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Section 75022 (\$180M) Criteria

**Division of Drinking Water and Environmental Management
Ranking Criteria for Projects**

Proposition 84: The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Public Resources Code Section 75001 et seq.)

**Small Community Infrastructure Improvements for Chemical and Nitrate Contaminants
(\$180 Million)**

Purpose

The sum of one hundred eighty million dollars (\$180,000,000) shall be available to the Department of Public Health for grants for small community drinking water system infrastructure improvements and related actions to meet safe drinking water standards. Priority shall be given to projects that address chemical and nitrate contaminants, other health hazards and by whether the community is disadvantaged or severely disadvantaged. Special consideration shall be given to small communities with limited financial resources. Eligible recipients include public agencies and incorporated mutual water companies that serve disadvantaged communities. The Department of Public Health may make grants for the purpose of financing feasibility studies and to meet the eligibility requirements for a construction grant. Construction grants shall be limited to \$5,000,000 per project and not more than twenty five percent of a grant may be awarded in advance of actual expenditures. The Department of Public Health may expend up to \$5,000,000 of the funds allocated in this section for technical assistance to eligible communities.

Background

Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 was passed by the voters of California in the general election of November 5, 2006.

The California Department of Public Health (CDPH) is responsible for implementing Public Resources Code (PRC) Sections 75020 through 75023 and 75025 (Chapter 2 Safe Drinking Water and Water Quality Projects). The Proposition 84 initiative calls for a benefit for disadvantaged communities to obtain funding for needed drinking water system improvements, which is reflected in the ranking criteria in Table 1-75022. On September 30, 2008, the Governor approved Senate Bill X2 1 that further addresses small community drinking water systems that are dependent on surface water and are under orders from CDPH to boil water from existing treatment systems as

eligible for grants under PRC 75022.

The general process for CDPH funding of Proposition 84 projects is as follows:

1. Pre-application submitted by water system
2. Pre-application reviewed and project ranked by CDPH (using table 1-75022)
3. Project Priority List established
4. Projects invited to submit a full project application or feasibility study application (if applicable)
5. Complete project application submitted by water system
6. Application evaluated by CDPH
7. Commitment letter issued by CDPH
8. Conditions of letter of commitment are met by water system
9. Funding agreement issued by CDPH

Procedures for Development of Project Ranking Criteria

To address the requirements of Proposition 84, CDPH drafted criteria for the ranking of projects, and posted on the CDPH website the draft proposed criteria. CDPH also solicited input from industry and other groups, via a stakeholders group.

CDPH held three public meetings to present and receive input on the revised draft criteria. These were held on March 27 in Chino, March 28 in Visalia and March 30, 2007, in Sacramento. CDPH also invited public comments to be submitted through April 13, 2007. Those comments were considered in developing the final criteria dated April 27, 2007.

On September 30, 2008, the Governor approved Senate Bill X2 1 that further addresses small community drinking water systems that are dependent on surface water and are under orders from CDPH to boil water from existing treatment systems for parasites, viruses, or giardia as eligible for grants under PRC 75022. Consequently, CDPH has revised its criteria dated April 27, 2007, to address this item.

CDPH will hold two public meetings one in Northern California and one in Southern California to consider public comments on the draft revised criteria prior to finalizing the criteria. The draft revised criteria will be available on the CDPH website 30 days prior to these public meetings. CDPH will also solicit input from industry and other groups, via a stakeholders group. These comments will be considered in revising this criteria. The final criteria will be posted on the CDPH website.

General Project Ranking Criteria and Project Funding Protocol

Process

1. CDPH reserves the right to modify these criteria, in consultation with appropriate stakeholder groups, as necessary to effectively implement this program. The criteria in effect when an applicant is invited to submit an application will apply to the project or feasibility study addressed by that application.

2. Initial invitations will be sent in 2007 to all public water systems to submit a pre-application for each project. The invitations to apply will include a deadline for submission of pre-applications. CDPH reserves the right to establish such deadline for each notice of funding availability (open pre-application period). Pre-applications not submitted by the deadline will not be considered or ranked for that invitation cycle. Invitations for pre-application will occur on a yearly basis.
3. Based on the information submitted in the pre-application, the projects will be reviewed by CDPH staff for eligibility and a preliminary score will be assigned to the project using the criteria for the grant program(s).
4. The draft ranking lists will be subject to review by a stakeholders' group and then released for public comment before they are finalized by CDPH. Once the lists are adopted, CDPH will invite projects representing the total amount of available funding in that funding cycle to submit complete applications and will send grant application forms to those interested applicants. The grant application forms will include a deadline for submission of a complete application. CDPH reserves the right to establish such deadlines for each round of invitations to submit an application, and for each type of application. Only complete applications submitted by the deadline will be accepted for evaluation by CDPH. An application which is not complete or is not submitted by the deadline will be bypassed for that funding cycle.
5. After an application is deemed complete and has been evaluated and the project has been determined to be eligible for funding, CDPH will issue a letter of commitment to the applicant with a list of any conditions to be met before issuance of a funding agreement. Commitment letters will include a deadline for meeting all such conditions. These conditions may include, but are not limited to, completion of California Environmental Quality Act (CEQA) compliance, an approved Labor Compliance Plan, and submittal of final project plans and specifications. Upon the applicant's timely submission of additional information to satisfy conditions, the additional information will be reviewed and, if satisfactory, a funding agreement will be executed. Failure of the applicant to satisfy all conditions by the deadlines established in its commitment letter may result in the project being bypassed for that funding cycle.
6. Applicants may be reimbursed for expenses incurred for preliminary and construction costs determined by CDPH to be eligible after the funding agreement, with the exception of the 25% advanced payment. Eligible preliminary costs may include planning, engineering, design, environmental documentation, and labor compliance. Construction expenses, in order to be eligible, must have been incurred after the applicant receives a letter of commitment from CDPH. Reimbursement will occur in arrears after the funding agreement is executed, except for those costs associated with a one time advanced payment. Construction costs cannot be incurred until CEQA is completed and the applicant has an approved labor compliance plan.
7. Eligible project costs are limited to facilities sized to serve no more than the 20-year demand projected in an Urban Water Management Plan or the 20-year demand projected in a

comparable public water system planning document. If an applicant does not have an Urban Water Management Plan or comparable document, the eligible project costs are limited to facilities sized to serve no more than 10% above existing water demand at peak flow. A pipeline used to consolidate or interconnect water systems shall be sized to meet the needs of, and be consistent with, the current specifications of the resulting water system

8. If a project design exceeds 10% of the water demand at peak flow and if the applicant is required to prepare an Urban Water Management Plan pursuant to California Water Code Section 10610 et seq., then a copy of the plan shall be submitted to CDPH. The proposed project must be consistent with the system's most recent urban water management plan.
9. Proposition 84 grant funds cannot be used for operation and maintenance activities.
10. Grants to privately owned water systems that are regulated by the California Public Utilities Commission (CPUC) will be subject to the CPUC's review and approval and the CPUC's directives and/or general order(s), including CPUC Decision 06-03-015, addressing the water system's use of grant funds, intended to prohibit private gains from public funds.
11. Privately owned public water systems not regulated by the CPUC (e.g. mutual water companies and mobile home parks), will be subject to conditions and restrictions implemented by CDPH to prohibit private gains from public grant funds. These conditions/restrictions will be same as those implemented for Proposition 50 grant funding.
12. "Non-disadvantaged" communities must have applied for funding from the DWSRF program to be eligible for grants under this section.
13. A project must start construction no later than one year following the date of a funding agreement execution. The project must be completed within three years following the date of the funding agreement execution.
14. A review of the cost effectiveness of the project will be part of the approval process. The application must include a life cycle cost analysis (minimum of 10 years) including the operations and maintenance costs for each alternative.
15. Each applicant will be required to fully evaluate consolidation as a project alternative. If the proposed project is not consolidation or equivalent, the application must demonstrate that consolidation is not feasible to resolve the problem. Failure to address consolidation may result in bypass of the project for funding.
16. Eligible applicants must hold or have applied for a permit pursuant to Health and Safety (H&S) Code section 116525.
17. Only projects intended to serve disadvantaged communities with applications submitted for funding under the Safe Drinking Water State Revolving Fund or Safe Drinking Water Bond Law as of April 12, 2007, and that are eligible under the criteria developed for this funding program will be considered for funding in the first funding cycle. "Disadvantaged Community" is as defined herein.

Disadvantaged Communities

PRC Section 75005(g) defines disadvantaged community. The ranking criteria for section 75022 include disadvantaged community status. As used in these ranking criteria, the income evaluation shall be based on one of the following:

- (a) the Median Household Income (MHI) of the entire service area OR
- (b) the MHI of a separate existing public water system whose entire service area meets the definition of a disadvantaged community which will consolidate forming a restructured water system, OR
- (c) the MHI of a community that is part of the public water system's service area, where each census tract in that part of the service area is identified in the project and meets the definition of a disadvantaged community, and the primary purpose of the project is to benefit that community.

Definitions

1. "Applicant" means the entity that signs the Letter of Commitment and Funding Agreement
2. "Bypass" means that a project will not be provided funding in the current funding cycle, but will remain on the project priority list for future funding opportunities.
3. "Community water system" is defined pursuant to Health and Safety (H&S) Code Section 116275(i) as a public water system that serves at least 15 service connections used by year-long residents or regularly serves at least 25 year-long residents of the area served by the water system.
4. "Consolidation project" means a project that involves the restructuring of two or more water systems into a single public water system through physical consolidation of the water systems.
5. "Disadvantaged community" means a community with an annual household income that is less than 80 percent of the statewide annual median household income. "Severely disadvantaged community" means a community with an annual household income that is less than 60% of the statewide annual median household income.
6. "Feasibility Project" means projects that include an engineering analysis to identify possible solutions to the specific problem of the public water system. Such studies may include a variety of project related activities undertaken prior to construction of facilities. A feasibility study typically evaluates alternative solutions with respect to the technical/operational, and economic aspects and can include completing the environmental documents for the project. The study results can provide managers of the water system an objective appraisal and merits of alternative solutions. Feasibility studies may include engineering, state and federal environmental compliance, laboratory testing, legal and administrative expenses, and the drilling of test wells.

7. "Notification Level" is a health-based advisory level established by CDPH for chemicals in drinking water that lack maximum contaminant levels (**MCLs**). When chemicals are found at concentrations greater than their notification levels, certain requirements and recommendations apply.
8. "Public water system" is defined pursuant to H&S Code Section 116275(h) as a system for the provision of water that has 15 or more service connections or regularly serves at least 25 individuals at least 60 days out of the year.
9. "Small community water system" is defined as a community water system serving 3,300 service connections or less or providing service to a yearlong population of 10,000 or less.
10. "Regional Project" is defined as projects that address regional water issues with 3 or more systems. A majority of the applicants in a regional project must meet the definition of a small community water system as defined above.

Chapter 2, Section 75022: Small Community Infrastructure Improvements for Chemical and Nitrate Contaminants (\$180 Million)

These funds may be used for grants for small community drinking water system infrastructure improvements and related actions to meet safe drinking water standards. Priority shall be given to projects that address chemical and nitrate contaminants, other health hazards and by whether the community is disadvantaged or severely disadvantaged. Special consideration shall be given to small communities with limited financial resources. Eligible recipients include public agencies and incorporated mutual water companies that serve disadvantaged communities. CDPH may make grants for the purpose of financing feasibility studies and to meet the eligibility requirements for a construction grant.

Small Community Infrastructure Improvement Specific Eligibility Criteria

1. The maximum grant for a project, including any associated feasibility grant is \$5 million. For a regional project each eligible participant is allowed \$5 million. The total amount of grant dollars awarded by CDPH to an applicant under Proposition 84, sections 75022 and 75025 will not exceed \$15 million. These limitations do not apply to funding from other agencies. Feasibility and eligibility costs are included as part of the 5 million cap.
2. Eligible project costs include the cost to meet applicable drinking water standards (primary and secondary)
3. A funding recipient must meet the following technical, managerial, and financial capacity requirements: consolidation, ownership, water rights and a budget projection.

4. In order to demonstrate conformance with water rights requirements, a funding recipient must demonstrate that it has the right to use the water supply for the life of the project, as applicable, to assure long term operation of the facilities constructed with grant funds.
5. Eligible applicants are small community water systems and public schools, which hold or have applied for a permit pursuant to Health and Safety Code section 116525.
6. The water system must be in noncompliance with a primary drinking water standard or notification level, or must be dependent on surface water and under orders from CDPH to boil water from existing treatment systems for parasites, viruses, or giardia.
7. Feasibility studies or construction projects are eligible. Construction projects may include connection fees to adjacent water systems.
8. The maximum amount for a feasibility study is \$500,000. Feasibility studies must be completed within 18 months following the funding agreement execution. The award of a feasibility study grant does not guarantee that a subsequent construction grant will be available or offered.
9. Projects will be assigned points in accordance to Table 1-75022. Projects will be ranked based on the number of points assigned to the proposal, with the largest points ranked highest. For proposals with the same number of points, projects will be ranked by their MHI. In this case the applicants with the lowest MHI will be ranked higher. Public schools eligible for funding will be assigned 10 points for the Applicant MHI criterion in Table 1-75022.
10. Consolidation projects may include costs necessary to improve applicant's distribution system to existing requirements of resulting water system, subject to grant limitations.

Advance Payment Criteria

Payment of up to twenty-five percent (25%) of the total grant amount provided under an executed funding agreement may be distributed in advance.

Table 1-75022 Ranking Points			
Applicant/Project Characteristic	Criteria	Points	
Regulatory Status of Principal* Contaminant Addressed	Chemical Contaminant w/ MCL	8	
	Surface Water System with Treatment and under Orders to Boil Water	6	
	Contaminant w/ PHG, but MCL not yet adopted	4	
	Contaminant with Notification Level	2	
	Other Microbial Contamination w/MCL	1	
Health Risk of Principal Contaminant Addressed	Acute effects, developmental effects, or effects from shorter-term exposures	4	
	Carcinogen by ingestion + effects from chronic, longer term exposures	3	
	Carcinogen by ingestion	2	
	Chronic effects	1	
Number of Contaminants in Drinking Water Supply Exceeding Primary MCL to be Addressed	4 or more contaminants	4	
	3 contaminants	3	
	2 contaminants	2	
	1 contaminant	1	
Applicant MHI	≤20% of Statewide MHI	10	
	20% < SMHI ≤ 40%	8	
	40% < SMHI ≤ 60%	6	
	60% < SMHI ≤ 80%	4	
	>80% SMHI	0	
Consolidation/ Interconnection	Number of Service Connections	≤ 500	> 500
	physical consolidation with another system, or	6	4
	interconnection (not consolidation) with another system, or	4	2
	managerial consolidation	3	1
Regional Projects	Projects that address regional water issues with 3 or more systems	2	

* Principal is defined as the contaminant with the highest regulatory compliance status and public health risk