District number for the primary location of project construction. If the project's primary place of construction spans multiple California Senate districts then please provide the Senate District that constitutes the center of the project's primary place of construction. California Senate and Assembly Districts numbers can be found at the following website: http://www.legislature.ca.gov/

8. **Project's California Assembly District Number**
   Provide the California Assembly District number for the primary location of project construction. If the project's primary place of construction spans multiple California Assembly districts then please provide the Assembly District that constitutes the center of the construction project's primary location. California Senate and Assembly Districts numbers can be found at the following website: http://www.legislature.ca.gov/

9. **Mailing Address**
   Provide the address where information and other mail regarding the funding should be sent.

10. **County**
    Identify the county in which the water system's distribution system is located.

11. **Data Universal Numbering System (DUNS) Number**
    Obtain a Data Universal Numbering System (DUNS) identification number and submit the DUNS number to CDPH for review. The DUNS number is a unique, nine digit identification number specific to the water system and is a means of identifying business entities on a location specific basis. There is no charge for obtaining a DUNS number, which can be obtained online at http://fedgov.dnb.com/webform/ or by phone at 1-866-705-5711.

12. **Authorized Representative**
    Identify the person who has the authority to represent the water system and sign documents pertaining to the funding application. If the water system is owned by a public agency or has a governing board, the application must include a copy of a resolution adopted by the governing body designating its authorized representative and authorizing the submission of a loan application. It is advisable to designate the title of

the person authorized to sign rather than a specific person. The funding application must be signed by the authorized representative.

13. Principal Contact Person

Provide the name, title, telephone number, and e-mail address of the person that CDPH should contact concerning the application or the project.

14. Project Engineer

Provide the name and address of the engineer or engineering firm that is planning and designing the project. CDPH anticipates that a qualified engineer will prepare the Applicant Engineering Report (Enclosure 3c).

There are many categories of engineering specialties. However, the engineer you select must be a professional engineer (PE) licensed by the state of California as a civil engineer, who has experience in design of public water systems or drinking water treatment facilities. It is not legal for engineers to undertake assignments they are not qualified to do.

15. Environmental Consultant

Provide the name, telephone number, email, and address of the environmental consultant that is currently or will be completing all environmental documents, if known. CDPH anticipates that a qualified environmental consultant will prepare all environmental documentation.

16. Project Costs

Enter the total cost to complete the construction project and the amount of SDWSRF funding requested. If requested funding amount will not cover the total project cost, please include the total of the other funds necessary to have a fully funded project. List each source separately under Part D, No. 11 of the application for Construction Funds.

This amount may differ from the preliminary estimate stated on the pre-application. The requested funding should be based on the engineering design and estimated construction costs as set forth in the Engineering Report and Plans and Specifications. The estimate may also include any cost of planning the project and preparing the application if the applicant seeks reimbursement.

PART B. MANAGERIAL INFORMATION

1. Classification of Water System

Please check the box that represents your type of system. If you are unsure of the classification of your system, refer to the system's domestic water supply permit.

2. Ownership of the Water System

Check the box that corresponds to the ownership of your water system. Non-community water systems are only eligible for SDWSRF funding if they qualify as a non-profit entity. Non-profit owners of non-community water systems must include the appropriate IRS non-profit ID number and Tax Exempt Status form IRS 501(c). Privately owned systems must include a copy of the fictitious name statement. Corporations must provide a copy of their Articles of Incorporation.

The following is a list of ownership documentation for the different types of for-profit or non-profit private water systems, Please submit copies of all of the ownership documentation that corresponds to the water system's ownership type.

Limited Liability Corporation	Partnership
IRS K-1 Corporation Documentation. Articles of Organization Bylaws/Executed Operating Agreement(s)	Partnership Agreement(s) IRS K-1 Corporation Documentation (if applicable). Majority owner's last three years of personal tax returns.
For-Profit Corporation	**Non-Profit Corporation**
Articles of Incorporation Bylaws/Executed Operating Agreement(s) Filing documents for Fictitious Business Name (DBA)	Articles of Incorporation Bylaws/Executed Operating Agreements IRS Tax Exempt Determination IRS 501 C Filing documents for Fictitious Business Name (DBA)
Sole Proprietorship	**Other**
Fictitious Name Certificate Schedule "E" or "C" of tax returns	Grant deeds, quitclaim deeds, etc. on land

If your water system is a Corporation, Limited Liability Company, Limited Partnership or Incorporated Mutual, then please list your water system's California Secretary of State Entity Number as well as your water system's filing status with the California Secretary of State. Information relating to a Corporation's, Limited Liability's, Limited Partnership's or Incorporated Mutual's filing with the Secretary of State can be found at the following website: http://kepler.sos.ca.gov/

3. Litigation

Identify whether there is any litigation pending that could affect the water system's financial situation to the extent that the system's loan repayment capability could be hindered. Minor litigation that does not have this effect does not have to be described. However, if the litigation is over water rights, this must be described as it could affect the water system's ability to provide an adequate water supply. Any litigation relating to ownership must also be described.

4. Water System Regulated by the California Public Utility Commission (CPUC)

Indicate whether your water system is regulated by the CPUC. A list of all matters relating to your water system that are currently pending before the CPUC must be provided with your application for SDWSRF funding. Water systems regulated by the CPUC must obtain CPUC approval to enter into a funding agreement for a SDWSRF loan.

5. Key Officers

Provide the name, title, and duties of key officers of the water system. If there are more than three individuals, submit an organization chart showing the names, titles, and the reporting relationship of all key persons involved with the operation of the water system. The organization chart does not need to describe all personnel employed by the system, only those persons that have primary responsibilities for making decisions that affect the operation of the water system.

6. Authority to Enter into a Funding Agreement

Applicants must have the legal authority to enter into an SDWSRF funding agreement. Applicants need to write in next to the "yes" box under subsection 6a, the maximum loan term (e.g. 20 years) that can be entered into.

7. Contract Operations

Identify if any portion of the water system operations is contracted to a private entity or another agency. If applicable, name the contractual party and provide a copy of the agreement.

8. Leases

If any major portion of the water system, such as water sources, land upon which all or a portion of the system is located, treatment facilities, or pipelines are utilized pursuant to a lease, the terms of the lease must be described or a copy attached to the application. CDPH must be assured that the water system has full control over all key facilities of the water system. Leased equipment, such as vehicles, and leased space for laboratories or offices do not need to be described. If a lease is critical to the location or operation of proposed project facilities such as land upon which a water source or a treatment plant is located, the lease must cover the loan repayment period which is typically 20 years. NOTE: An applicant that does not own or lease the land upon which all or a portion of the system is located must have a recorded easement on the land upon which the facilities are located.

PART C. TECHNICAL INFORMATION

1. Service Area

Identify and delineate the service area of the water system. In most cases, this can be done by providing a map showing the boundaries of the area served by the specific permitted water system. For community water systems that do not have a specified legal boundary, the service area should be described as that area served by the existing distribution system.

If the boundaries of the water system extend beyond the area served by the existing distribution system, the location of the current distribution system within those overall boundaries should be shown on the service area map.

2. Water rights

Describe the nature of the water rights that apply to the system water source(s). State law requires that CDPH determine that applicants hold any necessary water rights prior to making an offer of funds. If your source water is derived from a surface source pursuant to riparian rights, or if you extract groundwater from a basin that is not adjudicated, provide a statement to that effect. If you purchase water from another water source, indicate that fact and attach a copy of the executed contract. If you divert surface water pursuant to a water right granted by the State Water Resources Control Board, attach a copy of that permit. If you have applied for a water right permit but one has not yet been issued, provide a copy of your application for the water right. Also, list any pending issues with the State Water Resources Control Board, Division of Water Rights. If you extract water from an adjudicated groundwater basin, attach a copy of your right to extract such water from the basin water master. If groundwater will be a source, describe the long-term availability of the source. If the source draws from an adjudicated water basin, provide documentation of the terms of the adjudication as they relate to the water system's source.

3. Population

Estimate the population served on an average daily basis by the water system. In addition to the population served by the entire water system, please include the population specifically benefitting from this project. If estimating a population served, the estimation shall be determined using one of the following methods:

i. Utilize the most recent U.S. census data, or most recent special census data certified by the California Department of Finance, for the service area served by the water system;

1. For community water systems, the estimation should consider the permanent population of the community.
2. Seasonal community systems should use the average population served by the system during the peak period in which the system is in operation.
3. Non-community water systems should use the average daily population served during the periods that the system is in operation.

4. Wholesalers or entities that deliver water to another water system should contact their respective CDPH District Office to help calculate the appropriate number of population served.

ii. Multiply the number of service connections served by the water system by 3.3 to determine the total population served;

iii. Determine the total number of dwelling units or efficiency dwelling units as defined in the Uniform Building Code (Title 24, California Code of Regulations), the number of mobile home park spaces and the number of individual business, commercial, industrial and institutional billing units served by the water system and multiply this total by 2.8 to arrive at the total population served by the water system.

4. Connections

Provide the total number of active service connections that are currently and directly served by the water system. This includes all domestic, residential, industrial, commercial, and other connections. In addition to the connections served by the entire water system, please include the number of active service connections specifically benefitting from this project.

- Wholesalers, or entities that deliver water to another water system, should contact the CDPH District Office for help determine the appropriate number of service connections.
- Non-community water systems do not need to fill out this section and should indicate “not applicable” on the form.

5. Engineering Report

The Engineering Report must follow the format provided in the enclosed SDWSRF Applicant Engineering Report (Enclosure 3c) and address all of the elements described below.

If you have a previously created engineering report in a different format, you can submit it with the application. However, you still need to submit a completed Enclosure 3c report that specifies where in previously created engineering report certain items can be found. For example, write see section 2, page 30 of ABC engineering report.

A. Water System Information

- Describe the current state of the water system and its facilities. Include thorough details of source(s), storage, treatment, and distribution system, including capacities, sizing, types, and treatment techniques.

- Attach a system map which identifies the major facilities as described above.

- Specify which agency has jurisdiction over your public water system. If your system is under Local Primacy Agency (LPA) jurisdiction, include the LPA County.

- Provide the water system permit number, status, and any amendments, including dates.

B. Problem Description
Describe the drinking water problem to be addressed by the project. The problem description can be reported by providing the following information:

i. Historical description of the ranked problem
ii. Source of the problem
iii. Violations committed by the water system

Systems must attach supporting documentation of the existing problem.

CDPH recognizes that some systems have multiple problems in the fundable categories on the project priority list. If you have received multiple statements of intents from CDPH to submit applications, you may combine those problems and associated projects into one application. In these situations, each problem must be described in this section. If your water system has additional problems that are not currently ranked on the project priority list, but would qualify for a fundable category, you may be able to include these additional problem(s) with the invited project, for which you are submitting the application. Contact your CDPH District Office for concurrence. You will be required to provide documentation concerning the problem to be corrected. Funding categories:

http://www.cdph.ca.gov/services/funding/Documents/SRF/Ranking/2012AprilReprintSDWSRFRankingCriteria.pdf

C. Alternative Solutions
All feasible alternatives must be evaluated. For example: if the problem is a contaminated well, alternatives may include drilling a new well, installing treatment, blending the water, purchasing water, or physically consolidating with an adjacent water system.

All systems must evaluate consolidation with another water system as one of the alternatives. If consolidation is deemed infeasible, the reasons for that determination must be described. Consolidation with other systems must be evaluated for systems that are in reasonably close proximity (within 5 miles depending on regional terrain). After evaluation, consolidation may be deemed a non-viable alternative due to costs, physical factors, or limitations of the adjacent water system. Consolidation should be discussed if it is technically feasible regardless of the potential cooperation of an adjacent system.

In addition to evaluating and discussing the feasibility of each alternative, the Engineering Report must estimate and compare the capital costs and operations and maintenance (O&M) costs, including certified operating personnel, and disposal of waste from treatment, over a 20-year period. The report must also analyze the technical effectiveness (including reliability) of each alternative. See table below for an example of evaluating alternatives.

Example	Capital	Operation & Maintenance over 20 years including personnel costs	Feasibility (yes/no)	Technical Effectiveness (Rate 1 to 5, 5 = Best)	Rank
Alt 1	$2,000,000	$3,000,000	yes	4	3
Alt 2	$2,000,000	$3,000,000	yes	5	2
Alt 3	$3,000,000	1,000,000	yes	5	1
etc					

The highest ranked problem must be the most long-term, cost-effective solution. Technical effectiveness and feasibility should also be considered. However, preference is given to the project alternative that achieves an acceptable result at the least cost over the long-term.

The California Environmental Quality Act (CEQA) requires that the environmental impacts of each alternative be determined and compared.

D. Selected Construction Project

- Describe the project that will be constructed to resolve the problem. Each component or unit process, as well as related equipment, should be described as to necessity (with respect to solving the problem), function, size, and relationship to other project components.

  The project description must identify any elements of the project that are believed to be ineligible for funding using the eligibility criteria in the SDWSRF statutes and regulations. The construction project can include ineligible components; however, the applicant will need to identify a funding source other than SDWSRF funds to pay for the ineligible portion.

  Do not include water system improvements that are not directly related to the problem being solved. Major elements of the proposed project must be directly related to the primary problem in order to be eligible. With respect to water mains, for example, if a new well is being drilled to solve a source water problem, the piping to connect the well to the distribution system is eligible but piping to replace old or leaking distribution lines may not be eligible unless the old distribution system has supporting documentation to be in the fundable categories.

  CDPH recognizes water conservation measures, including water meters, energy efficiency features, and water system security upgrades, as valuable enhancements to projects. Therefore, when appropriate in the context of the funded project, components such as water meters, auxiliary generators, upgraded fencing, or other measures to improve water conservation, energy efficiency, reliability, and security components may be eligible for loan funds. The components must be included as part of the project application to be considered for funding.

- Describe how the project would solve the primary problem and the results that would be expected.

- Consult local/county planning documents and describe if the plans are consistent or exempt.

- Describe any green infrastructure components included in the project. Water systems whose projects have green infrastructure must provide descriptions, costs, and benefits for these components. For details, please consult the Guidelines for Green Infrastructure included as part of the application packet (Enclosure 7).

- If the project involves consolidation, please consult the Guidelines for Consolidation Projects included as part of the application packet (Enclosure 13).

E. Eligibility

- See the SDWSRF Project Eligibility table below. If the project contains ineligible construction items, estimate the percentage of indirect costs (planning, design, administrative, etc.) that apply to the eligible and ineligible construction portions. This can be based on a straight proration, which will be the method used by CDPH unless some other means is indicated.

  Although you will specify an eligible amount of funding, CDPH will make the final determination after completing a detailed review of the application.

SDWSRF Project Eligibility:

I. In order to be eligible for funding, an applicant shall have the authority to enter into a funding agreement with the State.

II. In order to be eligible for funding an applicant shall be either a community water system or a non-profit non-community water system.

A. Only those project costs that are directly associated with the planning, design, and construction of a project shall be eligible for SDWSRF funding.

B. The following project costs that otherwise would be eligible pursuant to Paragraph A, shall be ineligible for funding:

1. Land acquisition except for land or land access that is integral to the construction of source, treatment or distribution facilities

2. Ongoing operations and maintenance costs

3. Any project facilities that are primarily to serve future growth

4. Dams or rehabilitation of dams and any raw water storage facilities

5. Water rights except water rights acquired through consolidation with another water system

6. Laboratories except those necessary for operation of a treatment facility

III. Costs arising from construction change orders that occur after funding agreement execution shall be ineligible for funding except for the following:

A. Change in the executed funding agreement amount based on the final accepted competitive construction bid. An applicant's request for a change in the amount of funding specified in the funding agreement shall be limited to **one** occasion and shall be based solely on the final accepted competitive construction bids.

B. Change orders that are a result of changes in drinking water standards

C. Change order requested by the CDPH

- Include all land that will be acquired for the purpose of the project. All land acquisitions will need to comply with the Uniform Relocation Act (Enclosure 14).

F. Final Plans and Specifications

- The final Plans and Specifications should include the following elements:

  For treatment facilities:

  i. Identification and description of the unit processes
  ii. Project layout of the treatment process showing the location of the facilities
  iii. Process flow diagram
  iv. Anticipated size or design capacity of each unit or major piece of equipment

  For wells:

  Indicate the expected yield of the well, well casing and the size of the pump. Any assumptions and design criteria used to size the facilities should also be shown. Any reasonable methods may be used to estimate flows, water demands, or unit capacities, including the use of existing records, comparisons with similar water systems, and American Water Works Association or Ten-State standards.

- A map or drawing must be included in the report that shows the location of key facilities of the existing system (e.g. sources, treatment units, reservoirs, storage tanks, and primary distribution mains) and the proposed location of new facilities. Unless shown elsewhere, the map also needs to delineate clearly the service area of the water system. If land will be purchased or easement procured, the size, location, and purpose of each parcel must be shown or described in the application.

- State law prohibits the SDWSRF from funding growth inducing projects. For SDWSRF, project design growth is limited to 10 percent above the capacity needed to serve existing maximum day demand. Federal law makes ineligible any project whose purpose is “primarily to serve future growth.” This is interpreted by CDPH to mean that excess capacity will not be funded by SDWSRF. However, since public water systems are also utilized for fire protection, SDWSRF can fund pipelines capable of meeting fire flow requirements.

  SDWSRF allows for fire flow consideration in source and treatment facility design, but restricts the additional capacity for fire flow to no greater than the maximum day demand. In combination, this means that excess capacity, greater than (2.00P+0.10P), where P is maximum day demand will not be funded by the SDWSRF for the design of source, treatment and storage facilities. Excess capacity can be included in a proposed project but the applicant must identify another means of funding the excess capacity. The project is “primarily to serve future growth” when the project is more than double the capacity needed to serve existing water demand. The applicant may decide to pay for additional excess capacity (no greater than 0.90P) from another source; however, if the proposed capacity of a major source, treatment, or storage component is more than 3.00P, the entire project would be declared ineligible and excluded from SDWSRF funding. (See below.)

SDWSRF Project Capacity Limitations (Source, Treatment, Storage)		
Terminology	Designation	Explanation and comments
Existing maximum day demand	P	Capacity needed to serve existing water demand
Fundable capacity for fire flow	FF (where FF ≤ P)	For small water systems, contact District Office for fire flow requirement
Max. fundable fire flow	MFF = P	
SRF Fundable growth	0.10P	10% Max. allowed for growth
Total SRF fundable	2.10P = P + MFF + 0.10P	Total SRF fundable = existing max day demand + max. fundable fire flow + SRF fundable growth
Non-SRF fundable growth	0.90P	
Total component capacity allowed with max. fire flow	3.00P = 2.10P + 0.90P	Total component capacity allowed with max. fire flow = Total SRF fundable + non-SRF fundable
Component excluded from SRF funding	Capacity of component >3.00P with FF Capacity of component >2.00P without	

SDWSRF Project Capacity Limitations (Pipelines)		
Terminology	Designation	Explanation and comments
Existing maximum day demand	P	Capacity needed to serve existing water demand
Required fire flow	ff	Requirement must be in writing based on local fire code or local fire authority
SRF Fundable growth	0.10P	
Total SRF fundable	1.10P + ff = P + 0.10P +ff	Total SRF fundable = Existing maximum day demand + SRF fundable growth + required fire flow
Non-SRF fundable growth	0.90P	
Maximum allowable pipeline capacity design	2.00P + ff = 1.10P + 0.90P + ff	Maximum allowable pipeline capacity design = total SRF fundable + Non-SRF fundable growth
Pipeline component excluded from SRF funding	(with fire flow) Capacity of component > 2.00P + ff (without fire flow) Capacity of component > 2.00P	

For pipelines where fire flow is not being considered, the pipeline design may be based on peak hour demand. If fire flow is included, you may not use peak hour demand as design criteria for pipeline sizing.

The application must include several analyses and address certain items in order to establish the eligible design capacity of the project. These steps are explained below. As indicated earlier, all assumptions, criteria, and calculations used must be shown and described.

Step 1: Determine the existing maximum day demand as of the date of submission of the application. Where possible, maximum day demand should be based on records of usage experienced by the water system during recent periods (e.g. during the past 5 years). Where such records are not available, the applicant must calculate approximate maximum day demand based on available information and include the methodology used.

Step 2: Determine the anticipated growth within the service area in the next ten years, the resultant projected water demand, and the amount of growth or water demand to be included in the project.

Step 3: Determine the design capacity or size of proposed key facilities to meet the maximum day demand determined in step 1. Include any water sources, primary treatment unit processes, pumping and storage facilities, and transmission mains. The Engineering Report must include the assumptions and criteria used to size the units. If a specific item of equipment (such as a water main) is not available in the size determined to be eligible, the next larger available size may be used; these upgraded components remain subject to the 3P size limitation for a project with fire flow and 2P size limitation for project with no fire flow.

While funding to accommodate future growth is limited, applicants can include provisions within the eligible project that will facilitate the construction of additional treatment units in the future. For example, piping and valve arrangements and pipe "stub-outs" to accommodate future treatment units can be included in the project funding.

- Describe any impact on peak flow demand caused by industrial or commercial entities.

- The useful life of the key system components (the elements that make up the largest construction budget items) of the project should be estimated.

- The cost estimate for the project must break the total cost into various project elements. In addition to a detailed project breakdown, a project budget sheet must be completed. The project budget sheet is included in the engineering report. Do not substantially change the form of the project budget sheet. At a

minimum, the project budget sheet must contain the line items listed in the template. More line items can be added to the bottom of the template if needed. Line items already on the template must not be deleted. If the project does not contain the listed items, leave the line item on the template and write-in "0." If the project includes tasks not listed on the budget sheet, feel free to add items.

Applicants are not limited to the amount stated in the pre-application. It is expected that the Engineering Report will contain detailed estimates based on the final Plans and Specifications.

- Enter the total cost to complete the construction project, the eligible project cost, and the estimated annual increase in operation and maintenance cost.

G. Proposed Schedule
Include a proposed schedule for project completion. The schedule should allow time needed for the completion of financing, processing of construction bids, start of construction, and completion of construction. The CDPH District Office will use these estimates as a basis for preparation of an overall project schedule.

6. TMF Assessment Form

Complete the mandatory items in the technical, managerial, and financial (TMF) assessment according to the system's classification. For further information review the appropriate criteria document. These assessment and criteria documents are located on the following links:

TMF Assessment Form:
http://www.cdph.ca.gov/certlic/drinkingwater/Documents/TMF%20Capacity%20Development/TMF%20Assessment.doc

TMF Capacity Criteria:
http://www.cdph.ca.gov/certlic/drinkingwater/Documents/TMF%20Capacity%20Development/TMF%20Criteria.doc

TMF elements designated as necessary also need to be completed. Those elements that have not been completed by the time that the project is funded will be listed as permit conditions. These necessary TMF elements are System Description, System Technical Evaluation, Certified Operators, Source Capacity Assessment, Operations Plan, Training, Organization, Emergency Response Plan, Budget Control, and Capital Improvement Plan. A description of the requirements for these elements can be found at the links listed above for the TMF Criteria documents.

7. Water Permit

Attached a copy of the water permit that has been issued to your water system.

PART D. FINANCIAL INFORMATION

The following financial information is necessary to determine the affordability of the proposed project, measured in terms of water service charges imposed on residential customers. In addition, other factors such as overall credit-worthiness, degree of indebtedness, etc. are considered. For disadvantaged and severely disadvantaged communities, the affordability analysis will also be used to determine the amount of grant funding, if any, that may be awarded. Non-community systems should mark these items as not applicable, since their ability to repay a loan will not be based on user water rates.

1. **Average Current Monthly Residential Water Bill**
   Determine the average current monthly residential water bill. Do not include industrial and commercial users. If the water system uses a tiered water rate, the charge should reflect what a typical residential user pays. The bill should reflect direct water charges plus any other fees or charges that support the water service such as parcel fees, standby charges, water taxes, and surcharges. Applicants must include the methodology and calculation used for determining the average residential rate.

2. **Average Monthly Residential Water Bill for the Prior Three Years**
   Determine the average current monthly residential water bill for the prior three years. Do not include industrial and commercial users. If the water system uses a "tiered" water rate, the charge should reflect what a typical residential user paid. The average water bill should reflect direct water charges plus any other charges that support the water service such as parcel fees, standby charges, water taxes, and surcharges. Applicants must include the methodology and calculation used for determining the average residential bill. Applicants must also give an explanation for any changes in the average water bill for the prior three years.

3. **Water Rate Structure**
   Attach the water rate structure covering the past three years for all consumers including commercial and industrial users.

4. **Average Projected Increase to the Monthly Residential Water Bill**
   Calculate the projected increase to the monthly residential water bill as a result of the amount of funding requested. Estimate the portion of the eligible project cost that will be passed on to the consumers (this should be consistent with the Engineering Report). In calculating this projected cost, all related costs of the eligible project (do not include any ineligible project costs), including operation and maintenance costs, should be included. Construction loans have a 20-year loan term. For example, during the calendar year 2013, the interest rate for conventional SDWSRF loan offers is 1.7875 percent; however, the interest rate will change January 1, 2014. Funding commitments made after December 31, 2013 will be issued with the new rate established for the calendar year 2014. Disadvantaged and severely disadvantaged communities may assume a zero percent interest rate on any SDWRF loan. Non-disadvantaged communities

assume the conventional SDWSRF rate. If you are not certain whether your community qualifies as "disadvantaged" or "severely disadvantaged" then use the higher rate. Do not include anticipated increases in the water bill that are not related to the eligible portion of the SDWSRF project (this will be included in the next item.) No SDWSRF grant funding should be assumed; however, grant funds from other agencies can be included in the calculation.

NOTE: CDPH defines "disadvantaged" as a community whose Median Household Income (MHI) is equal or less than 80% of the statewide MHI, and "severely disadvantaged" as a community whose MHI is equal or less than 60% of the statewide MHI. For example, an entity qualifies as a disadvantaged community if the MHI of the service are is equal or less than $46,979 and severely disadvantaged community if the MHI of the service area is equal or less than $35,234. CDPH/DWR as part of the application review will determine the MHI for a water system.

The methodology and calculations for determining the cost impact of the loan should be shown on the Construction application. Add a separate page if necessary. CDPH will assume that project costs will affect residential and nonresidential water charges in a proportional manner to current costs. If this is not the case, please describe the reason for shifting the cost burden.

5. Water Rate Study

Indicate whether a water rate study has ever been performed on your water system as well as the date of the study and subsequent findings. If you respond yes, please describe the finding and actions taken by the water system's governing body.

6. Average Projected Monthly Residential Water Bill

Provide the total overall projected residential water bill for the next three years. Do not include the increase calculated in number 4 above. Include any ineligible project costs as well as non-project related water system costs that will be imposed on the residential users during the next 3 years. The methodology and calculations should be shown.

7. Source of Funds for Loan Repayment

Describe and give the actual name of the funding source that the applicant plans to use for loan repayment. SDWSRF applicants are required to have a "dedicated" source of funds for loan repayment. Prior to execution of the funding agreement, the applicant must submit a resolution or ordinance adopted by the governing board establishing the dedicated fund source.

8. 5-year Revenue/Expenditure Projection

Attach a projected cost breakdown of the revenue and expenditure of the water system for the next five years. See table below for example.

EXPENSES AND SOURCE OF FUNDS	YEAR				
EXPENSES	**2014**	**2015**	**2016**	**2017**	**2018**
Annual operation and maintenance expenses					
-salaries and benefit	$100,000	$120,000	$150,000	$170,000	$190,000
-repairs and maintenance	$5,000	$6,000	$7,000	$8,000	$9,000
TOTAL EXPENDITURES	**$105,000**	**$126,000**	**$157,000**	**$178,000**	**$199,000**
REVENUES					
SRF Loans	$500,000				
Cash Revenues (Water rates)	$120,000	$150,000	$190,000	$220,000	$250,000
TOTAL REVENUES	**$620,000**	**$150,000**	**$190,000**	**$220,000**	**$250,000**
NET INCOME	**$515,000**	**$24,000**	**$33,000**	**$42,000**	**$51,000**

9. Loan Security

Identify what the applicant proposes to use as security for a loan, for example, assessments, stock, or property. If security is in the form of real property, provide an estimate of the value, how the value was determined, and whether the property is already pledged as security for another loan.

10. Financial Statements

Refer to your 2013 financial statement to answer questions (a) and (b) of this section. Provide explanation if needed.

Applicants with financial statements based on a calendar year (January 1 through December 31) must submit audited financial statements for the three most current years. You must submit years 2011, 2012, and 2013. Applicants with financial statements based on a July 1 through June 30 fiscal year must submit years 2010/11, 2011/12, 2012/13 and balance sheets for the period July 1, 2013 through December 31, 2013.

Privately owned water systems must submit 2011, 2012, and 2013 Federal income tax returns (all schedules) and balance sheets for all three years.

11. Source of Other Funds

If project funding will not be entirely from SDWSRF funds, you must complete the information on the table provided. The full name of each of the lenders or grantors is to be listed under Fund Source. The second column should designate whether the funds are in the form of a loan, a grant, or in the case of applicant funds, whether these are from cash reserves or another source. In Column “Funding Applied For”, indicate with a yes or no whether these funds have been applied for at the time this application was submitted. In Column “Funding Secured”, indicate with a yes or no whether these funds have been secured. In Column “Explain”, provide actions, plans and timelines to secure the funding, if “No” was indicated in either Column “Funding Applied For” or “Funding Secured.”

12. Existing Long-Term Indebtedness

Provide detailed information on existing outstanding debt of the water system and attach corresponding documentation (i.e. loan statements, bond indentures of trust, etc).

Loans Paid Off in the Last 12 Months

Provide detailed information and supporting documentation on all loans paid off in the last 12 months.

The Department of Water Resources (DWR) conducts the financial analysis of applications with respect to loan repayment capability, and prepares a financial report for submission to CDPH. The report contains the recommended loan amount; grant eligibility, interest rates, MHI, and loan repayment terms. You may be contacted directly by DWR or the CDPH Fiscal Services Unit with respect to any financial items.

PART E. ENVIRONMENTAL DOCUMENTATION

An environmental review that complies with the California Environmental Quality Act (CEQA) and the federal NEPA-like review process is required as part of the application process for all projects seeking Construction Funds. All environmental forms are available online at: http://www.cdph.ca.gov/certlic/drinkingwater/Pages/ERU.aspx. Direct links are also provided in Enclosure 1c.

1. Private, Mutual and Investor-owned Utilities

Compliance with CEQA includes submittal of all Final CEQA Documentation. If CEQA has yet to be completed, the applicant must submit the *Environmental Information Form*. CDPH ERU, as the CEQA lead agency, will evaluate this document for further CEQA review. Further environmental documentation may be requested by the CDPH ERU.

2. Public Agencies

Compliance with CEQA includes submittal of all Final CEQA documentation (Final Mitigated Negative Declaration or Negative Declaration, Board or Council Approval, stamped copy of the Notice of Determination and Department of Fish and Game filing fee receipt or No Effect Determination).

Public agencies who have determined their projects exempt from CEQA, must submit the *Worksheet for CEQA/NEPA Determination Form* and attach a copy of the stamped Notice of Exemption. For a list of specific activities CDPH has determined to be exempt:http://www.cdph.ca.gov/certlic/drinkingwater/Documents/ERU/SpecificActivitiesExemptfromCEQA.doc.

All of the environmental documents will be reviewed and approved by the CDPH ERU for proper interpretation of exemptions under CEQA and exclusions pursuant to the National Environmental Policy Act (NEPA). Staff of this unit is available to assist you and respond to environmental compliance questions related to the project. They may be contacted at (916) 449-5600.

PART F. FEDERAL CROSS-CUTTING REQUIREMENTS

Projects serving greater than 1,000 service connections or projects with a SDWSRF cost greater than $1,250,000, if applicable; applicants must submit the Federal Crosscutting Worksheet, and any follow-up "NEPA-like" documentation. **A funding agreement will not be issued until the environmental review process is complete**. SDWSRF cannot fund a project if construction begins before the environmental review process is completed for the entire project including all phases.

Construction funding applicants that serve 1,000 water service connections or less or whose SDWSRF project cost is less than $1,250,000 are not subject to NEPA-like Federal Cross-Cutting requirements.

1. **Federal Cross-cutting NEPA-like Determination**
   If the applicant is a private, mutual, or investor-owned utility and the project has not been determined to be CEQA exempt, provide copies of all final CEQA documents and complete the Federal Cross-cutting Environmental Regulations Applicability Evaluation Checklist for Federally Designated Agency Coordination Form.

   If the applicant is a public agency and has determined the project to be exempt from CEQA, complete Part 1 of the CEQA/NEPA Determination form and Part 2 for a possible exclusion from the NEPA-like process

   If the applicant is a public agency and the construction project is not exempt from CEQA and not excluded from the NEPA-like process, complete a Federal Cross-cutting Environmental Regulations Applicability Evaluation Checklist for Federally Designated Agency Coordination Form.

2. **Federal Cross-cutting Requirements Certification**
   In order to enter into a SDWSRF loan agreement with CDPH, each water system is required to certify that they are in compliance with each of the listed federal regulatory requirements. All applicants are required to sign the certification provided in Part F stating that the applicant has or will comply with the requirements of the federal laws and authorities.

PART G. FEDERAL WAGE REQUIREMENT (DAVIS-BACON ACT) CERTIFICATION

The SDWSRF requires payment of federal prevailing wages. Specifically, Davis-Bacon Act wage rules apply to all assistance agreements made in whole or in part with SDWSRF funds. In order to enter into a SDWSRF funding agreement with CDPH each water system is required to certify that they are incompliance with the Davis-Bacon Act requirement. As part of the application, Applicants are required to sign the certification provided in Part G, stating that the applicant has or will comply with the requirements of the Davis-Bacon Act and applicable implementing regulations and guidance.

PART H. PROFESSIONAL SERVICE PROCUREMENT

As part of the application, applicants are required to sign the acknowledgment provided in Part H, informing the applicant of the specified regulations and guidance for all SDWSRF projects for which grant funding is awarded.

PART I. APPLICATION ATTACHMENTS

Please review the list carefully and use the Applicant Checklist of Required Documents (Enclosure 4c) to ensure the application package you submit includes all documents required to be submitted to consider your application complete.

Applicants authorized representative must sign the Application for Construction Funds (Enclosure 1c).