~~April 20, 2017~~ ~~**May 2, 2017**~~**May 30, 2017**

State of California

CLEAN WATER STATE REVOLVING FUND

and

The Water Quality, Supply, and Infrastructure Improvement Act of 2014
(Proposition 1 -Chapter 5, Section 79723)

INTENDED USE PLAN

STATE FISCAL YEAR 2017-18
(FEDERAL FISCAL YEAR 2017 CAPITALIZATION GRANT)

DRAFT

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Approved by: State Water Resources Control Board
XXXX XX, XXXX, Resolution No. 2017-XXXX

TABLE OF CONTENTS

I. INTRODUCTION 4
A. History, Authority, and Past Achievements **5**
B. Connections to Other Plans, Goals, and Programs of the State Water Board and the California Environmental Protection Agency (CalEPA) **5**
C. Intended Use Plan (IUP) and Federal Guidance **7**

II. WATER QUALITY FINANCING NEEDS 8
A. Clean Watersheds Needs Survey **8**
B. Project List **8**
C. State Water Board Guidance **8**

III. PROGRAM CAPACITY 10
A. General Funding Approach **10**
B. Recent Financing Activity **12**
C. Financial Outlook **13**
D. Application Demand and Potential Financial Impact **17**
E. Financing Forecast and Future Financing Trends **19**
F. CWSRF Resources and Workload **21**
G. Risks **23**

IV. CWSRF FINANCING AND PROGRAMMATIC REQUIREMENTS 26
A. Davis-Bacon Requirements **26**
B. Generally Accepted Accounting Principles (GAAP) **26**
C. Cost and Effectiveness Analysis **26**
D. Procurement for Architectural and Engineering (A/E) Contracts **26**
E. Fiscal Sustainability Plan (FSP) **27**
F. American Iron and Steel (AIS) **27**
G. Payment and Draw Schedules **27**
H. State Match and Cash Draw Ratio **27**
I. Types of Assistance and Financing Terms **27**
J. Binding Commitment Threshold **28**
K. Timely and Expeditious Expenditure **28**
L. Federal Cross-Cutters and Environmental Reviews **28**
M. Capitalization Grant Conditions and Other Federal Requirements **29**
N. Other State Requirements **29**

DRAFT

V. OUTCOMES, GOALS, ACTIVITIES, AND MEASURES 30
A. Sound Finances **.....30**
B. Fund the Most Beneficial Projects **.....31**
C. Efficient Service, Up-to-Date Policies and Procedures, and Recognizable Products **.....32**

VI. SCHEDULE.....34

VII. TABLES.....35
TABLE 1.a: Current Sources and Uses of the CWSRF **.....35**
TABLE 2: CWSRF Project Financing Forecast for SFY 2017-18**.....36**
TABLE 3.a: Administration Fund Balance **.....43**
TABLE 3.b: SCG Fund Balance **.....43**
TABLE 4.a: SCG Planning Grants**.....43**
TABLE 4.b: SCG Construction Grant **.....43**
TABLE 4.c: SCG Construction Grant for Septic to Sewer and Regional Projects **.....44**
TABLE 4.d: Principal Forgiveness**.....45**
TABLE 5: CWSRF Capitalization Grant Payments and Draw Payments **.....45**

VIII. ACRONYMS 46

DRAFT

I. INTRODUCTION

Water is one of the most essential natural resources in California. The State Water Resources Control Board (State Water Board) and the nine Regional Water Quality Control Boards (Regional Water Boards), collectively the Water Boards, protect and improve water quality in California through several regulatory and financial assistance programs.

The federal Clean Water Act (CWA) established the Clean Water State Revolving Fund (CWSRF) P~~p~~rogram to finance the protection and improvement of water quality. The CWSRF program has protected and promoted the health, safety, and welfare of Californians since 1989. Many of the projects funded by the CWSRF program address wastewater discharge violations or enforcement orders issued by the Regional Water Boards. Every project is directly related to protecting or improving public health, water quality, or both.

The State of California also periodically allocates funding to the State Water Board for financing programs that help protect and improve water quality. Many of these programs can be used in conjunction with the CWSRF program.

This IUP establishes the priority and processes for projects to be funded in State Fiscal Year (SFY) 2017/18.

California's CWSRF program continues to evolve. Recent efforts by the State Water Board to utilize CWSRF program resources to encourage water recycling projects during the drought, and the decision to extend repayment for all projects from 20 to 30 years have dramatically increased demand on the Program. This unprecedented interest in CWSRF funding is creating new challenges for both applicants and State Water Board staff. Most significantly, the large number of completed applications necessitates changes to the funding process. Given the high demand on the Program, the priorities established in this IUP are to continue to fund disadvantaged communities and the State Water Board's prior commitment to water recycling and green projects. The State Water Board will not be able to fund projects not fitting these priorities in SFY 2017/18.

DFA expects the high level of demand to continue in the future given the attractive terms available through the CWSRF. DFA will be evaluating several potential changes to the following CWSRF Policies or practices in SFY 2017/18 to better manage this demand.

- The role of debt in the Program and how to establish a sustainable but consistent financing level that maintains the CWSRF on a sound financial basis.
- The prioritization or scoring of applications and how that process meshes with a target funding level to enable applicants to better evaluate their chances of receiving funding and to enable DFA staff to focus on a manageable workload.
- The eligibility date for construction costs.
- Opportunities for additional streamlining or process improvements to reduce repeat reviews, stale reviews, and last minute surprises.

DFA has scheduled three stakeholder workshops in June/July 2017 to solicit input on potential Program changes to make the financing process more predictable, and to discuss how to manage future demands on the Program. DFA's objective is to develop Policy and procedural changes that can be in place with next year's IUP.

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A. History, Authority, and Past Achievements

In 1987, the United States Congress and the President amended the CWA to replace the long-standing, federal Construction Grants Program (Title II) with the more flexible CWSRF program (Title VI). In 2014, Congress and the President approved the Water Resources Reform and Development Act of 2014 (WRRDA), making a number of changes to the requirements and eligibilities included in Title VI of the CWA. All 50 states and Puerto Rico are currently operating successful CWSRF programs. The total CWSRF financing nationwide exceeds $118 billion.

The federal CWSRF program provides each state the opportunity to establish an environmental infrastructure bank capitalized by federal and state funds. This capital, along with the earnings generated by the CWSRF program's capital, interest payments, and investment earnings, is used to provide financial assistance to a wide variety of water quality projects. States can target specific water quality problems, offer a variety of financing options, and customize terms to meet their particular water quality needs. Financing options include loans, refinancing debt, purchasing or guaranteeing local debt, and purchasing bond insurance. Interest rates must be below the market rate. Repayment periods are generally the lesser of 30 years or the expected useful life of the financed asset. Since 2009, federal CWSRF appropriations and California law have also authorized grants, negative interest rates, and principal forgiveness (PF) on a limited basis.

California's CWSRF program is authorized under Water Code Sections 13475-13485. California operates its program pursuant to an Operating Agreement between the State Water Board and the United States Environmental Protection Agency Region 9 (U.S. EPA). The revolving nature of the CWSRF program provides a sustainable source of funds for water quality protection and improvement.

California's CWSRF, hereafter referred to as the CWSRF, has grown since financing its first project in 1989. It has executed more than $9.0 billion in financial assistance agreements. The net position of the CWSRF is approximately $3.9 billion, and annual repayments to the CWSRF, after debt service and service charges are deducted, are approximately $220 million.

The program has funded a broad range of projects. Approximately 96 percent (96%) of funds were used for publicly owned wastewater infrastructure systems, and about four percent (4%) of funds were used for non-point source or estuary projects.

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

The CWSRF program supports the following goals from the Water Boards' most recent Strategic Plan Update (2008-2012).

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

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

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

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

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

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

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

The CWSRF program supports the three goals of the California Water Action Plan (Updated 2016): more reliable water supplies; the restoration of important species and habitat; and a more resilient, sustainably managed water resources system (water supply, water quality, flood protection, and environment) that can better withstand inevitable and unforeseen pressures in the coming decades.

The CSWRF program also supports the following CalEPA Strategic Vision (dated July 2000) goals (Goals below are numbered consistent with the CalEPA Strategic Vision).

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

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

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

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

Goal 6: Ensure the efficient use of natural resources.

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

The State Water Board administers several programs authorized by Proposition 1 (Prop 1), the Water Quality, Supply, and Infrastructure Improvement Act of 2014,[1] and may have funding available from other bond measures and funding sources. Projects eligible for four Prop 1 programs administered by the State Water Board, Small Community Wastewater, Water Recycling, Stormwater, and Groundwater Sustainability, are also potentially eligible for CWSRF funds. Projects eligible for other state sources of funds may also be eligible for CWSRF funds.

[1] Water Code, § 79700 et seq.

The Division of Financial Assistance (DFA) manages all of the Water Board's funding programs to maximize its ability to fund projects that support the Water Boards' water quality goals and by coordinating CWSRF financing with the State Water Board's other funding sources.

Finally, in establishing the terms of this CWSRF Intended Use Plan, the State Water Board considered statewide policy set forth in section 106.3 of the Water Code. Specifically, Subdivision (a) declares it is the established policy of the State that "every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes." Subdivision (b) requires the State Water Board to consider this state policy when "revising, adopting, or establishing policies, regulations, and grant criteria when those policies, regulations, and criteria are pertinent to the uses of water."

C. Intended Use Plan (IUP) and Federal Guidance

The State Water Board must submit this IUP as part of its application package for its annual federal capitalization grant from U.S. EPA. The IUP contains elements required under federal law. This IUP establishes the State Water Board's business plan for California's CWSRF program for State Fiscal Year (SFY) 2017-18 and discusses DFA's general approach and ability to successfully carry out that business plan with the available financial and programmatic resources. It also describes how DFA will operate the CWSRF program in conjunction with other financing programs, such as Prop 1, or sources of funding outside the State Water Board, that may be used to jointly finance projects. This IUP, or an amendment, will be included in the State Water Board's application for the federal fiscal year (FFY) 2017 Capitalization Grant for the CWSRF program.

This IUP includes a forecast of the CWSRF cash flows (Table 1) for the next several years, identifies projects (Table 2) the State Water Board anticipates financing in SFY 2017-18 as well as other applications that may be financed, and analyzes the effect these projects would have on the cash flow if financed. The IUP also includes performance measures to track the effectiveness of the CWSRF program.

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

- The Policy for Implementing the Clean Water State Revolving Fund (CWSRF Policy);
- The Operating Agreement between the State Water Board and U.S. EPA;
- U.S. EPA Interpretive Guidance regarding the WRRDA amendments; and
- Any additional federal requirements in the 2017 budget appropriation, the 2017 Capitalization Grant agreement, and/or guidance from U.S. EPA

The State Water Board may amend this IUP, but only after the public and interested parties are given an opportunity to comment on the proposed amendment. The Executive Director, or his or her designee, may update stakeholders during SFY 2017-18 on DFA's progress implementing this IUP and the current capacity of the CWSRF and its complementary programs to provide financing to applicants.

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II. WATER QUALITY FINANCING NEEDS

A. Clean Watersheds Needs Survey

California needs significant funding to achieve its clean water goals. The most recent Clean Watersheds Needs Survey in 2012 shows that California needs an estimated $26.2 billion for wastewater treatment and collection, wastewater recycling, and stormwater pollution prevention over the next 20 years.

B. Project List

The State Water Board maintains a Project List (List)[2] that reflects applicants interested in CWSRF financing, and the projects for which they are requesting financing. The List is typically updated quarterly. The List classifies each potential project application relative to the State Water Board's water quality and sustainability priorities, and helps prioritize the CWSRF marketing and application review efforts.

C. State Water Board Guidance

1. Small and/or Disadvantaged Communities (DACs)

   On July 1, 2008, the State Water Board adopted Resolution No. 2008-0048 to assist small and/or DACs with their wastewater needs. Resolution No. 2008-0048 referred to a Small Community Wastewater Strategy, which was subsequently updated in the Spring of 2016 to include a combined small and/or DAC three-year strategy for wastewater and drinking water capacity development. The updated strategy provides an overview of the challenges facing these communities. With regard to wastewater, these include both failing septic systems and failing outdated and undersized wastewater treatment plants. Small and/or DACs generally have higher per capita costs. Disadvantaged (median household income [MHI] of less than 80 percent [80%] of the statewide MHI) and severely disadvantaged (MHI of less than 60 percent [60%] of the statewide MHI) small communities typically face the additional burden of lower household incomes. The result is higher, sometimes prohibitive, sewer rates. The updated strategy discusses options and offers solutions to the problems faced by these communities.

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

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

[2] The CWSRF Project List is prepared to meet the requirements pursuant to section 603(g) of the CWA. A construction project must be on the List to receive financing, but the List does not guarantee financing or the order of financing. Applicants must submit a complete application that meets the CWSRF Policy requirements to receive financing.

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

- Measures identified in Total Maximum Daily Loads;
- Stormwater and dry weather runoff reduction from Municipal Separate Storm Sewer Systems;
- Conservation measures to reduce sediment and non-point discharges;
- Ammonia discharge reduction from publicly-owned treatment works (POTWs); and
- Urban and agricultural water use efficiency to reduce demand on the Delta and reduce runoff of pesticides to the Delta.

3. Sustainability and Climate Change

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

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

The State Water Board adopted Resolution No. 2017-0012 on March 7, 2017, outlining a comprehensive response to climate change for all the Water Boards' activities and programs. Resolution No. 2017-0012 directed the State Water Board staff to take a number of actions that affect the CWSRF program IUP. Specifically:

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

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III. PROGRAM CAPACITY

A. General Funding Approach

To help meet the water quality financing needs identified in Section II above, DFA will use the CWSRF program and the complementary funding programs to fund as many eligible projects with complete applications as it can during SFY 2017-18 given the financial capacity and programmatic resources available. Funding will be consistent with the CWSRF Policy, the Operating Agreement, applicable federal and state statutes, regulations, and guidance, any guidelines applicable to complementary funding sources that may be used to fund a project jointly with CWSRF funds, and to the extent appropriate, the Master Trust Indenture of 2012. In addition, funding will be consistent with the requirements of the program's Master Trust Indenture and the associated documents that constitute the program's bond financing efforts to ensure compliance with SEC, IRS, and MSRB rules and regulations, and ensure that all bonds are secure and repaid in full and on time.

The funds available to the CWSRF program during SFY 2017-18 generally consist of:

- Repayments of CWSRF principal and interest on past loans and investment earnings;
- Capitalization grants from U.S. EPA, potentially including PF;
- Proceeds from the Series 2017 Green Bonds, which closed in March 2017, and potential future bond sales.

A more detailed financial analysis is described in Section III.B.

The State Water Board's financial priorities in order of importance for the CWSRF during SFY 2017-18 will be:

- Liquidating the Series 2017 Green Bond proceeds and any future bond proceeds to meet commitments made as an issuer of tax-exempt revenue bonds;
- Liquidating capitalization grants once awarded; and
- Liquidating repayments and investment earnings.

The CWSRF funding priorities in SFY 2017-18 will also be influenced by the availability of complementary sources of funds. Specifically, these additional funding sources are: Prop 1 funds for small, DAC wastewater, water recycling, and stormwater projects; PF funds the State Water Board earmarks for the Green Project Reserve (GPR); and existing commitments by the State Water Board to incentivize water recycling projects.[3]

[3] On February 16, 2016, the State Water Board in Resolution No. 2016-0008 approved one percent CWSRF financing for 36 water recycling projects that had submitted complete applications by December 2, 2015. As of March 17, 2017, 28 of the 36 agreements had been executed. The estimated financing needed for the remaining eight projects is approximately $487 million.

The CWSRF Policy also directs staff to review and finance complete applications consistent with the classification and sustainability points systems. The classification system helps prioritize projects based on water quality objectives, and the sustainability points system helps further the Water Boards' efforts to address sustainability and climate change. If the State Water Board has insufficient funds for all projects with complete applications, it will first fund projects based on the projects' classifications, giving priority within the class to the small, DACs with the lowest MHI, then fund the projects that most effectively address sustainability and global climate change.

DFA may also sell revenue bonds to the extent authorized by the State Water Board, regulate project commitment or cash disbursement levels, suspend project approvals, or do some combination of all of these actions to ensure prior commitments are fulfilled. The State Water Board directs DFA to manage the CWSRF so that sufficient funds are available under all circumstances to meet the repayable financing needs of small DACs for wastewater projects.

Without restricting the approach described in this section, the Executive Director (or designee), should update the State Water Board members as well as the public at State Water Board meetings or by other appropriate communications regarding the finances of the CWSRF program and recommend appropriate adjustments to this IUP or other changes in policy or procedure necessary to achieve the most favorable water quality results in California.

Key provisions applicable to projects receiving financing in SFY 2017-18 may include, but are not limited to:

1. Best Use of Available Financing Sources and Terms

   The State Water Board will consider the requirements associated with all available sources of funds, and match up available funds with projects to achieve the maximum water quality benefit. This includes the use of reduced interest rates, PF, the Small Community Grant (SCG) Fund and other sources of funds appropriated to the State Water Board and other state and federal funding sources, to the extent they are available and compatible with the CWSRF, to maximize the financing of water quality projects.

2. Green Project Reserve

   Based on the information currently available to DFA, the FFY 2017 Appropriations expected to require that a minimum of 10 percent (10%) of the 2017 Capitalization Grant (or an estimated GPR of approximately $10 million) be provided to projects that meet the GPR criteria. To ensure that California meets or exceeds the minimum GPR requirement for SFY 2017-18, the State Water Board will prioritize the review and approval of GPR projects until the minimum is met. GPR projects will be evaluated consistent with U.S. EPA's FFY 2012 Guidance or any subsequent guidance issued by U.S. EPA. GPR projects may also be eligible to receive PF as noted in Section III.C.2 and Table 4.d.

   As shown in Table 2, the CWSRF has significantly more GPR demand than the minimum GPR requirement anticipated in 2017; therefore, the State Water Board does not plan to solicit additional GPR projects during SFY 2017-18.

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3. Match Financing Option

   California is required to contribute at least one dollar of matching funds for every five federal dollars contributed to the CWSRF program. California's CWSRF program has matched its federal capitalization grants in excess of the matching requirement for approximately four years' worth of capitalization grants from U.S. EPA at the currently expected levels. Section IV.H provides a more detailed discussion of California's matching contribution to the CWSRF. Offering match financing in accordance with Section V of the CWSRF Policy to CWSRF applicants, where the applicant provides the funds to match the federal grants, is one way California meets the match requirement. Other methods of providing match include state appropriations and match bonds. Currently there are no foreseeable state appropriations of matching funds, and underwriting match is financially preferable to issuing match bonds. Given the lead time necessary to identify applicants willing and able to take the match financing option, execute the agreements, and disburse funds that can be counted as match, the State Water Board will resume offering the match financing option to CWSRF recipients whose agreements are executed after July 1, 2017, and will continue to offer the match option until further notice.

4. Reduced Interest Rates

   If the total amount of CWSRF financing to be repaid by a small, DAC qualifying for SCG funds (see Table 4.a and 4.b) is less than $10 million, and the community is unable to afford all or a portion of the interest payments, DFA may approve a reduced interest rate (not less than zero percent).

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

   On February 16, 2016, the State Water Board adopted Resolution No. 2016-0008, approving CWSRF financing at one percent interest rate for all recycled water projects that submitted a complete application for CWSRF financing by December 2, 2015.

B. Recent Financing Activity[4]

From July 1, 2016 to April 7, 2017, the State Water Board has provided the following financing from the CWSRF and complementary financing programs.

	CWSRF	SCG	WRFP	SWGP	GWQF	Totals
Number of Agreements[5]	26	41	14	11	2	94
$ of Agreements, millions	$1,016	$65.8	$89.0	$4.7	$8.0	$1,184

[4] Historical CWSRF financing activity can be seen at http://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/docs/cwsrf/fncng_actvty.pdf. Prop 1 funding activity can be found at http://www.waterboards.ca.gov/water_issues/programs/grants_loans/proposition1.shtml.

[5] Five projects received funding from more than one source. Therefore, the number of unique financing agreements was 87. In addition, 11 of the SCG agreements were for "technical assistance" made available by Prop. 1 funding.

C. Financial Outlook

1. Overall CWSRF Cash Flow[6]

Table 1.a shows the currently forecasted cash flows (sources and uses) of the CWSRF program as of February 2017. The estimated cash flows include:

- The cash balance at the beginning of SFY 2016-17;
- U.S. EPA capitalization grants;
- Principal and interest payments on outstanding receivables;
- Investment earnings;
- Matching funds;
- Disbursements to projects with executed financing agreements;
- Debt service payments;
- Estimated proceeds of the 2017 Green Bonds sale and a probable 2018 bond sale, and
- Program administrative costs

Except for capitalization grants, the future cash flows of the CWSRF program can be predicted with reasonable certainty. Table 1.a includes the FFY 2017 Capitalization Grant estimated at $96 million.[7] Future capitalization grants are conservatively estimated at $70 million per year.

With the future forecasted revenue bond sales previously authorized by the State Water Board, the CWSRF estimated cumulative uncommitted cash through June 30, 2021 available for financing new projects is approximately $123 million.

2. CWSRF Principal Forgiveness

Eligible applicants and project types, as well as conditions and limitations associated with PF, are shown in Table 4.d. WRRDA included several changes to the allowable uses of PF. Principal forgiveness, if available, can be provided to "a municipality or intermunicipal, interstate, or State agency" if the recipient meets the State's affordability criteria, or if the recipient's project will address water or energy efficiency, mitigate stormwater runoff, or encourage sustainable project planning, design, and construction.

The CWA also specifies the maximum amount of PF[8] that may be provided from the total CWSRF appropriation for the eligible projects and purposes described above. If the total nationwide appropriation is less than or equal to $1.0 billion, no PF is allowable. If the total nationwide appropriation is more than $1.3 billion, PF is capped at 30 percent (30%) of the State's capitalization grant. If the federal appropriation is between $1.0 and $1.3 billion, the maximum amount of PF is capped at the percentage the nationwide appropriation exceeds $1.0 billion (e.g., if the nationwide appropriation is $1.1 billion, PF is capped at 10 percent of the capitalization grant).

[6] The overall cash flow includes the available PF funds.
[7] As of February 21, 2017, there is no final federal budget for FFY 2017. Therefore, the estimate used for the 2017 Capitalization Grant is the actual 2016 Capitalization Grant award from U.S. EPA, and is subject to change.

[8] Per the CWA, States have the option to select a level of PF from zero percent to the maximum allowable regardless of the total appropriation.

Additionally, the FFY 2017 federal appropriation may require, as was done in the FFY 2016 appropriation, an additional percentage of the capitalization grant be provided as PF. This amount would be mandatory and additive to the 30 percent (30%) allocation provided under WRRDA, but would not be subject to the PF eligibility restrictions of the CWA.

Due to the availability of SCG funds from Prop 1 to address project affordability and the State Water Board's desire to address sustainability and climate change, PF will continue to be used in SFY 2017-18 for addressing water and energy efficiency, mitigation of stormwater runoff, and sustainable planning, design, and construction. The State Water Board will provide the maximum amount allowed from the FFY 2017 Capitalization Grant as PF. Based on the information DFA currently has regarding the FFY 2017 appropriation, the maximum potential amount of PF allowed from the FFY 2017 Grant is estimated to be approximately $39 million.

As of March 1, 2017, approximately $53.9 million in PF is uncommitted.[9] This uncommitted amount, along with any PF that becomes available from previously approved projects that finish under budget, additional PF from the FFY 2017 Grant, as well as any PF appropriated in future years, will be used consistent with Table 4.d until otherwise directed by the State Water Board.

3. Proposition 1

   a. Small Community Grant Fund

      Section 13477.6 of the Water Code authorizes the SCG Fund. The SCG Fund allows the State Water Board to help finance communities with the most need in California, helping those that cannot otherwise afford a loan or similar financing to move forward with water quality improvements. The SCG Fund receives revenue generated by charges on CWSRF financing agreements deposited into the SCG Fund separate from the CWSRF.[10] Other funds may also be appropriated to the SCG Fund, including general obligation bond funds available as a result of Prop 1 and any available residual general obligation bond funds (including those specifically identified in State Water Board Resolution No. 2013-004 and any residual general obligation bond funds that become available).

      The revenue deposited into the SCG Fund, along with money from other sources that may be deposited into the SCG Fund, is provided in the form of grants to small DACs for CWSRF-eligible wastewater projects. State law requires the State Water Board to give grant priority to projects that serve severely disadvantaged communities (SDACs), defined as communities with an MHI of less than 60 percent (60%) of the statewide MHI.

      The existing procedures for providing SCG funds to DACs will be used for Prop 1 SCG funding. These are largely the same procedures used for standard CWSRF financing, specified in the CWSRF Policy with the exception that projects that receive only Prop 1 funds may be exempted from having to comply with certain federal cross-cutting requirements.

[9] This includes PF through the 2016 grant. The 2017 PF amount would be in addition to this amount.
[10] Like the administrative service charge (see Section F(3) below), the SCG charge is also a fee "other than program income not included as principal in CWSRF financing" for federal purposes. The SCG charge is collected, as with the administrative service charge, in lieu of an equal amount of interest that would otherwise be due on the outstanding balance of the financing agreement so that the annual payment stays the same.

This IUP specifies the grant amounts available for SCG projects, and how the Prop 1, SCG, and CWSRF requirements will be coordinated for projects receiving funding from these sources.

Chapter 5 of Prop 1 allocates $260 million in addition to the SCG program for wastewater projects, as well as the State Water Board's administration of Prop 1 SCG funds and the State's sale of Prop 1 general obligation bonds.[11] Of the $260 million provided under Chapter 5 Prop 1, the California Legislature has appropriated $241.8 million to the State Water Board for grants to eligible SCG projects with the remaining balance appropriated for administration and bond sale expenditures. As of February 22, 2017, $40.2 million in SCG funds and $73.6 million in Prop 1 SCG funds have been committed to projects. The State Water Board anticipates the availability of $156.6 million in SFY 2017-18 for SCG Wastewater Projects.[12] This represents a combination of SCG charges and additional funds from Prop 1. Additional SCG funds may be appropriated in future years. At least 10 percent (10%) of the SCG funds available from Prop 1 will be provided to SDACs. The projected revenue and SCG Fund balances through the end of the year are shown in Table 3.b.

Any SCG funds that become available from prior SFYs (e.g., any funds de-obligated from previously approved projects that finish under budget), as well as SCG funds authorized for SFY 2017-18, and any SCG funds appropriated in future years, will be used consistent with Tables 4.a, 4.b, and 4.c of this IUP unless otherwise directed by the State Water Board.

In anticipation of the full commitment of Prop 1 SCG funds in the next few years, the State Water Board will again apply an SCG charge as a fee-in-lieu of interest to any eligible CWSRF repayable financing in an amount not to exceed the standard interest rate of such financing. The SCG charge may also be established at a rate sufficient to generate revenue in an amount that maximizes the funding of the anticipated SCG Fund demand once Prop 1 SCG funds are fully encumbered. However, the SCG fee will be set at an amount that does not jeopardize the long-term growth of the CWSRF or the State Water Board's ability to leverage the CWSRF or the State Water Board's ability to collect sufficient fee revenue to administer the CWSRF.

In addition to capital projects, DFA is authorized to direct up to 15 percent (15%) of the funds available from Prop 1 to a multi-disciplinary technical assistance (TA) program. The Prop 1 TA Funding Plan was adopted by the State Water Board on November 4, 2015. The Plan outlines the general process to administer Prop 1 TA funds. The TA efforts are focused on helping small DACs develop, fund, and implement capital improvement projects. This is a multidisciplinary approach, intended to address small DACs drinking water, wastewater, groundwater quality, and stormwater needs under one program.

[11] Wat. Code, § 79723.

[12] This reflects the amount appropriated from Prop 1 plus an additional $8 million in SCG funds appropriated every state fiscal year. The projects funded with Prop 1 funds prior to February 22, 2017 were subtracted.

b. Water Recycling Funding Program (WRFP)

Chapter 9 of Prop 1 allocates $625 million to the WRFP.[13] These funds are allocated 50 percent (50%) for grants ($312.5 million) and 41 percent (41%) for loans[14] ($256.25 million) for water recycling projects consistent with Chapter 9 and the WRFP Guidelines.

The State Water Board has authority as of the SFY 2016-17 budget to commit and spend all Prop 1 WRFP loan and grant funds. As of February 22, 2017, the State Water Board has approximately $170.6 million in Prop 1 grant funds and approximately $253.6 million in Prop 1 loan funds available for WRFP projects. The Board also has authority to commit approximately $5.5 million in Prop 13 grant funds.[15]

The WRFP guidelines were updated in June 2015. The updated WRFP guidelines specify the loan and grant amounts available for water recycling projects, and how the WRFP requirements will be coordinated with CWSRF requirements for projects receiving funding from both sources. Any water recycling project eligible for SCG funding or PF may receive grant or PF funding, but may not combine WRFP grant with either SCG grant or PF.

c. Stormwater Grant Program (SWGP)

Chapter 7 of Prop 1 allocates $200 million for grants for multi-benefit stormwater management projects.[16] Projects may include, but are not limited to, green infrastructure, rainwater and stormwater capture, and stormwater treatment facilities.

In 2016, approximately $9.6 million in funding for planning projects and $80 million in funding for implementation projects was awarded to eligible applicants through competitive solicitations. It is anticipated that a solicitation for the remaining $96.4 million available for storm water implementation grants will be conducted in mid-2018.

The SWGP guidelines were updated in December 2015. The updated guidelines specify the grant amounts available for stormwater projects. Stormwater projects may also eligible for CWSRF financing, and DFA will coordinate with applicants to address the applicable requirements of both programs if applicants request funding from both sources. Applicants are advised to review the Prop 1 SWGP Guidelines, particularly the requirement for projects to be included in Storm Water Resource Plans, the Integrated Regional Water Management Plans, and the State Water Board's January 2016 Strategy to Optimize Resource Management of Storm Water, for information on applying for the Prop 1 SWGP.

[13] Note that this figure includes a maximum of 2.0 percent funding for water recycling research and pilot projects as well as administration and bond sale costs.
[14] WRFP loan payments may be used for future grants if appropriated by the Legislature. Prop 1 WRFP loan funds will be committed to water recycling projects at the earliest practicable date so the loan payments will be available for future WRFP grants at the earliest practicable date.
[15] $522,308 of the Prop 13 appropriation must be committed by June 30, 2017 and disbursed by June 30, 2019.
[16] Note that this figure includes administration and bond sale costs.

d. Groundwater Quality Funding (GWQF) Program

Chapter 10 of Prop 1 provides $800 million for loans and grants for projects to prevent or clean up the contamination of groundwater that serves or has served as a source of drinking water.[17] The GWQF program guidelines were updated in May 2016. Pre-applications for the GWQF program are accepted continuously, and applicants are advised to review the Prop 1 GWQF program Guidelines.

GWQF projects are also potentially eligible for CWSRF and DWSRF financing, and DFA will coordinate with applicants to ensure that their applications meet the applicable requirements of these programs if funding is combined.

D. Application Demand and Potential Financial Impact

Table 2 is a tabulation of a portion of the applications and the associated costs submitted to the State Water Board. The analysis is dated February 2017 to correspond with the analysis in Table 1. Table 2 only includes projects that have submitted a complete application.[18] The applications listed in Table 2 are organized into the following three groups based on the status of the CWSRF program staff's due diligence review of those applications. Projects within each group are sorted by Region and then alphabetically by Agency.

Note: Being identified in a particular group in Table 2, the order the project appears within a group, or being listed with an estimated agreement date and anticipated funding sources are not commitments to provide financing, a guarantee of the order of financing, or a guarantee that sufficient funds from the identified sources of funds will be available for the project.

Table 2 does not include all of the projects on the Project List. It only includes projects that have submitted a complete application as of February 2017. DFA staff cannot predict when a project will be ready for financing based on the information collected for the Project List or an incomplete application.

Table 2 is also not a limitation on what can be financed by DFA during SFY 2017-18. All projects in Table 2, as well as any project on the Project List, are potentially eligible for financing, bearing in mind the PF and GPR requirements associated with federal funds. If a project identified in Table 2 is not eligible for the CWSRF program or is not ready for a financing agreement, it may be bypassed to fund other projects in Table 2 or on the Project List that are ready for financing.

<u>All Reviews Complete and Agreement Mailed to Applicant (Group 1)</u>

- Projects where a draft financing agreement have been mailed to the applicant because the Deputy Director of DFA or the State Water Board has approved financing for the project. This group also includes one complete water recycling project application approved to receive the drought incentive, one-percent (1%) interest rate financing. There are four applications requesting approximately $72.2 million in this group.

[17] Note that this figure includes administration and bond sale costs.
[18] In addition to the complete applications discussed in this section, the CWSRF has received as of February 2017, 118 incomplete applications requesting approximately $3.7 billion in financing.

All Reviews Complete, Funding Decision in Process and Agreement Pending (Group 2)

- Projects where a complete financial assistance application[19] has been reviewed by the CWSRF program's staff and a draft financing agreement is being prepared for review and approval by the Deputy Director of DFA or an item is being prepared for the State Water Board's approval. This group also includes seven complete water recycling project applications, including three that are still under review by CWSRF staff that were approved to receive the drought incentive, one-percent (1%) interest rate financing. There are 23 applications requesting approximately $786 million in this group.

Projects with Complete Applications and Reviews in Process (Group 3)

- Projects where a complete financial assistance application has been submitted and the CWSRF program's staff is performing its due diligence review of the application. There are 81 applications requesting approximately $2,450 million in this group.

  The CWSRF's current cash flow and leveraging authority are insufficient to provide funding for all complete applications. More importantly, additional leveraging would be needed to fully pair Prop 1 WR and PF funds, given current grant and PF maximums, with CWSRF loan funds. After accounting for the sale of the remaining $340 million in bonds authorized by the State Water Board, staff estimates that additional leveraging would be needed to fund the scenarios in the Table below.

Additional Leveraging Scenarios[20]

			Estimated Financing Requested by Type				
	Description	**Total Est'd Financing Requested**	**Prop 1 SCG Grant**	**Prop 1 WR Grant**	**Prop 1 WR Loan**	**PF**	**Est'd New Bonds[21]**
A	**Fund All Projects in Group 1**	$59.4	$0	$18.1	$0	$0	$0
B	**Fund All Projects in Group 1 and All 1% WR Incentive Projects**	$508	$0	$91.4	$0	$0	$0[22]
C	**Fund All Projects in Groups 1 and 2**	$786.6	$19.6	$103.5	$0	$12.7	$400 million
D	**Fund All Projects in Groups 1 and 2 plus Commit All Prop. 1 WR and PF funds**	$1.4 billion	$19.6	$176	$256	$21.9	$900 million
E	**Fund All Projects in Groups 1 – 3**	$3.3 billion	$58.1	$280	$256	$21.9	$2.5 billion

[19] A complete financial assistance application means that all four completed application packages (general, technical, financial, and environmental), with all applicable attachments, have been submitted to the State Water Board.
[20] The leveraging estimates are based on the current cash disbursement forecasts for the projects in Table 2. All $ are in Millions.
[21] Estimated new leveraging would be over and above the $1.2 billion approved by the State Water Board in January 2016 (Resolution No. 2016-0002).
[22] Some additional leveraging may be necessary to fund this scenario depending on the timing of agreement executions, timing of disbursements, future capitalization grants, and market conditions for the 2018 bond sale.

As noted previously, there is an estimated $53.9 million available in PF funds, enough to support all of the PF requests in Groups 1 through 3. There is approximately $157 million in SCG grant funds available, enough to fulfill all of the SCG grant requests in Groups 1 through 3. There is approximately $170.6 million in WRFP grant funds available, enough to fulfill the WRFP grant requests in Groups 1 and 2 (approximately $103.5 million), but not sufficient to fulfill all of the grant requests in Group 3[23] (approximately $176.3 million).

E. Financing Forecast and Future Financing Trends

Given the State Water Board's commitment to finance disadvantaged communities and its past commitment to finance drought-incentive, water recycling projects, DFA's first priority remains assisting disadvantaged communities and executing the remaining agreements for the drought incentive projects.

Currently there are sufficient loan and grant funds for all disadvantaged communities that have submitted a complete application, and the uncommitted WRFP grant funds[24] are sufficient to provide all remaining drought incentive projects with grants consistent with the WRFP guidelines. DFA will fully utilize the authority in Resolution No. 2016-0002 to meet its commitment to the drought incentive financing, and some additional leveraging may be needed to finance the drought projects depending on the timing of the approvals and final costs of the projects.

Additional leveraging authority will be needed to finance all of the projects in Groups 1 and 2.

After providing WRFP grant funds to all projects in Groups 1 and 2, the State Water Board will have approximately $72 million in WRFP grant funds for the remaining water recycling projects in Group 3, significantly less than the amount of grant funds requested (approximately $176 million). The total funding requested by the water recycling projects in Group 3 is in excess of $1.0 billion. Based on the demand for water recycling financing in Group 3, therefore, DFA is well positioned to commit all Prop 1 WRFP grant and loan funds during SFY 2017-18. ~~Additional leveraging authority will be needed to finance all of the projects in Groups 1 and 2.~~

As noted earlier, DFA estimates that approximately $900 million in additional leveraging authority would be needed from the State Water Board to provide complementary loan funds so that it can fully commit all Prop 1 WRFP and PF funds. The exact amount and timing of any additional leveraging, over and above the current limit of $1.2 billion, would continue to depend on the total costs of the projects financed, i.e., the larger the projects, the more CWSRF loan dollars will be needed to provide 100 percent project financing, and the timing of the approvals. In addition, the costs identified in Table 2 are estimated project costs that may be adjusted, generally lower but possibly higher, as projects are bid out by the financing recipients.

DFA, therefore, will ~~continue to review~~ prioritize the review and approval of applications in Group 3 that meet the State Water Board's overall priorities of disadvantaged communities, Prop 1 water recycling projects, and projects that meet the GPR criteria with the objective of committing all Prop 1 water recycling and PF funds as quickly as possible. DFA's staff will prepare a separate resolution for the State Water Board's consideration of additional leveraging

[23] Water recycling projects that do not receive a Prop 1 grant may compete for PF per the applicable criteria in the Intended Use Plan approved by the State Water Board.
[24] Approximately $87.3 million in WRFP grant funds have been earmarked for the remaining eight drought incentive projects in Table 2.

authority for the CWSRF Program. Since many of the projects in Group 3 require that loan funds be paired with grant or PF funds, and a significant percentage of the loan funds will have to be borrowed by the CWSRF at market rates, DFA will continue to focus its reviews on water recycling and GPR projects to ensure that it can fully utilize the available Prop 1 and PF funds with minimum leveraging.

~~Consistent with the IUP, the CWSRF Policy, and available staff resources, DFA will continue to review other applications in Group 3 that do not meet the current priorities. Based on current application demand and resources, however, DFA does not expect to be able to fund applications in Group 3 that are not current priorities and projects that currently have an incomplete application during SFY 2017/18.~~

As of February 2017, DFA forecasts approximately $1.0 billion in new financing during SFY 2017-18. This represents a combination of CWSRF loan, PF, SCG grant, and WRFP grant and loan. The actual level of new financing may be higher or lower than the forecasted amount. Based on past CWSRF program experience, not all projects that appear to be ready for financing will be financed during SFY 2017-18. Some projects in Groups 1 and 2 may be financed in a future year or not at all for various reasons. DFA plans to provide an update to applicants and stakeholders once during SFY 2017-18 on its progress implementing this IUP, its financial outlook, and its financing forecast so that applicants can continue to evaluate the possibility of receiving CWSRF financing. The cash flow forecast in Table 1 and the application demand in Table 2 will be updated to evaluate the ability of the CWSRF and complementary financing sources to finance projects requesting financing from the State Water Board and the need to sell revenue bonds.

Total CWSRF financing over the last four fiscal years, July 2013 through April 2017, is approximately $3.3 billion or an average of approximately $825 million per year. This is significantly higher than the 10-year average of approximately $570 million per year. Above average financing is forecast for SFY 2017-18 as well. Much of this above average financing is attributable to the Echo Water Project, the Board's commitment to provide drought incentive financing, and the need to pair CWSRF funds with Prop 1 water recycling funds. Demand for CWSRF financing is high, and DFA expects the demand to remain high given the attractive terms available from the CWSRF. DFA is unaware of any significant impending increases in capitalization grant levels from U.S. EPA, or additional funding from the State of California, and recent tightening of bond market conditions means a higher cost of borrowed capital for the program.

The combined effect of these recent efforts to address discharges to the Delta and promote water recycling is a substantial increase in debt for the CWSRF program. The remainder of SFY 2016-17 and SFY 2017-18 will be focused on disadvantaged communities, fulfilling the Board's commitment to the drought incentive projects, and committing all available Prop1 and PF funds. Future initiatives that the CWSRF might undertake are difficult to predict at this point. The uncertainty of future needs suggests that additional debt, if the Board chooses to approve additional leveraging, should be for specific, identifiable water quality objectives that justify the cost of borrowed capital. Future financial analysis of the CWSRF program in light of actual costs financed during the remainder of SFY 2016-17 and SFY 2017-18 and future capitalization levels of the CWSRF program will materially affect future lending levels, although the significant recent increases in CWSRF debt service associated with recent initiatives suggest that financing in SFY 2018-19 will be below the long-term average.

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Consistent with the IUP, the CWSRF Policy, and available staff resources, DFA will continue to review other applications in Group 3 that do not meet the current priorities. Based on current application demand and resources, however, DFA does not expect to be able to fund applications in Group 3 that are not current priorities and projects that currently have an incomplete application during SFY 2017/18.

DFA's expectation is that a significant number of complete and incomplete applications will still be competing for financing after the current priorities are met. The Program has typically financed between 30 and 40 applications per year. The Program will need a more effective method of prioritizing applications in the future because it appears that even if the Program were to run at full capacity it cannot fund all potential demand indefinitely. In addition, applicants need more certainty about their chances and timeframe for receiving CWSRF funding than the current approach provides, and the Program needs more certainty about which applications best fulfill the State Water Board's water quality priorities and what the financial impact of those projects will be. DFA has, therefore, scheduled three stakeholder workshops in June/July 2017 to solicit input on potential Program changes to make the financing process more predictable, and to discuss how to manage future demands on the Program. DFA's objective is to develop Policy and procedural changes that can be in place with next year's IUP. In addition, DFA will be developing a "debt management" strategy that can guide staff in establishing a sustainable financing level that maintains the long-term financial health of the Program. A sustainable financing level in conjunction with a more effective priority scoring process will help establish reasonable expectations about what the Program can accomplish. DFA's target for presenting a debt management strategy to the State Water Board for its consideration is September 2017.

F. CWSRF Resources and Workload

1. Organization, Program Resources, and Skills

   Approximately 47.2 Personnel Years (PY) are budgeted for the CWSRF Program[25] in SFY 2017-18, and the numbers of positions are not expected to change substantially. These positions are distributed among DFA and the Office of Chief Counsel (OCC) as follows:

   - 4.6 PYs for Environmental Scientists to ensure compliance with state and federal environmental and cultural resources requirements (DFA);
   - 16.9 PYs for Water Resources Control Engineers and Sanitary Engineers to manage project applications (DFA), with one unit of approximately five staff dedicated to processing applications from small DACs[26];
   - 10.3 PYs for administrative support (DFA);
   - 11.9 PYs for Program management and staff oversight (DFA);
   - 2 PYs for legal support (OCC); and
   - 1.5 PYs for other environmental and engineering support of project eligibility reviews

[25] In addition to positions funded directly by the CWSRF, the State Water Board has other state-funded positions associated with programs closely aligned with the CWSRF as noted earlier. Many projects, such as disadvantaged wastewater, water recycling, and storm water projects may be financed by CWSRF and state sources of funds. Staff is trained to help applicants receive financing for their projects regardless of the funding sources; therefore, state-funded positions indirectly provide benefit to the CWSRF program and vice versa.

[26] These CWSRF staff members are part of the Office of Sustainable Water Solutions, which includes one supervising engineer, three senior engineers, one senior environmental specialists, and 16 technical staff (engineers, geologists, etc.) dedicated to addressing both drinking water and wastewater funding and technical assistance needs of small DACs.

Additional indirect cost support is provided by accounting, personnel, budget, and contract support staff (Division of Administrative Services).

The CWSRF program relies on some contracted services that 1) cannot be provided economically by Water Boards staff, 2) require skills not available in the Water Boards, or 3) require independence from the CWSRF program. Approximately $1.7 million is budgeted for the following contract services:

- Independent accounting firm for annual audits;
- Outside legal counsel for specialized tax and bond advice;
- Outside contractor to conduct credit analyses;
- Outside contractor to provide TA to small DACs;
- Vendor to provide maintenance for the Loans and Grants Tracking System (LGTS); and
- Independent, external financial advisor

In addition, up to $200,000 of "in-kind" funding from the FFY 2017 Capitalization Grant is budgeted for U.S. EPA and its contractor Northbridge Environmental Management Consultants to fully implement the web enabling of various accounting functions in LGTS.

2. Loan Servicing and Program Administration

Servicing existing agreements and fulfilling ongoing program requirements represents a significant workload for the CWSRF program staff. There are approximately 421 agreements in repayment. Payments on these agreements are collected throughout the year, and DFA conducts regular surveillance on many of these recipients. At present, the CWSRF is servicing approximately 183 agreements in disbursement. On average, staff process approximately 540 disbursement requests per year. Program staff also oversee and perform periodic construction inspections of financed projects to ensure that work is performed consistent with previous approvals, and to ensure that work is being performed in conformance with program requirements, including but not limited to, Davis-Bacon wage rates, American Iron and Steel procurement requirements, disadvantaged business solicitation rules, and environmental special conditions. The CWSRF program's outstanding revenue bonds require separate accounting of payments from pledged obligations, semi-annual bond payments, and create specific monitoring, reporting, and continuing disclosure actions. The CWSRF program prepares annual financial statements that are audited independently, the CWSRF program is subject to yearly review by U.S. EPA, and is periodically subject to audit or oversight by other federal or state agencies.

3. Administrative Funding

Administrative funding comes from two sources, the capitalization grants awarded yearly by U.S. EPA, and the State Water Pollution Control Revolving Fund Administrative Fund (Administrative Fund). Administrative spending for the CWSRF is limited to fees collected by the State Water Board for administering the CWSRF, plus the greatest of: (a) four percent of cumulative capitalization grants, (b) $400,000 per year, or (c) 0.20 percent per year of the current valuation of the CWSRF program. Section 13477.5(c)(1) of the California Water Code allows the State Water Board to apply an annual service charge[27] on a

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

financing agreement. The revenue generated by this service charge goes into the Administrative Fund and may be used for administration. The Administrative Fund and the capitalization grants provide reliable administrative funding to the CWSRF program.

The service charge rate cannot exceed one percent of the outstanding balance of a financing agreement. Once the service charge is applied to an agreement, the rate remains unchanged for the duration of the agreement. Since the service charge is a percentage of the outstanding principal on each agreement, it produces a declining amount of revenue each year. Each year, the State Water Board must evaluate the need for the service charge revenue and establish an appropriate rate. The service charge will then be applied to additional agreements to maintain the Administrative Fund revenue consistent with the budget established by the Governor and the Legislature for the CWSRF.

The State Water Board will use the Administrative Fund as its primary source of administrative funding. The Administrative Fund can only be used for CWSRF program administration, while the administrative allowance from the capitalization grants may be used for both administration and local assistance financing. The federal administrative allowance serves as a backup source of administrative funding. If cash flow conditions warrant in SFY 2017-18, the State Water Board will disburse 100 percent (100%) of its federal capitalization grants for local assistance and bank the four percent administrative allowance for use in future years.

The State Water Board hereby establishes the SFY 2017-18 Administrative Service charge rate at one percent. This shall be the effective rate until the State Water Board establishes a different rate. Based on the budgeted positions for the program for SFY 2017-18 and the projected Administrative Fund balances through the end of the year (Table 3.a), which are declining because of decreasing existing fee-in-lieu of interest payments, the State Water Board anticipates applying this charge to any additional agreements during SFY 2017-18. The State Water Board also anticipates applying this charge to any additional agreements in SFY 2017-118 because of declining Prop 1 SCG and Prop 1 Water Recycling administration funds and the support still needed for the continued administration of Prop 1 and CWSRF jointly funded projects.

G. Risks

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

1. Application Demand vs. Resources

   Demand for financing exceeds the administrative resources needed to review, approve, and finance all complete applications. Staff resources are the most inflexible aspect of the CWSRF program. Because additional staff must be approved through the State's budget process, additional staff cannot be added quickly to address high demand. In addition, hiring may be frozen or work hours reduced due to State budget concerns. DFA will prioritize applications consistent with this IUP and the CWSRF Policy. DFA may also adjust its review procedures and work with U.S. EPA or other agencies to resolve delays, schedule financing with applicants, or seek additional resources. DFA can also work with

stakeholders to evaluate changes to the CWSRF Policy or further adjustments to its application and the application review process.

2. Applicants' Schedule Changes or Delays in Reviewing Applications

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

   Beneficial and eligible projects may not be financed if DFA encounters delays completing its reviews of the applications. To minimize and avoid delays, CWSRF program staff will coordinate its internal review efforts regularly during the year to expeditiously complete its reviews and maintain a consistent demand on the program. As delays are encountered, lower priority projects may be funded if they are ready for financing, bearing in mind the PF and GPR requirements established in this IUP and the amount of leveraging authority approved by the State Water Board. This funding flexibility maximizes the use of the CWSRF and increases the number of projects funded.

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

3. Cash Balance

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

   Excess cash may accumulate if applications, and the associated disbursements, are too low. Excess cash provides no water quality benefit for California. DFA will use its marketing, customer assistance, and project development resources to maintain a pipeline of projects ready for financing. It will closely monitor undrawn balances on outstanding financing agreements to ensure that financing recipients request funds expeditiously.

4. Defaults and Late Payments

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

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The CWSRF program has a number of tools to reduce the risk of default, including loan monitoring and surveillance, as well as enforcement remedies. For example, during 2016, DFA staff directed independent accounting firm CliftonLarsonAllen to conduct an audit of one borrower identified as having a higher risk of experiencing financial difficulties. The audit was conducted to evaluate the financial and management capacities of this entity and provide recommended solutions. The State Water Board will also continue to provide SCG funds in SFY 2017-18 to reduce debt service and default risk for small DACs or projects that regionalize wastewater infrastructure. Additional subsidies for DACs will reduce borrowing costs and the risk of default. Additionally, the State Water Board can offer wastewater-related TA to small DACs in areas such as evaluating project alternatives, financial management, rate setting, and operation and maintenance.

5. Accountability and Oversight

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

The State Water Board regularly reports to U.S. EPA through the National Information Management System (NIMS) and the CWSRF Benefits Reporting (CBR) system on use of the funds. In addition, U.S. EPA reviews the management and performance of the CWSRF annually. The results are summarized in its annual Program Evaluation Reports. The CWSRF Program produces an annual report and audited financial statements.

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

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

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IV. CWSRF FINANCING AND PROGRAMMATIC REQUIREMENTS

A. Davis-Bacon Requirements

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

B. Generally Accepted Accounting Principles (GAAP)

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

C. Cost and Effectiveness Analysis

Effective October 1, 2015, the CWA requires CWSRF recipients that are municipal, intermunicipal, interstate, or State agencies to certify they have conducted a cost and effectiveness analysis. This analysis includes an evaluation of the costs and effectiveness of the proposed project, and selection of a project that, to the maximum extent practicable, maximizes the potential for energy conservation, and efficient water use, reuse, recapture, and conservation, taking into account construction, operation and maintenance, and replacement costs. This certification must be provided before CWSRF assistance is provided for final design or construction. This provision will apply to applicants that submit a CWSRF application[28] after September 30, 2015.

D. Procurement for Architectural and Engineering (A/E) Contracts

Beginning with the FFY 2015 Capitalization Grant, the CWA requires that A/E contracts for equivalency projects (i.e., CWSRF-financed projects specifically identified by the State that total an amount at least equal to the capitalization grant from U.S. EPA) comply with the qualifications-based procurement process described in 40 U.S.C. section 1101 et seq. or an equivalent state requirement. For all equivalency projects, these procurement requirements apply to any CWSRF-funded A/E contracts[29], including any new solicitation, significant contract amendments, and contract renewals for A/E services initiated on or after October 1, 2014. Proposed equivalency projects for the FFY 2017 Capitalization Grant are identified in Table 2.

[28] For the purpose of this requirement, submit an application means that the entire application was submitted after September 30, 2015. If any part of the financing application was submitted before October 1, 2015, then the certification is not required.

[29] A/E contracts include but are not necessarily limited to those for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying or mapping.

Equivalency projects will be required to certify that A/E contracts were procured in accordance with federal guidelines or the equivalent state process.

E. Fiscal Sustainability Plan (FSP)

The CWA requires CWSRF recipients for POTW projects to develop and implement an FSP, which includes an inventory and evaluation of critical assets, evaluation and implementation of water and energy conservation efforts, a plan for maintaining, repairing, and replacing the treatment works, and a plan for funding such activities. Applicants can self-certify that the FSP, or its equivalent, has been developed and implemented, or for applicants without an FSP, or its equivalent, the CWSRF financing agreement will include a condition setting a deadline for FSP certification, which must be prior to the final CWSRF disbursement for the project. FSPs will typically be reviewed during the final inspection. This provision applies to applicants that submit a CWSRF application after September 30, 2014.

F. American Iron and Steel (AIS)

The CWA requires CWSRF assistance recipients, absent an exclusion or waiver, to use iron and steel products that are produced in the United States for treatment works projects. U.S. EPA implementation of these provisions is described on its State Revolving Fund American Iron and Steel (AIS) Requirement website.

G. Payment and Draw Schedules

Table 5 shows the State Water Board's requested payment schedule for the 2017 Capitalization Grant funds from the U.S. Treasury and the estimated draws of the 2017 funds and the CWSRF remaining federal funds ("unliquidated obligations").

H. State Match and Cash Draw Ratio

The State Water Board must provide one dollar of match for each five dollars received through U.S. EPA Capitalization Grants. Cumulatively, the CWSRF has been awarded $2.772 billion in capitalization grants as of December 31, 2016, that must be matched. The total matching requirement, therefore, through the FFY 2016 Capitalization Grant is approximately $554.4 million. The CWSRF program had provided a total of $638.2 million in matching funds as of June 30, 2016, leaving an estimated $83.8 million in match funds for future grants. This excess match amount is sufficient to match approximately $419 million in capitalization grants, or approximately four years' worth of grants at the current rate of federal capital contributions. Since the CWSRF is overmatched at this point, the State Water Board's cash draw ratio for the 2017 Capitalization Grant will be 100 percent (100%) federal funds.

I. Types of Assistance and Financing Terms

The State Water Board will provide funding for all eligible categories of projects using loans, installment sale agreements/purchase of debt. The State Water Board will also provide optional separate planning, design, or planning and design financing during SFY 2017-18 to applicants that can legally accept such financing.

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Principal forgiveness, if available, will be provided to those applicants that meet the conditions specified in Table 4.b and Section III.A.3 above.

The terms associated with financial assistance vary by applicant and financing approval date. Planning and design financing is amortized over five or ten years unless rolled into a construction or implementation financing agreement. Construction or implementation financing agreements are generally amortized for periods up to 30 years or the useful life of the financed assets whichever is shorter. The interest rate applied to a financing agreement is established at the time the financing agreement is prepared for approval or financing is approved by the State Water Board. The interest rate will generally be one-half of the State's most recent general obligation bond rate rounded up to the nearest one-tenth of a percent, except as described in Section III.A.5 above.

J. Binding Commitment Threshold

The State Water Board must make binding commitments in an amount equal to 120 percent (120%) of each quarterly capitalization grant payment from U.S. EPA within one year after the receipt of each quarterly payment (40 (CFR § 35.3135). As of January 31, 2017, the State Water Board made binding commitments equal to 305 percent (305%) of all capitalization grant payments including the American Recovery and Reinvestment Act of 2009 (ARRA). The State may bank the balance towards the binding commitment requirements of subsequent quarters if it commits more than the required 120 percent (120%). Given the high level of binding commitments to date relative to the federal investment, the State Water Board will remain above the minimum 120 percent (120%) threshold during SFY 2017-18.

K. Timely and Expeditious Expenditure

The State Water Board will ensure timely and expeditious expenditure of all funds during SFY 2017-18. This IUP establishes as a goal during SFY 2017-18 to overcommit cash and undrawn federal grant funds to continually disburse 100 percent (100%) of those funds less a minimum cash balance of $25 million plus any assets restricted for other uses, (i.e., bond payments and administration). The State Water Board will continue to use and refine its existing procedures. These procedures are designed to quickly identify and approve projects, execute financing agreements, and disburse funds to recipients. Currently CWSRF is disbursing funds at a rate of approximately $50 million per month, and as of February 14, 2017, the State Water Board has disbursed 95.8 percent (95.8%) of all federal grants awarded, including the ARRA grant. These results are consistent with recent trends, and indicate that the State Water Board is able to quickly and productively use federal funds once awarded.

L. Federal Cross-Cutters and Environmental Reviews

Projects funded by the CWSRF must comply with certain federal laws known as "cross-cutters." The State Water Board will ensure that CWSRF Program financing recipients comply with applicable federal cross-cutter requirements, as identified to the State Water Board in the federal capitalization grant.

CWSRF financing agreements include a list of applicable federal statutes and requirements identified in the most recent capitalization grant. CWSRF financing recipients agree~~s~~ to ~~-~~comply with these federal requirements by signing the financing agreement.

The State Water Board will use its State Environmental Review Process (SERP) to ensure compliance with CWSRF environmental requirements during SFY 2017-18. While the SERP generally follows the requirements of the California Environmental Quality Act, each applicant must also complete and submit an Evaluation Form for Environmental Review and Federal Coordination and additional supporting documents. State Water Board staff will review environmental documents received from applicants and determine if consultation with relevant federal agencies is necessary, consistent with the Operating Agreement between the State Water Board and U.S. EPA.

In addition to the federal requirements discussed in paragraphs A through F in this section, the State Water Board requires compliance with Disadvantaged Business Enterprise (DBE) requirements for all CWSRF financing, except planning and design financing[30], and requires compliance with the Single Audit (Uniform Grant Guidance, 2 CFR 200(f)) requirements by all recipients that receive federal funds over the current threshold of $750,000. The State Water Board will use the Federal Funding Accountability and Transparency Act (FFATA) reporting system to report on all equivalency projects (i.e., projects meeting all the federal cross-cutting requirements whose sum is at least equal to or greater than the capitalization grant amount).

M. Capitalization Grant Conditions and Other Federal Requirements

The State Water Board will comply with all conditions included in the 2017 Capitalization Grant agreement. Provisions specific to the FFY 2017 appropriation will take effect only if the State Water Board receives the FFY 2017 Capitalization Grant, and will apply only as directed by Congress or U.S. EPA. The State Water Board will require that CWSRF financing recipients also comply with applicable federal pass-through requirements. Recipients of CWSRF financing must agree to provide information necessary to show compliance with all applicable federal requirements.

N. Other State Requirements

Other State laws not specific to the CWSRF may also apply. These may include but are not limited to laws affecting urban water suppliers, charter cities, agricultural water users, projects located in the delta and debt reporting.

[30] Planning and design financing agreements may be funded with Capitalization Grants to provide PF for water, energy, and sustainable planning and design. DFA does not intend to apply DBE requirements to such agreements, or to other agreements that do not finance POTWs, but will ensure DBE compliance for all other construction and implementation projects totaling an amount at least equivalent to the capitalization grants from U.S. EPA.

V. OUTCOMES, GOALS, ACTIVITIES, AND MEASURES

This section summarizes the activities planned for the CWSRF program for SFY 2017-18, and describes how those activities contribute to the expected program outcomes. Specific projects or activities include target completion dates. The performance measurements will be used to track progress toward meeting the goals and outcomes.

A. Sound Finances

The State Water Board, the CWSRF program's stakeholders, and the owners of CWSRF bonds expect the CWSRF to be financially sound.

Long-Term Goals:

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

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

3. **Maintain financial integrity**: Financial integrity is a core value of the CWSRF program. Effective internal controls ensure that the program's finances are dependable and trustworthy. Prudent lending practices and reasonable interest rates ensure the stability and continued growth of the CWSRF program.

Key Short-Term Activities:

1. **Prepare and review cash management reports regularly**: Ensuring that sufficient cash is available to fulfill disbursement requests requires careful and regular oversight of the cash flows. (*Completed quarterly*)

2. **Continue regular staff level finance/audit coordination meetings:**

    a. Review cash flow forecasts of existing and potential commitments to assess the Program's ability to meet its commitments and to evaluate the need for leveraging or other actions to regulate cash outflows.
    b. Compare actual performance with target performance measures.
    c. Review audit issues, program control issues, and plan for upcoming audits. (*Completed quarterly*)

3. **Continue regular project staging meetings to identify and resolve process delays, coordinate and prioritize application reviews, and ensure an ongoing pipeline of new projects**. (*Completed monthly*)

4. **Apply for and accept FFY 2017 Capitalization Grant**: The 2017 Grant application will be submitted to U.S. EPA after approval of this IUP by the State Water Board. For 2017, a Capitalization Grant application will be submitted for $115 million[31] in federal assistance. (*Complete July 2017*)

5. **Develop a "Debt Management Policy"**: The CWSRF program's earnings can be used to pay for additional debt in the municipal bond market. This additional debt can finance water quality projects today that might otherwise have to wait for CWSRF financing. Additional debt, though, should be balanced against the long-term financial health of the program and the federal requirement to maintain the CWSRF in perpetuity. DFA will initiate a stakeholder process, and develop a debt management strategy for the Water Board's consideration. (Complete December 2017)

6. **Prepare Annual Report and Audited Financial Statements for SFY 2016-17**. *(Complete October 30, 2017)*

Performance Measurements:

1. Total executed financing agreements > 120 percent (120%) of federal grants.

2. Disbursement rate = 100 percent (100%) of available funds less $25 million minimum balance and restricted funds.

3. Federal funds disbursement rate = 100 percent (100%) of federal payments.

4. Default ratio = 0.

B. Fund the Most Beneficial Projects

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

Long-Term Goals:

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

2. **Achieve sustainable water resource management**.

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

[31] This number is preliminary, and subject to change. As of February 21, 2017, there is no final federal budget for FFY 2017. The capitalization grant application will be submitted for a higher amount ($115 million) than the estimated grant award to avoid amending the IUP and resubmitting the application should the actual award be greater than the currently estimated capitalization grant. If the actual 2017 grant award is less than the grant application, then the award can be made by U.S. EPA without the State Water Board submitting an amended IUP and grant application.

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

5. **Invest in DACs disproportionately affected by pollution and water contamination**.

6. **Support the State's greenhouse gas reduction and climate adaptation goals to the maximum extent practicable consistent with the State Water Boards' water quality objectives.**

Key Short-Term Activities:

1. **Provide funds for high-priority projects**: Table 2 lists projects that the CWSRF Program anticipates funding in SFY 2017-18 that support the Water Boards' and U.S. EPA's priorities along with their expected executed agreement dates.

2. **Adopt the SFY 2017-18 IUP**: The SFY 2017-18 IUP will guide marketing and assistance efforts targeting the Water Boards' and U.S. EPA's highest priorities in SFY 2017-18. (*Complete June 2017*)

3. **Report activities supporting the *California Water Action* Plan, State Water Board's *Strategic Plan*, the CalEPA *Strategic Vision*, and the U.S. EPA *Strategic Plan* in the CWSRF Annual Report, CBR, NIMS, and the FFATA Reporting System**. (*Completed annually*)

Performance Measurements:

1. Fund utilization rate (U.S. EPA Program Reporting Measure W Q-17 Fund Utilization) > 105 percent (105%) of available funds.

2. At least 50 percent (50%) of funded projects should be identified in the IUP.

3. At least 25 percent (25%) of projects should assist DACs.

4. FFY 2017 funds committed as PF = maximum allowed by 2017 appropriation.

5. Percentage of FFY 2017 funds committed to GPR projects > minimum GPR percentage established by FFY 2017 appropriation.

C. Efficient Service, Up-to-Date Policies and Procedures, and Recognizable Products

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

Long-Term Goals:

1. **Provide good customer service with a special emphasis on assisting DACs**.

2. **Ensure that the application forms and review procedures are clear, flexible, up-to-date, and efficient**.

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

Key Short-Term Activities:

1. **Marketing and Outreach**: Update the CWSRF Program Marketing Plan, which guides the Program's marketing and outreach efforts.[32] (*Complete August 2017*).

2. **Prepare a CWSRF Policy Amendment for the State Water Board's Consideration**: The State Water Board last amended the CWSRF Policy at its February 17, 2015 meeting to address changes in the program made by WRRDA. Staff will prepare an amendment to the CWSRF Policy that recommends additional changes for the State Water Board's consideration to ensure that the CWSRF Policy is implementing the best policy choices consistent with the Board's water quality objectives. (*Complete December 2017*)

3. Provide a Mid-Year Informational Update on Progress Implementing the SFY 2017-18 IUP (Complete December 2017)

Performance Measurements:

1. In nine months or less[33], 95 percent (95%) of complete applications should receive an executed financing agreement.

2. In 30 days or less[34], 100 percent (100%) of complete disbursement requests should be fulfilled.

3. Amend financing agreements no later than 60 days after receipt of complete Final Budget Approval Package.

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

VI. SCHEDULE

The estimated schedule for public comment and State Water Board adoption of the SFY 2017-18 IUP, and the application, award, and acceptance of the 2017 Capitalization Grant is as follows:

Draft IUP posted for public comment, as part of State Water Board Meeting agenda	April 20, 2017
Deadline for Public Comments on Draft IUP	May 22, 2017
State Water Board adopts IUP at regularly scheduled meeting	June 20, 2017
Submit FFY 2017 Capitalization Grant application to U.S. EPA	June 30, 2017
Execute FFY 2017 Capitalization Grant agreement with U.S. EPA	September 2017

VII. TABLES

TABLE 1.a: Current Sources and Uses of the CWSRF[35]

	Projected SFY 2016-17	Projected SFY 2017-18	Projected SFY 2018-19	Projected SFY 2019-20	Projected SFY 2020-21
Beginning Balance[36]	$753,150,169	$899,278,452	$604,909,162	$222,512,500	$112,069,772
Estimated Principal Payments + Interest Earnings	$250,287,914	$265,137,914	$279,987,914	$294,837,914	$309,687,914
Estimated SMIF[37] Interest Earnings	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
2017 and 2018 Revenue Bond Proceeds[38]	$527,503,546	$350,000,000			
Debt Service–2012, 2016 & 2017 Revenue Bonds	($31,457,288)	($68,821,617)	($109,121,800)	($115,012,975)	($99,442,375)
Debt Service – 2018 Revenue Bonds (preliminary)			($17,277,662)	($48,504,274)	($52,891,338)
Federal Capitalization Grants Received[39]	$95,558,000	$96,000,000	$70,000,000	$70,000,000	$70,000,000
Administration Allowances[40]	($3,822,320)	($3,840,000)	($2,800,000)	($2,800,000)	($2,800,000)
Estimated Disbursements[41]	($693,441,569)	($934,345,588)	($604,685,114)	($310,463,393)	($138,004,273)
Estimated Year-End Balances[42]	$899,278,452	$604,909,162	$222,512,500	$112,069,772	$200,119,700

	SFY 2016-17	SFY 2017-18	SFY 2018-19	SFY 2019-20	SFY 2020-21
Estimated Yearly Cash Flows[43]	$146,128,283	($294,369,291)	($382,396,662)	($110,442,728)	$88,049,928

[35] Forecast dated February 2017.

[36] The Beginning Balance does not include the $25 million set aside for the minimum balance of the CWSRF. It is excluded to reflect that it is not available for other uses.

[37] SMIF means Surplus Money Investment Fund.

[38] For SFY 2016-17, the State Water Board issued its Series 2017 Green Bonds on March 23, 2017. This amount does not include the cost of issuance of the Series 2017 Green Bonds. DFA will determine based on the CWSRF cash flow needs if future revenue bond sales are necessary. The 2017-18 Revenue Bond sale is only a projection and subject to change.

[39] These numbers include a final amount for the FFY 2016 grant that the State Water Board received on September 9, 2016. The amounts for all grants past FFY 2016 are estimated. The forecasted capitalization grants are listed in the aggregate amounts. Principal forgiveness, if available, is included in the aggregate grant amount in the forecast.

[40] These numbers include a final amount for the FFY 2016 grant that the State Water Board received on September 9, 2016. The amounts allowed for administration from all grants past FFY 2016 are based on estimates of the future grant amounts. The numbers reflect the percentage of the capitalization grants that may be used for program administration. The primary source of administrative funds for the CWSRF is the Administrative Fund. See Section III.B.2 (Administrative Funding) for further discussion. Funds from the Administration Allowance that are not used for program administration may be used to finance projects.

[41] Estimated disbursements are a forecast of the cash disbursements for projects with executed financing agreements. The estimated cash disbursements include the local match credits on past projects that used match financing. Local match credits are contributions made by financing recipients in exchange for using match financing; match credits are used to meet the federal capitalization grants matching requirement.

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

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

TABLE 2: CWSRF Project Financing Forecast for SFY 2017-18

Project Number	Region	Agency	Project Name	NPDES/WDR Permit Number	Class	Type[44]	Estimated Agreement Date	Estimated 2017 Capitalization Grant Projects	Estimated Principal Forgiveness (Cap Grant Funds Only)[45]	Estimated CWSRF & Other Loan Funds	Estimated Small Community Wastewater Grant[46]	Estimated Water Recycling Funding Program Grant[42]	Estimated Total Financing	Energy Audit Project	Drought Relief Special Interest Rate (1%) Projects	Estimated Equivalency & FFATA Projects	Federal Year 2016	Green Project Type[47]	Determination Categorical (C) or Business Case (BC)
All Reviews Complete and Agreement Mailed to Applicant – Group 1																			
8060-110	9	Santa Margarita Water District	Trampas Canyon Recycled Water Seasonal Storage Reservoir	CA01017417	C	POTW	3/15/2017	$32,450,000	$0	$0	$0	$15,000,000	$47,450,000		Yes		$32,450,000	W	C
8164-110	9	El Toro Water District	Phase II Recycled Water Distribution System Expansion Project	R8-2015-0023	C	POTW	3/15/2017	$8,640,000	$0	$0	$0	$3,360,000	$12,000,000				$8,640,000	W	C
								$41,090,000	**$0**	**$0**	**$0**	**$18,360,000**	**$59,450,000**				**$41,090,000**		
All Reviews Complete, Funding Decision In Process and Agreement Pending – Group 2																			
8150-110	8	Eastern Municipal Water District	La Piedra Recycled Water Pipeline Expansion Project	CA8000188	C	POTW	3/30/2017	$1,462,695	$0	$0	$0	$787,605	$2,250,300				$1,462,695	W	C
8077-110	5	Nevada County Sanitation District #1	Cascade Shores Community Leach Field Project	CA0083241	D	POTW	3/31/2017	$1,100,000	$0	$0	$1,100,000	$0	$2,200,000				$0		
8153-110	2	Sunnyvale, City of	Headworks and Primary Treatment, Phase 1(A)	CA0037621	C	POTW	3/31/2017	$23,547,305	$4,000,000	$99,521,217	$0	$0	$127,068,522			Yes	$8,000,000	E	BC
8157-110	2	Petaluma, City of	Expansion of Petaluma Recycled Water Treatment Capacity and Urban Distribution System	R2-1996-0110	C	POTW	3/31/2017	$0	$0	$0	$0	$870,000	$870,000				$0		
8144-110	3	Paso Robles, City of	Paso Robles Recycled Water Project	CA0047953	C	POTW	4/1/2017	$0	$4,000,000	$13,230,000	$0	$0	$17,230,000			Yes	$8,000,000	E	C
8207-110	8	Eastern Municipal Water District	Cottonwood Avenue Recycled Water Pipeline (West)	CA8000188	C	POTW	4/1/2017	$0	$0	$0	$0	$516,763	$516,763				$0		
8091-110	2	Hayward, City of	City of Hayward Recycled Water Project	CA0037869	C	POTW	4/3/2017	$0	$0	$13,533,650	$0	$5,831,350	$19,365,000		Yes		$13,533,650	W	C
8028-110	3	Monterey Regional Water Pollution Control Agency	Groundwater Replenishment Project	CA0048551	C	POTW	4/15/2017	$0	$0	$98,000,000	$0	$15,000,000	$113,000,000		Yes		$98,000,000	W	C
8146-110	8	Anaheim, City of	Downtown Anaheim Recycled Water Expansion	R8-2013-0014	C	POTW	4/15/2017	$0	$0	$0	$0	$758,800	$758,800				$0		

[44] POTW = Publicly-owned treatment works projects per CWA Section 212; EXP = Expanded use projects per CWA Section 319 or 320

[45] Additional funding estimated at $28,800,000 in principal forgiveness funds is proposed for projects that meet the criteria in Table 4.d of the June 2017 IUP. Selected projects to be determined during project review period.

[46] Preliminary estimate based on draft funding criteria, available information regarding project costs, wastewater rates, etc. Subject to change. Will be finalized based on updated information at the time of funding approval.

[47] Green Project Types: W= Water Efficiency; E = Energy Efficiency; I = Innovative. Estimated Minimum 2017 GPR Funding Requirement = $9,600,000.

Project Number	Region	Agency	Project Name	NPDES/WDR Permit Number	Class	Type[44]	Estimated Agreement Date	Estimated 2017 Capitalization Grant Projects	Estimated Principal Forgiveness (Cap Grant Funds Only)[45]	Estimated CWSRF & Other Loan Funds	Estimated Small Community Wastewater Grant[46]	Estimated Water Recycling Funding Program Grant[42]	Estimated Total Financing	Energy Audit Project	Drought Relief Special Interest Rate (1%) Projects	Estimated Equivalency & FFATA Projects	Federal Year 2016	Green Project Type[47]	Determination Categorical (C) or Business Case (BC)
7884-110	5	Biggs, City of	Wastewater Treatment Plant Upgrades Phase 2	CA0078930	C	POTW	4/17/2017	$0	$0	$2,444,569	$6,000,000	$0	$8,444,569				$0		
8041-110	5	Shasta Lake, City of	City of Shasta Lake Wastewater Treatment Facility Upgrade Project	CA0079511	C	POTW	4/17/2017	$0	$0	$14,000,000	$6,000,000	$0	$20,000,000				$0		
8122-110	7	Palm Springs, City of	WWTP Head Works and Clarifier Upgrade Project	R7-2015-0013	C	POTW	4/17/2017	$0	$728,435	$29,188,831	$0	$0	$29,917,266			Yes	$1,456,870	E	BC
8133-110	9	Padre Dam Municipal Water District	Padre Dam Water Recycling Facility, Phase 1 Expansion	CA0107492	C	POTW	4/30/2017	$0	$0	$101,200,000	$0	$15,000,000	$116,200,000		Yes		$101,200,000	W	C
8076-110	1	Ukiah, City of	Recycled Water Pipeline Project	CA0022888	C	POTW	4/30/2017	$0	$0	$25,564,000	$0	$9,996,000	$35,560,000		Yes		$25,564,000	W	C
8111-110	2	San Francisco, Public Utilities Commission of the City & County of	San Francisco Westside Recycled Water Project	CA0037681	C	POTW	4/30/2017	$0	$0	$171,220,000	$0	$15,000,000	$186,220,000		Yes		$171,220,000	W	C
8190-110	2	Palo Alto, City of	Sludge Dewatering and Loadout Facility	CA0037834	D	POTW	4/30/2017	$0	$4,000,000	$26,000,000	$0	$0	$30,000,000				$8,000,000	E	BC
8200-110	4	Los Angeles, City of	Griffith Park South Water Recycling Project	CA0053953	C	POTW	5/1/2017	$0	$0	$0	$0	$9,107,096	$9,107,096				$0		
8270-110	5	Chowchilla, City of	Chowchilla Regional Sewer System Consolidation And Capacity Study	Pending	C	POTW	5/1/2017	$0	$0	$0	$500,000	$0	$500,000				$0		
8089-110	5	Mariposa Public Utility District	Wastewater Treatment Facility Improvements	CA0079430	C	POTW	5/15/2017	$0	$0	$2,529,550	$6,000,000	$0	$8,529,550				$0		
8173-110	8	Inland Empire Utilities Agency	RP-1 & RP-5 Expansion Preliminary Design Report	CA8000409	C	POTW	5/31/2017	$0	$0	$3,000,000	$0	$0	$3,000,000				$0		
8163-110	2	West Bay Sanitary District	West Bay Sanitary District Recycled Water Project - Sharon Heights	R2-1996-0011	C	POTW	6/1/2017	$0	$0	$11,237,200	$0	$6,050,800	$17,288,000		Yes		$11,237,200	W	C
8129-110	2	San Francisco, Public Utilities Commission of the City & County of	North Point Facility Outfall Rehabilitation	CA0037664	C	POTW	6/30/2017	$0	$0	$17,775,621	$0	$0	$17,775,621				$0		
8071-110	5	Brentwood, City of	City of Brentwood Recycled Water Project (Phase A & B1)	R5-2004-0132	C	POTW	7/1/2017	$0	$0	$14,596,500	$0	$6,205,500	$20,802,000		Yes		$14,596,500	W	C
								$26,110,000	**$12,728,435**	**$643,041,138**	**$19,600,000**	**$85,123,914**	**$786,603,487**				**$462,270,915**		
Projects With Complete Applications and Reviews Pending – Group 3																			
8278-110	5	Laton Community Services District	Laton Community Services District Wastewater Facility 2016 Improvements	R5-1985-0253	C	POTW		$0	$0	$0	$345,000	$0	$345,000				$0		

Project Number	Region	Agency	Project Name	NPDES/WDR Permit Number	Class	Type[44]	Estimated Agreement Date	Estimated 2017 Capitalization Grant Projects	Estimated Principal Forgiveness (Cap Grant Funds Only)[45]	Estimated CWSRF & Other Loan Funds	Estimated Small Community Wastewater Grant[46]	Estimated Water Recycling Funding Program Grant[42]	Estimated Total Financing	Energy Audit Project	Drought Relief Special Interest Rate (1%) Projects	Estimated Equivalency & FFATA Projects	Federal Year 2016	Green Project Type[47]	Determination Categorical (C) or Business Case (BC)
8269-110	5	Planada Community Services District	PCSD Solar Generation System at WWTP	R5-2013-0021	E	POTW		$0	$0	$0	$1,733,240	$0	$1,733,240				$0		
5957-210	1	Willow Creek Community Services District	Willow Creek Wastewater Project	Pending	D	POTW		$0	$0	$0	$6,000,000	$0	$6,000,000				$0		
8279-110	3	Monterey Regional Water Pollution Control Agency	Farmworker Housing Complex Connection to MRWPCA Regional Treatment System	CA0048551	C	POTW		$0	$0	$0	$1,730,945	$0	$1,730,945				$0		
7842-120	5	San Andreas Sanitary District	WWTP Digester Upgrade Project	CA0079464	C	POTW		$0	$0	$1,375,000	$4,125,000	$0	$5,500,000				$0		
8000-210	5	Jamestown Sanitary District	Wastewater Treatment Plant Relocation	R5-2001-0062	C	POTW		$0	$0	$5,018,000	$5,500,000	$0	$10,518,000				$0		
8304-110	5	Franklin County Water District	Sewer Collection and Wastewater Improvements	R5-1989-1710	C	POTW		$0	$0	$0	$435,000	$0	$435,000				$0		
8306-110	5	Adin Community Services District	Preliminary Engineering For Renovation of Wastewater System	R5-2014-0153	C	POTW		$0	$0	$0	$419,000	$0	$419,000				$0		
8262-110	7	Calipatria, City of	City of Calipatria Sanitary Sewer Improvement Project	CA0105015	D	POTW		$0	$0	$0	$1,000,000	$0	$1,000,000				$0		
8310-110	5	Grayson Community Services District	Grayson Community Services District WWTF Planning Project	R5-1993-0880	C	POTW		$0	$0	$0	$500,000	$0	$500,000				$0		
7896-310	5	Colusa, City of	Collection System Improvements Project	CA0078999	C	POTW		$0	$0	$3,050,000	$1,750,000	$0	$4,800,000				$0		
8038-110	5	Valley Springs Public Utility District	Effluent Management and Wastewater Treatment Project	R5-2005-0066	C	POTW		$0	$0	$3,500,000	$6,000,000	$0	$9,500,000				$0		
7767-210	5	Stratford Public Utility District	Wastewater Facilities Improvement Project	Pending	C	POTW		$0	$0	$988,850	$5,500,250	$0	$6,489,100				$0		
8039-110	5	Murphys Sanitary District	Wastewater Treatment Plant Upgrade Project	R5-2000-0264	C	POTW		$0	$0	$1,000,012	$3,000,037	$0	$4,000,049				$0		
7109-110	5	Fresno County Waterworks District 38	Wastewater Treatment Plant Improvements	R5-1990-088	D	POTW		$0	$0	$600,000	$0	$0	$600,000				$0		
7837-110	2	Sausalito-Marin City Sanitary District	Treatment and Wet Weather Flow Upgrade Project	CA0038067	D	POTW		$0	$0	$26,000,000	$0	$0	$26,000,000				$0		
8032-110	9	San Diego, City of	Pump Station 2 Power Reliability & Surge Protection Project	CA0107409	D	POTW		$0	$0	$38,610,000	$0	$0	$38,610,000				$0		
8047-110	8	Eastern Municipal Water District	Recycled Water Supply Optimization Program	CA8000188	C	POTW		$0	$0	$80,264,880	$0	$15,000,000	$95,264,880				$80,264,880	W	C

Project Number	Region	Agency	Project Name	NPDES/WDR Permit Number	Class	Type[44]	Estimated Agreement Date	Estimated 2017 Capitalization Grant Projects	Estimated Principal Forgiveness (Cap Grant Funds Only)[45]	Estimated CWSRF & Other Loan Funds	Estimated Small Community Wastewater Grant[46]	Estimated Water Recycling Funding Program Grant[42]	Estimated Total Financing	Energy Audit Project	Drought Relief Special Interest Rate (1%) Projects	Estimated Equivalency & FFATA Projects	Federal Year 2016	Green Project Type[47]	Determination Categorical (C) or Business Case (BC)
8053-110	6	South Tahoe Public Utility District	Treatment Plant Generator Upgrades	R6-2004-0010	D	POTW		$0	$0	$3,730,384	$0	$0	$3,730,384				$0		
8059-110	9	Escondido, City of	Recycled Water Easterly Agricultural Reverse Osmosis Facility and Pump Station	R9-2010-0032	C	POTW		$0	$0	$18,290,000	$0	$10,710,000	$29,000,000				$18,290,000	W	C
8083-110	6	Victor Valley Wastewater Rec Authority	Oro Grande Interceptor Replacement Project	DWQ-2006-0003	D	POTW		$0	$0	$5,700,000	$0	$0	$5,700,000				$0		
8087-110	2	San Jose, City of	Digester and Thickener Facilities Upgrade Project	CA0037842	D	POTW		$0	$0	$144,800,000	$0	$0	$144,800,000				$0		
8088-110	2	San Francisco, Public Utilities Commission of the City & County of	CWWSIPSE05 - SEP 521/522 and Disinfection Upgrades	CA0037664	D	POTW		$0	$0	$32,088,516	$0	$0	$32,088,516				$0		
8094-110	4	La Puente Valley County Water District	LPVCWD Recycled Water Project	R4-2015-0070	C	POTW		$0	$0	$0	$0	$1,400,000	$1,400,000				$0		
8095-110	5	Brentwood, City of	Wastewater Treatment Plant Expansion - Phase II	R5-2013-0106	C	POTW		$0	$0	$31,957,000	$0	$0	$31,957,000				$0		
8097-110	5	Kern-Tulare Water District	Kern-Tulare Water District Oil Field Water Reuse Project	Pending	C	POTW		$0	$0	$7,595,000	$0	$2,135,000	$9,730,000				$7,595,000	W	C
8102-110	6	Palmdale Water District	Palmdale Regional Groundwater Recharge and Recovery Project	R6-2011-0012	C	POTW		$0	$0	$40,000,000	$0	$15,000,000	$55,000,000				$40,000,000	W	C
8104-110	2	Palo Alto, City of	Primary, Fixed Film Reactor & Laboratory/Environmental Services Building Project	CA0037834	C	POTW		$0	$0	$6,727,757	$0	$0	$6,727,757				$0		
8105-110	8	Inland Empire Utilities Agency	2015 Drought Relief - Napa Lateral	CA8000409	C	POTW		$0	$0	$3,786,102	$0	$2,038,670	$5,824,772				$3,786,102	W	C
8105-120	8	Inland Empire Utilities Agency	2015 Drought Relief - San Savaine Basin Improvements	CA8000409	C	POTW		$0	$0	$4,891,642	$0	$2,633,961	$7,525,603				$4,891,642	W	C
8106-110	8	East Valley Water District	Sterling Natural Resource Center	Pending	C	POTW		$0	$0	$109,100,000	$0	$15,000,000	$124,100,000				$109,100,000	W	C
8113-110	9	Escondido, City of	Recycled Water Easterly Main and Tanks	R9-2010-0032	C	POTW		$0	$0	$5,033,750	$0	$2,966,250	$8,000,000				$5,033,750	W	C
8115-110	9	Escondido, City of	Brine Line Broadway to HARRF	R9-2010-0032	C	POTW		$0	$0	$5,000,000	$0	$0	$5,000,000				$0		
8125-110	6	Palmdale Recycled Water Authority	Recycled Water Line Phase 2	R6-2012-0002	C	POTW		$0	$0	$6,350,000	$0	$2,450,000	$8,800,000				$6,350,000	W	C

Project Number	Region	Agency	Project Name	NPDES/WDR Permit Number	Class	Type[44]	Estimated Agreement Date	Estimated 2017 Capitalization Grant Projects	Estimated Principal Forgiveness (Cap Grant Funds Only)[45]	Estimated CWSRF & Other Loan Funds	Estimated Small Community Wastewater Grant[46]	Estimated Water Recycling Funding Program Grant[42]	Estimated Total Financing	Energy Audit Project	Drought Relief Special Interest Rate (1%) Projects	Estimated Equivalency & FFATA Projects	Federal Year 2016	Green Project Type[47]	Determination Categorical (C) or Business Case (BC)
8128-110	9	Santa Rosa Regional Resources Authority	Santa Rosa Wastewater Facility Rehabilitation Project	R9-1994-0092	C	POTW		$0	$0	$95,000,000	$0	$0	$95,000,000				$0		
8132-110	2	San Francisco, Public Utilities Commission of the City & County of	CWWSIPSE04 - SEP Primary/Secondary Clarifier Upgrades	CA0037664	C	POTW		$0	$0	$32,308,985	$0	$0	$32,308,985				$0		
8134-110	3	Santa Cruz County Sanitation District	Soquel Pump Station Force Main Replacement	R3-1995-0027	C	POTW		$0	$0	$4,000,000	$0	$0	$4,000,000				$0		
8137-110	4	Pasadena, City of	Pasadena Non-Potable Water Project	R4-2011-0197	C	POTW		$0	$0	$16,461,250	$0	$8,863,750	$25,325,000				$16,461,250	W	C
8142-110	5	Patterson, City of	Wastewater Treatment Plant Expansion Phase III	R5-2007-0147	C	POTW		$0	$0	$1,984,736	$0	$0	$1,984,736				$0		
8147-110	8	Anaheim, City of	South Recycled Water Project	R8-2004-0002	C	POTW		$0	$0	$0	$0	$3,472,000	$3,472,000				$0		
8149-110	8	San Gabriel Valley Water Company	South El Monte Recycled Water Project	Pending	C	POTW		$0	$0	$1,100,986	$0	$592,839	$1,693,825				$1,100,986	W	C
8154-110	4	Los Angeles County Sanitation District No. 2	Carson JWPCP - Effluent Outfall Tunnel Project	CA0053813	C	POTW		$0	$0	$636,150,000	$0	$0	$636,150,000				$0		
8156-110	4	Santa Clarita Valley Sanitation District	Santa Clarita Valley San Dist Microfiltration/RO	CA0054216	C	POTW		$0	$0	$56,001,000	$0	$0	$56,001,000				$56,001,000	W	C
8162-110	8	Yucaipa Valley Water District	Calimesa Recycled Water Conveyance Project	CA0105619	C	POTW		$0	$0	$4,485,074	$0	$2,415,040	$6,900,114				$4,485,074	W	C
8165-110	8	Eastern Municipal Water District	Alessandro Pond Optimization Project	CA8000188	C	POTW		$0	$0	$0	$0	$304,920	$304,920				$0		
8168-110	9	San Diego, City of	PW - North City Water Reclamation Plant Expansion and Morena Boulevard Pump Station and Pipelines	CAS0109266	C	POTW		$0	$0	$82,789,831	$0	$0	$82,789,831				$82,789,831	W	C
8169-110	9	San Diego, City of	Pure Water - Advanced 30 MGD Water Purification Facility, Pump Stations and Pipeline to San Vicente	CAS0109266	C	POTW		$0	$0	$144,618,161	$0	$0	$144,618,161				$144,618,161	W	C
8172-110	5	Fairfield-Suisun Sewer District	Blower Replacement Project	CA0038024	D	POTW		$0	$4,000,000	$8,650,000	$0	$0	$12,650,000				$8,000,000	E	C
8184-110	3	Marina Coast Water District	Regional Urban Water Augmentation Project	Pending	C	POTW		$0	$0	$23,359,950	$0	$11,640,055	$35,000,005				$23,359,950	W	C
8186-110	8	Eastern Municipal Water District	Temecula Valley Recycled Water Pipeline Project	CA8000188	C	POTW		$0	$0	$0	$0	$5,005,000	$5,005,000				$0		

Project Number	Region	Agency	Project Name	NPDES/WDR Permit Number	Class	Type[44]	Estimated Agreement Date	Estimated 2017 Capitalization Grant Projects	Estimated Principal Forgiveness (Cap Grant Funds Only)[45]	Estimated CWSRF & Other Loan Funds	Estimated Small Community Wastewater Grant[46]	Estimated Water Recycling Funding Program Grant[42]	Estimated Total Financing	Energy Audit Project	Drought Relief Special Interest Rate (1%) Projects	Estimated Equivalency & FFATA Projects	Federal Year 2016	Green Project Type[47]	Determination Categorical (C) or Business Case (BC)
8195-110	9	San Elijo Joint Powers Authority	SEJPA Treatment Facility Improvements - PHASE 1	CA0107999	C	POTW		$0	$0	$6,300,000	$0	$0	$6,300,000				$0		
8196-110	9	San Elijo Joint Powers Authority	SEJPA Recycled Water Phase II Project	CA0107999	C	POTW		$0	$0	$4,030,000	$0	$2,170,000	$6,200,000				$4,030,000	W	C
8211-110	4	Santa Monica, City of	Sustainable Water Infrastructure Project (SWIP)	CAS004001	C	POTW		$0	$4,000,000	$52,885,903	$0	$0	$56,885,903				$56,885,903	G	C
8212-110	8	Inland Empire Utilities Agency	Sewer Service to IEUA Septic Users Feasibility Study	CA8000409	C	POTW		$0	$0	$500,000	$0	$0	$500,000				$0		
8217-110	3	Templeton Community Services District	Upper Salinas River Basin Conjunctive Use Project (US CUP)	Pending	C	POTW		$0	$0	$3,043,000	$0	$0	$3,043,000				$0		
8220-110	2	South Tahoe Public Utilities District	Water Meter Installation Phase 3 - 5	R6-2004-0010	C	POTW		$0	$4,000,000	$10,010,534	$0	$0	$14,010,534				$14,010,534	W	C
8223-110	8	Chino Basin Regional Financing Authority	Planning & Design SRF Loan for Recharge Master Plan Update	CA8000409	C	POTW		$0	$0	$5,000,000	$0	$0	$5,000,000				$0		
8226-110	4	Los Angeles County Sanitation District No. 2	San Jose Creek Water Reclamation Plant Flow Equalization Facilities Phase 1	CA0053911	C	POTW		$0	$0	$48,658,984	$0	$15,000,000	$63,658,984				$48,658,984	W	C
8234-110	8	Elsinore Valley Municipal Water District	Regional Water Reclamation Facility Expansion & Upgrade Design	CA8000027	D	POTW		$0	$0	$14,500,000	$0	$0	$14,500,000				$0		
8235-110	8	Inland Empire Utilities Agency	2015 Drought Relief - RP-1158 Recycled Water Pump Station Upgrades	CA8000409	C	POTW		$0	$0	$3,028,882	$0	$1,630,936	$4,659,818				$3,028,882	W	C
8235-120	8	Inland Empire Utilities Agency	2015 Drought Relief - RP-5 Recycled Water Pipeline Bottleneck	CA8000409	C	POTW		$0	$0	$984,386	$0	$530,054	$1,514,440				$984,386	W	C
8235-130	8	Inland Empire Utilities Agency	2015 Drought Relief - Recycled Water Pressure Sustaining Valve Installation	CA8000409	C	POTW		$0	$0	$643,638	$0	$346,574	$990,212				$643,638	W	C
8235-140	8	Inland Empire Utilities Agency	2015 Drought Relief - RP-1 Parallel Outfall Pipeline	CA8000409	C	POTW		$0	$0	$4,316,155	$0	$2,324,083	$6,640,238				$4,316,155	W	C
8235-150	8	Inland Empire Utilities Agency	2015 Drought Relief - Baseline Extension Project	CA8000409	C	POTW		$0	$0	$2,650,270	$0	$1,427,069	$4,077,339				$2,650,270	W	C
8236-110	8	Inland Empire Utilities Agency	2015 Drought Relief - City of Ontario Euclid/Riverside Recycled Water Pipeline Project	CA8000409	C	POTW		$0	$0	$14,715,403	$0	$7,923,678	$22,639,081				$14,715,403	W	C

Project Number	Region	Agency	Project Name	NPDES/WDR Permit Number	Class	Type[44]	Estimated Agreement Date	Estimated 2017 Capitalization Grant Projects	Estimated Principal Forgiveness (Cap Grant Funds Only)[45]	Estimated CWSRF & Other Loan Funds	Estimated Small Community Wastewater Grant[46]	Estimated Water Recycling Funding Program Grant[42]	Estimated Total Financing	Energy Audit Project	Drought Relief Special Interest Rate (1%) Projects	Estimated Equivalency & FFATA Projects	Federal Year 2016	Green Project Type[47]	Determination Categorical (C) or Business Case (BC)
8237-110	5	Turlock, City of	North Valley Regional Recycled Water Program	R5-2016-0010	C	POTW		$0	$0	$28,023,000	$0	$11,438,000	$39,461,000				$28,023,000	W	C
8250-110	2	Napa Sanitation District	Recycled Water Reservoir Lining Project	CA0037575	C	POTW		$0	$0	$0	$0	$700,000	$700,000				$0		
8252-110	8	Orange County Water District	Mid Basin Centennial Park Injection Project	Pending	C	POTW		$0	$0	$22,571,612	$0	$11,550,000	$34,121,612				$22,571,612	W	C
8253-110	5	Yuba City, City of	Water Meter Replacement - Green Project	CA0079260	C	POTW		$0	$2,750,000	$2,750,000	$0	$0	$5,500,000				$5,500,000	W	C
8258-110	2	Richmond, City of	Wastewater Treatment Plant Critical Improvements Project	R2-20013-0016	C	POTW		$0	$0	$28,700,000	$0	$0	$28,700,000				$0		
8265-110	5	Stockton, City of	Regional Wastewater Control Facilities Modifications	CA0079138	C	POTW		$0	$0	$5,350,000	$0	$0	$5,350,000				$0		
8266-110	2	Dublin San Ramon Services District	DERWA Recycled Water Treatment Facility Phase 2	R2-2012-0005	C	POTW		$0	$0	$12,497,500	$0	$4,602,500	$17,100,000				$0		
8277-110	9	San Diego, City of	Advanced Metering Infrastructure (AMI) Project	CA0107409	D	POTW		$0	$4,000,000	$38,032,242	$0	$0	$42,032,242				$42,032,242	W	C
8280-110	4	Los Angeles County Sanitation District No. 3	Anaheim Street Trunk Sewer Rehabilitation	R4-2006-0003	D	POTW		$0	$0	$5,400,000	$0	$0	$5,400,000				$0		
8283-110	2	Delta Diablo	East County Bioenergy Phase 1 Biosolids & Wood Waste to Energy	R2-2009-0018	C	POTW		$0	$311,250	$103,750	$0	$0	$415,000				$415,000	E	C
8284-110	2	Delta Diablo	East County Bioenergy Phase 2 Biosolids & Wood Waste to Energy	R2-2009-0018	C	POTW		$0	$225,000	$75,000	$0	$0	$300,000				$300,000	E	C
8285-110	2	Central Marin Sanitation Agency	Renewable Energy Expansion Program	CA0038628	C	POTW		$0	$500,000	$0	$0	$0	$500,000				$0		
8290-110	8	Orange County Water District	Groundwater Replenishment System Final Expansion	R8-2004-0002	C	POTW		$0	$0	$229,400,000	$0	$15,000,000	$244,400,000				$229,400,000	W	C
8311-110	2	Napa, County of	MST Recycled Water Pipeline Extension	CA0037575	C	POTW		$0	2,050,000	$0	$0	$0	$2,050,000				$2,050,000	W	C
8312-110	1	Humboldt, County of	Samoa Peninsula Wastewater	R1-2001-0100	C	POTW		$0	$0	$0	$500,000	$0	$500,000				$0		
8314-110	6	South Tahoe Public Utilities District	Energy Audit Project	R6-2004-0010	C	POTW		$0	$35,000	$0	$0	$0	$35,000	Yes			$35,000	E	C
8315-110	7	Coachella, City of	Coachella Water Authority Energy Audit	CA0104493	C	POTW		$0	$35,000	$0	$0	$0	$35,000	Yes			$35,000	E	C
								$0	**$21,906,250**	**$2,236,537,125**	**$38,538,472**	**$176,270,379**	**$2,473,252,226**				**$1,092,413,635**		
							TOTALS =	**$67,200,000**	**$34,634,685**	**$2,879,578,263**	**$58,138,472**	**$279,754,293**	**$3,319,305,713**				**$1,595,774,550**		

TABLE 3.a: Administration Fund Balance

	7/1/16 – 12/31/16	Projected 1/1/17 – 6/30/17	Projected 7/1/17 – 12/31/17
Beginning Balance	$20,197,596	$19,724,696	$17,724,186
Collected	$4,166,762	$2,999,490	$2,871,257
Spent	($4,639,661)	($5,000,000)	($5,200,000)
End Balance	**$19,724,696**	**$17,724,186**	**$15,395,443**

TABLE 3.b: SCG Fund Balance

	7/1/16 – 12/31/16	Projected 1/1/17 – 6/30/17	Projected 7/1/17 – 12/31/17
Beginning Balance	$27,340,799	$32,048,024	$34,303,807
Collected	$7,166,249	$4,455,783	$3,732,516
Spent	($2,459,024)	($2,200,000)	($2,100,000)
End Balance*	**$32,048,024**	**$34,303,807**	**$35,936,323**
*Ending Balance does not account for existing commitments			

TABLE 4.a: SCG Planning Grants

Eligible Applicants:	Public agencies, 501(c)(3) non-profit organizations, federally recognized tribes and state tribes on Native American Heritage Commission consult list		
Affordability Criteria		Grant Amount	
Population[50]	Community MHI[51]	Percent of Total Project Cost	Maximum Grant Per Project[48]
<20,000	DAC <80 percent of Statewide MHI	100 percent	$500,000

TABLE 4.b: SCG Construction Grant

Eligible Applicants:	Public agencies, 501(c)(3) non-profit organizations, federally recognized tribes and state tribes on Native American Heritage Commission consult list				
Eligible Project Type	CWSRF-eligible wastewater projects[49]				
Affordability Criteria			Grant Amount		
Population[50]	Community MHI[51]	Wastewater Rates as a Percentage of MHI[52]	Percentage of Total Eligible Project Cost	Maximum Grant Amount Per Project[53,54,55]	Maximum Cost Per Household / Project
<20,000	MHI ≤ 100% Statewide MHI	≥4%	50%	$6 million	$30,000
	DAC <80% of Statewide MHI	≥1.5%	75%[56]		
	SDAC <60% of Statewide MHI	NA	100%		

[48] For a regional planning project, DFA may elect to approve more than $500,000 in SCG funds, not to exceed $500,000 in SCG funding per community included in the regional plan. A community may not receive more than ~~$500,000~~$1,000,000 in total planning costs ($500,000 for treatment plant upgrades plus $500,000 for collection system improvements). On a case-by-case basis, for good cause, the Deputy Director of DFA may approve additional planning grant funds. Upon DFA's determination of sufficient planning funding needs, more than 15 percent (15%) of the funds available per Prop 1 may be used to fund planning and technical assistance activities.

TABLE 4.c: SCG Construction Grant for Septic to Sewer and Regional Projects

Eligible Applicants:	Public agencies, 501(c)(3) non-profit organizations, federally recognized tribes and state tribes on Native American Commission consult list				
Eligible Project Type	CWSRF-eligible wastewater projects[49]				
Affordability Criteria			Grant Amount		
Population[50]	Community MHI[51]	Wastewater Rates as a Percentage of MHI[52]	Percentage of Total Eligible Project Cost	Maximum Grant Amount Per Project[53,54,55]	Maximum Cost Per Household / Project
<20,000	MHI ≤100% Statewide MHI	≥4%	50%	$8 million	$~~50,000~~60,000
	DAC <80% of Statewide MHI	≥1.5%	75%[56]		
	SDAC <60% of Statewide MHI	NA	100%		

[49] Includes only: a) projects approved for funding after June 21, 2017 (consistent with the CWSRF Policy, planning and design costs incurred prior to funding approval may be reimbursed upon execution of the financing agreement) or b) DFA approved cost increases approved after June 21, 2017, for planning or construction projects approved prior to June 21, 2017, if such increases are consistent with the funding criteria and limitations herein.

[50] With the exception of ~~primary and secondary~~wastewater systems serving solely a K-12 public school, to qualify for SCG funds, a project must be geared toward addressing primarily residential needs. Also, at least 50 percent (50%) of the dwellings or dwelling units must be the primary dwelling of permanent residents for a community or community area to qualify for SCG funds. Typically, permanent residents are those residing in the community at least six months out of the year; however, seasonal, migrant laborers can also be counted as permanent residents.

[51] Wastewater systems serving solely a K-12 public school are deemed to serve a SDAC, since the primary users are minor students with incomes below 60 percent (60%) of the statewide MHI.

[52] For the purposes of calculating rates as a percentage of MHI, service charges plus other costs specifically related to the wastewater system may be considered, including but not limited to, dedicated sales tax revenue, assessments, and fees. If a CWSRF-eligible wastewater project consists of improvements to the drinking water system, the drinking water rates and charges may be considered in lieu of wastewater rates and charges. For ~~publicly owned or non-profit owned~~ systems serving facilities such as ~~primary and secondary schools,~~ labor camps or mobile home parks, DFA may elect to approve up to 100 percent (100%) grant up to a maximum of $6 million. Even if 100 percent (100%) grant is approved, DFA staff will review projected revenues and expenses to confirm adequate revenues to operate and maintain the project.

[53] To ensure that available funds are distributed to a large cross-section of communities throughout California, a single community may not receive cumulatively more than $8 million in SCG and PF funding in any given five-year period.

[54] For projects that connect previously unsewered areas or join communities to regionalize wastewater treatment works consistent with the CWSRF Policy, SCG funds will be allocated to each community served by the project on a per community basis, rather than a per project basis.

[55] For public agencies, if project components will either reduce the demand for wastewater capacity or the energy consumption needs for publicly-owned treatment works consistent with the Green Project Reserve: Guidance for Determining Project Eligibility, and those components result in higher capital costs compared to other less water and energy efficient options, DFA may make a determination that the incremental cost increase will be provided as additional grant, above the maximum amount per project.

[56] For small DACs with wastewater rates at least two percent (2%) of community MHI, if the community's credit review shows inadequate revenues to afford repayment of the remaining project costs, the grant percentage may be increased to as high as 100 percent (100%) , as necessary to approve financing for the project. In addition, for small DACs with wastewater rates at least 1.5 percent (1.5%) of community MHI, DFA has discretion to increase the grant percentage to as high as 100 percent (100%), if the community's unemployment rate is at least two percent (2%) higher than the statewide average, or if declining population trends or low population densities impact the community's ability to afford financing. Even if 100 percent (100%) grant is approved, DFA staff will review projected revenues and expenses to confirm adequate revenues to operate and maintain the project.

TABLE 4.d: Principal Forgiveness

Eligible Applicants:	Any municipality, intermunicipal, interstate, or state agency (regardless of population, MHI, or wastewater rates)[57]
Project Types:	Any CWSRF eligible project consistent with the Green Project Reserve: Guidance for Determining Project Eligibility that implements a process, material, technique, or technology to address water-efficiency or energy-efficiency goals, mitigate stormwater runoff, or encourage sustainable planning, design, and construction. This includes, but is not limited to, water or energy conservation assessments, audits, or plans, water reuse[58], water or energy reducing devices, and water meters.
PF Amount[59]:	
1.	For water or energy conservation assessments, audits, or planning, 100 percent (100%) of actual costs up to $35,000 in PF.
2.	For all other projects, 50 percent (50%) of total, actual costs associated with water or energy conservation or sustainable planning, design, or construction up to $4.0 million in PF[60]
3.	Projects that implement a nationally designated estuary plan may receive PF up to 75 percent (75%) of eligible project costs. Cumulative PF shall not exceed $1 million per estuary plan area in any state fiscal year.

TABLE 5: CWSRF Capitalization Grant Payments and Draw Payments

Payments				
	Projected FFY 17 – Q1	**Projected FFY 17 – Q2**	**Projected FFY 17 – Q3**	**Projected FFY 17 – Q4**
FFY 2017 Grant				$96,000,000 (Date of Award)
Draws				
	FFY 17 – Q1	**FFY 17 – Q2**	**FFY 17 – Q3**	**FFY 17 – Q4**
FFY 2016 Grant	$38,168,999	$9,542,249	$19,084,499	$28,626,751
FFY 2017 Grant				$24,000,000
Cumulative Draws	**$38,168,999**	**$9,542,249**	**$19,084,499**	**$52,626,751**
	FFY 18 – Q1	**FFY 18 – Q2**	**FFY 18 – Q3**	**FFY 18 – Q4**
FFY 2017 Grant	$38,400,000	$16,800,000	$16,800,000	
Cumulative Draws	**$38,400,000**	**$16,800,000**	**$16,800,000**	

[57] Municipality includes an Indian tribe or an authorized Indian tribal organization.
[58] Any water reuse project funded through the WRFP may not additionally receive PF. Water reuse projects are limited to $2.5 million maximum PF in all cases.
[59] Any project receiving CWSRF PF may not receive more than 50 percent (50%) combined PF and grant funding, regardless of the source of grant funding. Grant funding includes any funding that does not require repayment by the recipient.
[60] GPR projects may receive separate planning or design PF financing at a rate of 75 percent (75%) of eligible GPR planning or design costs up to a maximum of $500,000 if requested, but the combined planning, design, and construction/implementation costs eligible for PF may not exceed the lesser of 50 percent (50%) of total eligible GPR cost or $4.0 million.

VIII. ACRONYMS

A/E	Architectural and Engineering
AIS	American Iron and Steel
ARRA	American Recovery and Reinvestment Act of 2009
CalEPA	California Environmental Protection Agency
CBR	Clean Water State Revolving Fund Benefits Reporting
CFR	Code of Federal Regulations
CWA	Clean Water Act
CWSRF	Clean Water State Revolving Fund
DAC	Disadvantaged Community
DBE	Disadvantaged Business Enterprise
DFA	Division of Financial Assistance
EMMA	Electronic Municipal Market Access
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
FSP	Fiscal Sustainability Plan
GAAP	Generally Accepted Accounting Principles
GPR	Green Project Reserves
GWQF	Groundwater Quality Funding Program
IUP	Intended Use Plan
LGTS	Loans and Grants Tracking System
LID	Low Impact Development
MHI	Median Household Income
MSRB	Municipal Securities Rulemaking Board
MS4	Municipal Separate Storm Sewer Systems
NIMS	National Information Management System
OCC	Office of Chief Counsel
PF	Principal Forgiveness
POTW	Publicly Owned Treatment Works
PY	Personnel Years
SCG	Small Community Grant
SDAC	Severely Disadvantaged Community
SERP	State Environmental Review Process
SFY	State Fiscal Year
SMIF	Surplus Money Investment Fund
SWGP	Stormwater Grant Program
TA	Technical Assistance
U.S. EPA	United States Environmental Protection Agency
WIFIA	Water Infrastructure and Finance Innovation Act
WRFP	Water Recycling Funding Program
WRRDA	Water Resources Reform and Development Act of 2014