

EXHIBIT C

Agency	Comment	Response
California Municipal Utilities Association (CMUA)	CMUA supports the proposed construction grant cap and WaterReuse California comment that the guidelines include a reopener provision.	Each year, with the submittal of the Clean Water State Revolving Fund's Intended Use Plan for Board adoption, staff will provide an update of the Water Recycling Funding Program to the Board for review of the construction grants and report to the Board for their direction.
	CMUA believes the guidelines should be consistent with Chapter 9 and should include agricultural Reuse and storage.	Recycled water storage was clarified in the prioritization schema as part of the distribution systems process. The water recycling funding program provides financing for projects that are compliant with title 22. As title 22 recognizes certain types of agricultural reuse, explicitly citing agricultural reuse is not necessary and may be misleading.
California Water Partnership (CWP)	CWP believes the State Water Board should prioritize multi-benefit water recycling projects as intended by the legislature in Proposition 1.	The prioritization schema is consistent with water code section 79767 which establishes the competitive award criteria, including prioritization of multi-benefit projects.
	CWA believes preferences should be given to potable recycled water projects by: 1) increasing the planning grant cap for potable recycled water projects, and 2) Ensuring that funding is available for surface water augmentation projects.	1) The \$75,000 planning grant cap is in accordance with section 79768 of the Water Code. This section requires programs implemented under chapter 9 of Proposition 1 to be consistent with sections 79140 and 79141 of the water code. Proposition 13 establish the \$75,000 planning grant cap. 2) If a surface water augmentation recycled water project is eligible for funding, it will be funded on its readiness to proceed with a funding contract and other objectives in the prioritization scheme.
	The CWA supports the draft construction grant funding proposal and requests that this level of construction grant funding be retained.	The proposed construction grant funding remains unchanged.
	CWA believes research should be funded that advances potable reuse and improves public confidence in drinkable recycled water.	Research projects are eligible for Proposition 1 funding.
City of Benicia	The City of Benicia would like the State Water Board to consider the potential economic benefit and cost per acre-foot per year of a recycled water project to be considered in the project prioritization.	The unit cost (dollars per acre-foot recycled water) of recycled water production and delivery is part of the economic analysis which is required of all recycled water projects. The unit cost of recycled water is dependent on many local factors and is considered in the prioritization for funding a project.
City of Los Angeles	The City would like the State Water Board to allow flexibility on RW min. use requirements (may not be able to meet 25% (50%?)min use requirement)	Water board staff evaluates and coordinates with applicant agencies, on a case by case basis, regarding RW deliveries to existing and future users. It is recognized that in some cases future users may account for a significant share of the funded RW. Staff recognizes that some RW projects may not be able to deliver their full capacity within the 5 year nominal monitoring period.

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City of Los Angeles	The City would like clarification regarding when Federal Environmental Requirements (Federal Cross-cutters) are required.	Clarification language regarding when federal cross cutters are required has been added to Section III.B.3.
	The City requests that the construction grant be increased to 50% of eligible construction costs with a cap of \$20M.	The value of the grant match and cap is based on an analysis of recycled water project need. The value proposed most equitably distributes funding throughout the state to meet need and provided benefit. The leveraging of Proposition 1 funding with the Clean Water State Revolving Fund provides further subsidy which is most effective starting at the proposed limit of the grant caps.
	Consider adding the following to allowances: "However, the Division, at its sole discretion, may evaluate and approve subsequent project cost increases on a case by case basis."	Construction cost changes due to change orders are an eligible cost in the financing agreement as long as the total agreement amount is not exceeded. This is an allowance item or contingency cost with a value suggested by the applicant based on their confidence in the project and credit review results.
	The draft guidelines to not include any provisions that provide for "disadvantaged areas". The City requests the board consider solutions to providing funding for water recycling projects to these communities similar to the funding opportunities provided in the FY 2014 IUP.	The guidelines adhere to the Policy for Implementing the Clean Water State Revolving Fund (CWSRF). The Intended Use Plan establishes the policy regarding funding Small Disadvantaged Communities (SDAC). The current IUP does not provide for disadvantaged areas within a non disadvantaged community.
	The draft guidelines indicate that a Final Project Report must be submitted within 2 years of executing a planning grant agreement. A 1-year extension would be possible, if approved by State Water Board staff. If a project is in the Environmental Review Process, agencies may need additional time to set the alignment and complete a feasibility report. Therefore, The City of L.A. suggests allowing a 3-year timeline for the Final Project Report, with a 1-year extension available upon approval, as previously provided in the 2008 Water Recycling Funding Program guidelines.	Most facilities planning recycled water studies can be completed in a 2 year timeframe with the option of a 1 year extension for extenuating circumstances. Indirect Potable Reuse (IPR) and Direct Potable Reuse (DPR) projects may receive a 3 year timeframe with a 1 year extension.
	The City requests that matching costs expended after approval of Guidelines but before Study scope be considered as part of approved expenditures.	The planning grant award is fixed at \$75,000 per study. Allowing reimbursement retroactively would decrease the amount of grant that would be directly available for the study, could reduce the quality of the final report, and be problematic to implement.
	Appendix B of the draft guidelines provides an extensive component list for the feasibility study. However, only items that affect the feasibility of a project should be required. This appears to be the intent of the State Water Board, but we suggest that a clearer statement of this in the guidelines would be helpful.	In Section II.B.1.c the guidelines suggest that planning grant applicant agencies confer with board staff to determine what parts of Appendix B apply to their particular project. Additional clarification language has been added to Appendix B.

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City of Los Angeles	The planning grant cap should be increased to \$400k	The \$75,000 planning grant cap is in accordance with section 79768 of the Water Code. This section requires programs implemented under chapter 9 of Proposition 1 to be consistent with sections 79140 and 79141 of the water code. Proposition 13 establish the \$75,000 planning grant cap.
	Clarify what part(s) of section II apply to project report	All parts of section II apply to the project report. However, Project Report specifics are project dependent, and staff will work with the applicant to determine applicable requirements.
	In addition to geographical, population and need should be considered in the allocation / distribution of funds. According to the US Census Bureau, these counties make up 56% of California's population. Consider changing the distribution of funding to 50% to southern counties, 35% to northern counties and 15% that can be used anywhere in California.	The funding distribution is consistent with Proposition 13 (2000) - in accordance with section 79768 of Proposition 1 and is also considered as part of the prioritization scheme. The six counties identified may receive up to 60% of the funding.
	Add the following in the prioritization schema: "New Conveyance Systems designed specifically to increase available supply of wastewater for Recycled Water production."	Wastewater collection system construction financing is considered a water quality project and is funded through the clean water SRF program (CWSRF).
City of Petaluma	The City concurs with WaterReuse California position for a guideline provision to all for a potential "reopener" if adjustments are needed through the life of the program.	Each year, with the submittal of the Clean Water State Revolving Fund's Intended Use Plan for Board adoption, staff will provide an update of the Water Recycling Funding Program to the Board for review of the construction grants and report to the Board for their direction.
	The City would like to see the planning grant cap raised to \$400,000.	The \$75,000 planning grant cap is in accordance with section 79768 of the Water Code. This section requires programs implemented under chapter 9 of Proposition 1 to be consistent with sections 79140 and 79141 of the water code. Proposition 13 establish the \$75,000 planning grant cap.
	The City would like the State Water Board to consider a set-aside for non IPR/DPR projects	The proposed prioritization schema and geographic distribution takes into consideration the importance of IPR/DPR. The repayment/grant/loan structure of the prop.1 recycled water funding program provides grant and loan funds availability for many years.
City of San Diego	Ineligible Project Cost Categories Concerns -We request that in addition to allowing deferred CEQA completion by a period of three years after funding award for indirect potable reuse / reservoir augmentation (IPR/RA) and DPR projects, that the costs identified above would also be eligible for grant funding or financing.	Construction agreements require a complete CEQA document. However, the Clean Water State Revolving Fund provides for Planning and/or Design Loans to assist with CEQA and other planning and design work.

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City of San Diego	<p>Shovel Ready Concerns - San Diego proposes the establishment of the following funding eligibility criteria for IPR/RA and Direct Potable Reuse (DPR) projects:</p> <ul style="list-style-type: none"> • Initiation of CEQA analysis which could be verified by providing a CEQA Notice of Preparation (NOP); • Direction from the applicant's governing body to proceed with planning and design efforts in support of full-scale construction; • Funding for environmental review (CEQA) is included in the applicant's authorized budget for expenditure within three years after funding award; and • Completed hiring of a project consultant to manage the program. 	<p>A financing agreement cannot be fully executed until the State Water Board has received a notice of determination and a resolution from the governing body (usually a board or city council) adopting the completed CEQA analysis.</p>
	<p>The City requests the State Water Board define "readiness to proceed".</p>	<p>Definition of "Readiness to proceed" added to the Definitions section.</p>
	<p>The City would like the State Water Board to clarify the meaning or definition of recycled water and water recycling applicable to both non-potable and potable applications.</p>	<p>Guidelines language reviewed and changed so that water recycling is applicable to non-potable and potable water projects</p>
	<p>The City supports streamlined administrative procedures for state grants and loans, but have concerns that the proposed guidelines are not in conformance with Section 79767 that require projects to be selected on a competitive basis.</p>	<p>Clarification language has been added to the draft guidelines that describes how the proposed prioritization schema meets the requirements of section 79767 of the proposition.</p>
	<p>The City supports the proposed prioritization schema.</p>	<p>Text changes have been made to the prioritization schema linking it to section 79767 of Proposition 1.</p>
Coachella Valley Regional Water Management Group	<p>Disadvantaged Communities: The disadvantaged communities in rural portions of the Coachella Valley are facing issues related to access to safe and reliable drinking water. Many disadvantaged residents also struggle with adequate management of their onsite septic systems. We suggest that the State Water Board consider more innovative water reuse projects as eligible for WRFPP funding, including establishment of grey water systems.</p>	<p>Proposition 1 Chapter 9 relates to water recycling projects and contaminant and salt removal projects and adheres to the definition of Recycled Water provided for in Water Code Section 13050(n). Grey water projects cannot be funded through this program.</p>
	<p>Statewide Funding Split: The population of the Southern California counties listed in the draft Guidelines comprises 56% of the State's population. Because these taxpayers are paying for the Proposition 1 bond costs, the proportion of WRFPP funding that goes to these counties should be increased to at least 50%. We suggest a more equitable funding split of 50%-40%-10%.</p>	<p>The funding distribution is consistent with Proposition 13 (2000) - in accordance with section 79768 of Proposition 1 and is also considered as part of the prioritization scheme. The six counties identified may receive up to 60% of the funding.</p>

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Coachella Valley Regional Water Management Group	<p>Prioritization Scheme:The proposed prioritization scheme in the draft Guidelines does not reflect the priorities of the Coachella Valley. The prioritization scheme for WRF funding should be regionally-specific, rather than a blanket statewide solution. In disadvantaged communities, including much of the Coachella Valley, treatment improvements are cost prohibitive. We suggest the State Water Board focus on project feasibility as a criterion for evaluating applications submitted for WRF funding. For example, agencies could document the cost effectiveness (cost per AFY) of water recycling projects, as well as readiness for project construction. The offset of potable water demand should be the State Water Board's priority.</p>	<p>The prioritization schema presented in the draft guidelines adheres to section 79767 of Proposition 1. The State Water Board considers the multi-benefits of a project, including the cost per acre-foot and the project's readiness to proceed in determining</p>
Dublin San Ramon Services District (DSRSD)	<p>DSRSD would like a clarification of the minimum recycled water use at initiation of operations and clarify time to reach max operation</p>	<p>The Division evaluates and coordinates with applicants on a case by case basis regarding RW deliveries to existing and future users. It is recognized that in some cases future users may account for a significant share of the funded RW.</p>
	<p>DSRSD has reviewed the Guidelines and find that project measurement criteria under Section III.B.4 and III.C.1 fair for pipeline projects. However, they are inapplicable for treatment plant projects and we request separate measurement criteria for treatment facilities.</p>	<p>The Division evaluates and coordinates with applicants on a case by case basis regarding user assurances and meeting minimum use requirements. The State Water Board recognizes</p>
	<p>We ask that these comments be taken into consideration when finalizing the guidelines. We ask for practical criteria for measurement of success for treatment plants such as: (1) passing start up testing to demonstrate that the treatment plant maintains consistency in the recycled water quality it produces over a the first year, (2) demonstrate a steady increase in average year recycled water deliveries over the 10 year monitoring period, and, (3) provide 5-year projections in recycled water demand annually over the monitoring period.</p>	<p>The Division evaluates and coordinates with applicants on a case by case basis, regarding RW deliveries to existing and future users. It is recognized that in some cases future users may account for a significant share of the funded RW. Staff recognizes that some RW projects may not be able to deliver their full capacity within the 5 year nominal monitoring period.</p>
East Valley Water District (EVWD)	<p>EVWD would like the Board to consider making planning grants retroactive to 1/17/14 (date of first Governor's Drought proclamation).</p>	<p>Facilities planning grants have been available in their current form since the initial implementation of Proposition 13 in 2000-2001. An agency undertaking eligible planning activities in response to the Governor's drought proclamation on January 17, 2014 may have qualified for a planning grant at that time. Retroactive awards of Proposition 1 planning grant funds is not necessary.</p>
	<p>EVWD would like the Board to consider changing funding distribution to 50/40/10 South/North/State.</p>	<p>The funding distribution is consistent with Proposition 13 (2000) - in accordance with section 79768 of Proposition 1 and is also considered as part of the prioritization scheme. The six counties identified may receive up to 60% of the funding.</p>

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	EVWD supports the WateReuse comment on increasing the planning grant cap.	The \$75,000 planning grant cap is in accordance with section 79768 of the Water Code. This section requires programs implemented under chapter 9 of Proposition 1 to be consistent with sections 79140 and 79141 of the water code. Proposition 13 establish the \$75,000 planning grant cap.
Irvine Ranch Water District (IRWD)	IRWD suggests making following change to Section III (B) (4): delete "potable" replace with "fresh".	Section III.B.4 has been changed to read "fresh water".
	IRWD would like a clarification on the CEQA and CEQA+ requirements for loans under Proposition 1.	This has been clarified in Section III.B.3.
	IRWD would like a clarification on what is meant by "eligible capacities".	Eligible capacity of recycled water relates to the amount of recycled water that will be used allowable uses under title 22.
	The District asks that the SWRCB clarify if a board adopted resolution is a requirement of the application process. We also ask that the SWRCB clarify whether or not a governing board adopted resolution is a required element of the construction funding application.	Appendixes E and A have been consolidated; Appendix E no longer provides an authorizing resolution template as this information may now be found in Appendix A. The applicant must provide an authorizing resolution adopted by their governing body (usually a board or council).
	Clarify reference to economic analysis.	Reference to economic analysis templates added to Appendix B.
	use the term "fresh water" to include potable water	Fresh water includes potable water - the term fresh/potable is used throughout for clarity
	clarify difference between Prop 1 and CWSRF loans	A comparative tabulation of the differences between CWSRF, Prop. 1 loans and Prop 1 grant has been added to appendix D
	Increase planning grant cap to \$400,000	The \$75,000 planning grant cap is in accordance with section 79768 of the Water Code. This section requires programs implemented under chapter 9 of Proposition 1 to be consistent with sections 79140 and 79141 of the water code. Proposition 13 establish the \$75,000 planning grant cap.
	Allow Flexibility to Adjust Construction Grant Cap and CEQA Requirements and provide a provision to reopen the guidelines for adjustment.	Each year, with the submittal of the Clean Water State Revolving Fund's Intended Use Plan for Board adoption, staff will provide an update of the Water Recycling Funding Program to the Board for review of the construction grants and report to the Board for their direction.

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	Irvine Ranch would like to see storage included in the prioritization schema.	Storage is an eligible recycled water distribution component. For clarity "storage" has been added to the prioritization schema.
	Appendix D schema reference needs to be removed.	This reference has been removed.
Los Angeles Department of Water and Power	<p>RW Delivery Requirements: LADWP suggests that the State Water Board provide flexibility on minimum delivery requirements for phased projects to account for cases in which initial operations do not deliver 25 percent of eligible capacity.</p>	The Division evaluates and coordinates with applicants on a case by case basis regarding RW deliveries to existing and future users. It is recognized that in some cases future users may account for a significant share of the funded RW.
	<p>Construction Allowances: Industry allowance practice is to allow 15 percent toward construction engineering, construction management, etc., as well as a separate 15 percent contingency. LADWP suggests the allowance limit should be increased to mirror this industry practice.</p>	The grant construction allowance is 15% of costs cited in Section III.B.3. Contingency is an eligible grant cost as long as the total grant does not exceed the original grant value stipulated in the contract. Unused grant value due to cost reductions may be used for contingency items. Contingency under the CWSRF is eligible and an allowance based on applicant input and credit worthiness.
	<p>CEQA requirement clarification: Since Proposition 1 is a state, not federal, approved bond measure, we believe that federal environmental requirements for local agencies should not be required along with CEQA. As such, we propose adding a second paragraph to this section, as follows: <i>These are largely the same procedures used for standard CWSRF financing, specified in the CWSRF Policy, with the exception that projects that receive only state funds may be exempted from having to comply with federal cross-cutter requirements.</i></p>	Text has been added to the guidelines explaining how projects receiving solely state funds need only complete a CEQA analysis, while those project receiving state and federal funds must complete the CEQA analysis and complete federal cross cutters.
	<p>Construction Grants: LADWP suggests increasing this to 50 percent of actual eligible construction costs, incurred up to a maximum of \$20 million, including construction allowances.</p>	The value of the grant match and cap is based on an analysis of recycled water project need. The value proposed most equitably distributes funding throughout the state to meet need and provided benefit. The leveraging of Proposition 1 funding with the Clean Water State Revolving Fund provides further subsidy which is most effective starting at the proposed limit of the grant caps.
	<p>Disadvantaged areas: Draft Guidelines do not include any provisions that provide for "disadvantaged areas" with median household incomes (MHI) at or less than 80 percent of the statewide MHI that are located within larger communities.</p>	The guidelines adhere to the Policy for Implementing the Clean Water State Revolving Fund (CWSRF). The CWSRF follows the intended use plan (IUP) for policy involving disadvantaged communities. The current IUP does not provide for disadvantaged areas within a non disadvantaged community.

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	<p>Facilities Report completion period: If a project is in the Environmental Review Process, agencies may need additional time to set the alignment and complete a feasibility report. Therefore, LADWP suggests allowing a three-year timeline for the Final Project Report, with a one year extension available upon approval, as previously provided in the 2008 Water Recycling Funding Program guidelines.</p>	<p>The planning grant is primarily intended to assist agencies or regions determine what water recycling project is appropriate for their community. The study results in the development of the project report and is part of the technical package for the application for construction financing. Usually the environmental documents are completed as part of the implementation of the recommended project and not part of the study. Division Staff will consider project report schedule extension, for good cause, on a case by case basis, understanding that some project reports may take longer than 3 years,</p>
	<p>Facilities Planning Report Requirements: Appendix B of the Draft Guidelines provides an extensive component list for the feasibility study. However, only items that affect the feasibility of a project should be required. This appears to be the intent of the State Water Board, but we suggest a clearer statement of this in the guidelines would be helpful.</p>	<p>Clarification text added to section II</p>
	<p>Construction Grant Statewide Distribution: LADWP suggests the following allocations, which better accounts for the geographical distribution of the state's population: 50 percent to Southern California; 35 percent to the remaining areas of the state; and 15 percent to any area of the state, at the discretion of State Water Board staff.</p>	<p>The funding distribution is consistent with Proposition 13 (2000) - in accordance with section 79768 of Proposition 1 and is also considered as part of the prioritization scheme. The six counties identified may receive up to 60% of the funding.</p>
<p>North Bay Water Reuse Program, Honorable Bill Dodd</p>	<p>Grant Eligibility for Construction Projects: 1) provide guideline provision for re-opening if guideline adjustments are needed 2) Remove the word "state" from the following requirement: "water recycling projects shall offset and augment <u>state</u>..."</p>	<p>Each year, with the submittal of the Clean Water State Revolving Fund's Intended Use Plan for Board adoption, staff will provide an update of the Water Recycling Funding Program to the Board for review of the construction grants and report to the Board for their direction.</p> <p>The comment regarding the removal of the word "state" in that this relates to the "state water project" is not relevant as the adjective "state" is used throughout the guidelines with no implied reference to the "state water project"</p>
	<p>Planning Grants: 1) Increase the \$75k cap, or 2) provide \$75k for each agency participating in a regional (multi agency) study</p>	<p>The \$75,000 planning grant cap is in accordance with section 79768 of the Water Code. This section requires programs implemented under chapter 9 of Proposition 1 to be consistent with sections 79140 and 79141 of the water code. Proposition 13 establish the \$75,000 planning grant cap.</p> <p>Providing one planning grant per agency in a multi-agency water recycling study would be problematic considering the piece-meal approach. A single <i>planning</i> grant is provided on a project basis and defined scope of that stand alone project.</p>

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	<p>Priority List for Construction Grant Funding:</p> <ol style="list-style-type: none"> 1) prioritization list undermines regional planning 2) specifically include "agricultural reuse" 3) Specifically include "storage" 4) Modify "multiple components" language- recommend "Projects that have the ability to meet multiple end-user needs." 	<ol style="list-style-type: none"> 1) The prioritization schema was developed in accordance with section 79767 of Proposition 1. The schema is inclusive of regional and individual agency water recycling projects. 2) It's not necessary to explicitly cite 'agricultural reuse' as certain types of agricultural reuse are allowed by title 22 of the California Code of Regulations (CCR) and only water recycling projects allowed by title 22 and permitted by the Regional or State Water Board can be funded. All uses under title 22 are not specifically prioritized. The overall criteria requires projects to offset or augment fresh water supplies, regardless of project type. 3) "Storage" is considered to be a distribution system component and has been added to the prioritization schema. 4) The text regarding "multiple components" has been removed.
Novato Sanitary District	<p>Grant Eligibility for Construction Projects:</p> <ol style="list-style-type: none"> 1) provide guideline provision for re-opening if guideline adjustments are needed 2) Remove the word "state" from the following requirement: "water recycling projects shall offset and augment <u>state</u>..." 	<p>Each year, with the submittal of the Clean Water State Revolving Fund's Intended Use Plan for Board adoption, staff will provide an update of the Water Recycling Funding Program to the Board for review of the construction grants and report to the Board for their direction.</p>
Novato Sanitary District	<p>Planning Grants:</p> <ol style="list-style-type: none"> 1) Increase the \$75k cap, or 2) provide \$75k for each agency participating in a regional (multi agency) study 	<p>The \$75,000 planning grant cap is in accordance with section 79768 of the Water Code. This section requires programs implemented under chapter 9 of Proposition 1 to be consistent with sections 79140 and 79141 of the water code. Proposition 13 establish the \$75,000 planning grant cap.</p> <p>Providing one planning grant per agency in a multi-agency water recycling study would be problematic considering the piece-meal approach. A single planning grant is provided on a project basis and defined scope of that stand alone project.</p>
Novato Sanitary District	<p>Priority List for Construction Grant Funding:</p> <ol style="list-style-type: none"> 1) prioritization list undermines regional planning 2) specifically include "agricultural reuse" 3) Specifically include "storage" 4) Modify "multiple components" language- recommend "Projects that have the ability to meet multiple end-user needs." 	<ol style="list-style-type: none"> 1) The prioritization schema was developed in accordance with section 79767 of Proposition 1. The schema is inclusive of regional and individual agency water recycling projects. 2) It's not necessary to explicitly cite 'agricultural reuse' as certain types of agricultural reuse are allowed by title 22 of the California Code of Regulations (CCR) and only water recycling projects allowed by title 22 and permitted by the Regional or State Water Board can be funded. All uses under title 22 are not specifically prioritized. The overall criterion requires projects to offset or augment fresh water supplies, regardless of project type. 3) "Storage" is considered to be a distribution system component and has been added to the prioritization schema. 4) The text regarding "multiple components" has been removed.
Regional San (SRCSD)	<p>Regional San requests that the Water Board consider using this reduced interest rate for all loans made through the WRFPP and also consider extending the loan terms up to 40 years.</p>	<p>The viability of the Proposition 1 financing program hinges on loan repayments that are used in part to finance future loans and grants. The agreement term is in accordance with water code section 79142.2(b).</p>

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Regional San (SRCSD)	Multi benefit recycled water projects may require easements and rights of way that can be costly, and we encourage the Water Board to consider including these costs as eligible construction implementation costs as they are important components of completing a recycled water project.	The purchase of land is allowed in the Clean Water SRF policy; purchase of land using CWSRF is a recent change brought about by the incorporation of policy changes in response to the Water Resources Reform and Development Act (WRRDA). Land purchases are not authorized under Proposition 1.
	Editorial: change to "offset <u>or</u> augment"	Change made to Section III.A.1.b
	Regional San believes that any grants given for planning should include all aspects of planning for a recycled water project, and should not be limited to conducting feasibility studies. In particular, large-scale recycled water projects can be much more costly (Section II intro and II.B).	The intent of the planning grants is to provide assistance to public (and eligible private) agencies to conduct a study resulting in a recommended project. Design costs and other costs associated with the recommended project are eligible for soft cost reimbursement through the loan programs.
	SRCSD recommends that the guidelines clearly state that project planning grants should allow for potential overlap in study areas and project phasing.	Planning grants are awarded to conduct technically discreet studies. Overlapping technical and/or physical areas circumvents the planning grant award process for a single stand-alone project and study scope. If however, an agency can provide study plans with overlapping areas but for discreet studies then they could be eligible for grant funding. Staff will work with an agency prior to study plan submittal to best assist in defining discreet studies to prevent overlapping scope.
	SRCSD recommends that the planning grant cap be increased to \$400k.	The \$75,000 planning grant cap is in accordance with section 79768 of the Water Code. This section requires programs implemented under chapter 9 of Proposition 1 to be consistent with sections 79140 and 79141 of the water code. Proposition 13 establish the \$75,000 planning grant cap.
	SRCSD recommends that Section II be amended with a statement saying that meeting reporting requirements for the USBR Title XVI grants also meets the requirements for the Recycled Water Project Reports.	The USB report objective is oriented toward showcasing a water recycling project that an agency has decided upon. The facilities planning grant sponsors a study comparing competing water recycling alternatives resulting a recommended project.
	SRCSD would like the board to reconsider prioritization based on shovel ready (ready to proceed) as this approach is not fair to long term projects.	Prioritization of projects is based on their readiness to proceed with an executed funding agreement which is consistent with criteria cited in Section 79767 of Proposition 1. The Proposition 1 funding program relies on repayments to continually fund the loan and grant accounts. Selection of the grant funding percent and dollar cap help assure the longevity of the loan program.
	SRCSD believes that the prioritization should include multiple project benefits (Section III.A.2.c)	Division staff reviews a water recycling projects with respect to the readiness to proceed and the prioritization scheme which includes consideration of the multi project benefit.

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San Diego County Water Authority	<p>Incurred Local Agency Eligible Costs: Costs incurred for feasibility studies, pilot studies, and other planning and research, prior to the grant award date, should be permitted as local agency match for the construction grant.</p>	<p>Costs associated with feasibility studies, pilot studies and other planning and research prior to the construction grant award date will be considered as contributory to local match. Clarification language added to guidelines.</p>
	<p>Other Eligible Project Costs: Costs incurred for project predesign and design should also be eligible for grant funding and financing, and not just feasibility studies.</p>	<p>The construction grant funding focuses on construction costs with the planning grant providing funds for planning and design. The Clean Water State Revolving Fund offers planning and/or design loans specifically for planning and design costs with costs incurred prior to the loan as eligible.</p>
	<p>CEQA Requirements: A broader approach for meeting the CEQA requirements for funding should be permitted. An agency should be able qualify for funding if they have issued a Notice of Preparation (NOP) and have indicated a commitment to moving forward with the project.</p>	<p>Construction funding agreements require a 'project', as defined in the CEQA document for a funding agreement. The planning grants and planning and design loans are available for projects in advance of a completed environmental document.</p>
	<p>Complying with Federal Requirements: At the April 16 funding workshop, it was indicated that projects that receive Proposition 1 funding, and that do not receive State Revolving loan Funds, will not be required to comply with Federal cross-cutters. Please clarify this in the guidelines.</p>	<p>Text has been added to the guidelines explaining how projects receiving solely state funds need only complete a CEQA analysis, while those project receiving state and federal funds must complete the CEQA analysis and complete federal cross cutters.</p>
	<p>Nomenclature: The appendices and language in the guidelines appear to be directed toward non-potable reuse projects. We recommend distinguishing between potable and non-potable reuse throughout the document.</p>	<p>Portions of the guidelines have been clarified and the prioritization schema directly addresses these type of projects.</p>
	<p>Planning Grant Amount: Increase the Planning Grant maximum grant award to \$400,000. Due to the growing complexity of today's planned projects and considering inflation since Proposition 13 was adopted, this is a reasonable increase.</p>	<p>The \$75,000 planning grant cap is in accordance with section 79768 of the Water Code. This section requires programs implemented under chapter 9 of Proposition 1 to be consistent with sections 79140 and 79141 of the water code. Proposition 13 establish the \$75,000 planning grant cap.</p>

EXHIBIT C

Agency	Comment	Response
San Diego County Water Authority	<p>Project Selection: At the April 16 funding workshop, it was stated that the State Water Board is considering project selection on a first-come, first-serve basis. Although we support streamlined administrative procedures for state grants and loans, we have concerns that the proposed guidelines are not in conformance with Section 79767 that requires projects to be selected on a competitive basis. We do not want to significantly delay projects from being funded, but want to ensure that projects selected for funding comply with the criteria described in Proposition 1. At the workshop, it was indicated that projects are already being accepted for funding before the guidelines have even been approved by the SWRCB board.</p>	<p>Clarification language has been added to the draft guidelines that describes how the proposed prioritization schema meets the requirements of section 79767 of Proposition 1. Projects that are ready to proceed with a funding commitment and follow the prioritization objectives will be funded as funds are available. The Division is accepting applications for funding of recycled water projects through Propositions 13 and 1, and through the Clean Water State Revolving Fund utilizing a single application. However these projects cannot receive Proposition 1 funding until the guidelines are adopted by the State Water Board.</p>
	<p>Projected Timeline for Anticipated Recycled Water Deliveries: At the April 16th SWRCB Funding workshop it was stated that recycled water projects must begin to provide 50% of their total projected water demands by the project completion date. It is not feasible for non-potable reuse projects due to planning and permitting requirements to bring use sites on line. We recommend that you do not include this criterion in the guidelines. The selection of potable reuse projects as a priority will already favor projects that come on quickly and can help respond to the drought.</p>	<p>User assurance criteria for IPR and DPR projects have been clarified.</p>
Santa Clara Valley Water District	<p>CEQA Process: Figure 2 in Appendix D should be updated to show where final CEQA documentation fits into the process (after application review and before final amended agreement/when applicants can start requesting reimbursements for construction costs).</p>	<p>Figure 2 Appendix D provides a flowchart of the agreement approval process and incorporation of the environmental process. Construction funding agreements require a 'project', as defined in the CEQA document, for a funding agreement. The Planning grants and Planning and design loans are available for projects in advance of a completed environmental document.</p>
	<p>Clarify Non-Potable Language: Language should be revised regarding the market assurances and minimum use requirements to clarify that they are for non-potable reuse projects and they don't apply, as written, to potable reuse projects.</p>	<p>The term potable has been changed to fresh water. Section III.B.4</p>
	<p>Grant Amount: The proposed \$15 million funding cap should be subject to review following each round of funding distribution to determine adjustments as needed. Our thought is that this amount should be increased to \$20 million, consistent with federal grant fund programs.</p>	<p>The value of the grant match and cap is based on an analysis of recycled water project need. The value proposed most equitably distributes funding throughout the state to meet need and provided benefit. The leveraging of Proposition 1 funding with the Clean Water State Revolving Fund provides further subsidy which is most effective starting at the proposed limit of the grant caps.</p>

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	<p>Planning Grant: The planning grant amount should be increased from \$75,000 to \$400,000.</p>	<p>The \$75,000 planning grant cap is in accordance with section 79768 of the Water Code. This section requires programs implemented under chapter 9 of Proposition 1 to be consistent with sections 79140 and 79141 of the water code. Proposition 13 establish the \$75,000 planning grant cap.</p>
	<p>Funding Distribution: The proposed funding distribution structure favors Southern California. We suggest a distribution of 45 percent to the listed south counties and the rest, 55 percent, to the remainder of the State. This would be consistent with the north-south split used for IRWM funding distributed in both Proposition 1 and Proposition 84.</p>	<p>The funding distribution is consistent with Proposition 13 (2000) - in accordance with section 79768 of Proposition 1 and is also considered as part of the prioritization scheme. The 40/40/20 split allows for flexibility considering the drought crisis. The need for recycled water does not specifically follow that of IRWM needs, however, the proposed split, in general, recognizes the IRWM format.</p>
	<p>Balance: The program should feature a favorable balance towards grants versus the use of loans.</p>	<p>The value of the grant match and cap is based on an analysis of recycled water project need. The value proposed most equitable distributes funding throughout the state to meet need and provided benefit. The leveraging of Proposition 1 funding with the Clean Water State Revolving Fund provides further subsidy which is most effective starting at the proposed limit of the grant caps.</p>
<p>Sentator Ben Hueso 40th Senate District</p>	<p>Ineligible Project Cost Categories Concerns - We request that in addition to allowing deferred CEQA completion by a period of three years after funding award for IPR/RA and DPR projects, that the costs identified above would also be eligible for grant funding or financing.</p>	<p>Construction funding agreements require a project as defined in the CEQA document for a funding agreement. The Planning grants and Planning and design loans are available for projects in advance of a completed environmental document.</p>
	<p>Shovel Ready Concerns - San Diego proposes the establishment of the following funding eligibility criteria for IPR/RA and Direct Potable Reuse (DPR) projects:</p> <ul style="list-style-type: none"> • Initiation of CEQA analysis which could be verified by providing a CEQA Notice of Preparation (NOP); • Direction from the applicant's governing body to proceed with planning and design efforts in support of full-scale construction; • Funding for environmental review (CEQA) is included in the applicant's authorized budget for expenditure within three years after funding award; and • Completed hiring of a project consultant to manage the program. 	<p>Construction funding agreements require a project as defined in the CEQA document for a funding agreement. The Planning grants and Planning and design loans are available for projects in advance of a completed environmental document.</p>

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Sonoma County Water Agency	<p>Grant Eligibility for Construction Projects: 1) provide guideline provision for re-opening if guideline adjustments are needed 2) Remove the word "state" from the following requirement: "water recycling projects shall offset and augment <u>state</u>..."</p>	<p>Each year, with the submittal of the Clean Water State Revolving Fund's Intended Use Plan for Board adoption, staff will provide an update of the Water Recycling Funding Program to the Board for review of the construction grants and report to the Board for their direction.</p> <p>The comment regarding the removal of the word "state" in that this relates to the "state water project" was considered. The description "state" is used throughout the guidelines with no implied reference to the "state water project." State fresh water supplies are referred to and consider groundwater and surface water sources in the state.</p>
Sonoma County Water Agency	<p>Planning Grants: 1) Increase the \$75k cap, or 2) provide \$75k for each agency participating in a regional (multi agency) study</p>	<p>The \$75,000 planning grant cap is in accordance with section 79768 of the Water Code. This section requires programs implemented under chapter 9 of Proposition 1 to be consistent with sections 79140 and 79141 of the water code. Proposition 13 establish the \$75,000 planning grant cap.</p> <p>Providing one planning grant per agency in a multi-agency water recycling study would be problematic considering the piece meal approach. A single planning grant is provided on a project basis and defined scope of that stand alone project.</p>
Sonoma County Water Agency	<p>Priority List for Construction Grant Funding: 1) prioritization list undermines regional planning 2) specifically include "agricultural reuse" 3) Specifically include "storage" 4) Modify "multiple components" language- recommend "Projects that have the ability to meet multiple end-user needs."</p>	<p>Prioritization is based on Prop. 1 section 79767, and the drought driven urgency to make funds available to those communities with severe water supply reliability issues.</p> <p>Ag reuse is implied in the distribution of funding where the geographic distribution of the funding. It's not necessary to explicitly cite 'agricultural reuse' as certain types of agricultural reuse are allowed by title 22 of the California Code of Regulations (CCR) and only water recycling projects allowed by title 22 and permitted by the Regional or State Water Board can be funded. All uses under title 22 are not specifically prioritized. The overall criteria requires projects to offset or augment fresh water supplies, regardless of project type.</p> <p>Storage has been added to the proposed language. The language regarding multiple components has been removed.</p>
SOTO Resources	<p>"Small Disadvantaged Community" or "Small DAC" means a community with a population of less than 20,000, and either: (1) a community Median Household Income (MHI) of less than eighty percent (80%) of the statewide MHI; or (2) a community sewer rate of more than four percent (4%) of the community's MHI. Are we to assume that DACs and Small DACs are one in the same?</p>	<p>The guidelines adhere to the Policy for Implementing the Clean Water State Revolving Fund (CWSRF). The CWSRF Policy uses the term small DAC which is the same as DAC.</p>

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WaterReuse California (WRCA)	WRCA believes that the Board should closely monitor and exercise its latitude as needed to adjust grant caps depending upon the success of the funding program. WRCA recommends that the Board specifically include language within the Guidelines that explicitly states the Board's intention to review the initial distribution of grants, and make adjustment.	Each year, with the submittal of the Clean Water State Revolving Fund's Intended Use Plan for Board adoption, staff will provide an update of the Water Recycling Funding Program to the Board for review of the construction grants and report to the Board for their direction.
	WaterReuse believes that the Water Board should specifically include language which allows flexibility on the issue of CEQA readiness.	A financing agreement cannot be fully executed until the State Water Board has received a notice of determination and a resolution from the governing body (usually a board or city council) adopting the completed CEQA analysis.
	WaterReuse would like to see the planning grant cap increased to \$400,000.	The section 79768 of Chapter 9 of Proposition 1 states that competitive programs developed to implement this proposition must be consistent with Water Code Sections 79140 and 79141. The planning grant cap of \$75k is stated within these sections.
Water Reliability Coalition (WRC)	Ineligible Project Cost Categories Concerns - We request that in addition to allowing deferred CEQA completion by a period of three years after funding award for IPR/RA and DPR projects, that the costs identified above would also be eligible for grant funding or financing.	Construction funding agreements require a project as defined in the CEQA document for a funding agreement. The Planning grants and Planning and design loans are available for projects in advance of a completed environmental document.
Water Reliability Coalition (WRC)	Shovel Ready Concerns - San Diego proposes the establishment of the following funding eligibility criteria for IPR/RA and Direct Potable Reuse (DPR) projects: <ul style="list-style-type: none"> • Initiation of CEQA analysis which could be verified by providing a CEQA Notice of Preparation (NOP); • Direction from the applicant's governing body to proceed with planning and design efforts in support of full-scale construction; • Funding for environmental review (CEQA) is included in the applicant's authorized budget for expenditure within three years after funding award; and • Completed hiring of a project consultant to manage the program. 	A financing agreement cannot be fully executed until the State Water Board has received a notice of determination and a resolution from the governing body (usually a board or city council) adopting the completed CEQA analysis.