

DIVISION OF FINANCIAL ASSISTANCE

DRINKING WATER STATE REVOLVING FUND

**DRAFT SFY 2019-2020 INTENDED USE PLAN (IUP)
INFORMATIONAL WORKSHOP/WEBINAR**

APRIL 30, 2019



PREVIEW

- ❖ INTRODUCTION
- ❖ BACKGROUND
- ❖ FINANCIAL OUTLOOK
- ❖ ANALYSIS & “FUNDABLE LIST”
- ❖ WHAT’S NEW & WHAT’S THE SAME
- ❖ IMPLEMENTATION & SCHEDULE
- ❖ SUBMITTING COMMENTS
- ❖ QUESTIONS

INTRODUCTION

- ❖ INTRODUCTION
- ❖ QUESTIONS DURING WEBCAST

DrinkingWaterSRF@waterboards.ca.gov

PROGRAM BACKGROUND

- ❖ **DWSRF EST'D IN 1996 BY SAFE DRINKING WATER ACT (SDWA) AMENDMENT**
 - Low interest loans and limited principal forgiveness to public water systems for drinking water improvements
- ❖ **STATE LOANS/GRANTS COMPLEMENT DWSRF**
 - DWSRF Policy and IUP applicable for DWSRF and complementary sources
 - Policy last amended February 5, 2019
- ❖ **PROJECTS ARE PRIORITIZED TO:**
 - Address most serious public health risk problems
 - Assist those most in need on per household affordability basis
 - Ensure compliance with SDWA requirements

IUP BASICS

❖ DRAFT SFY 2019 – 2020 DWSRF IUP

- [\(HTTPS://WWW.WATERBOARDS.CA.GOV/PUBLIC_NOTICES/COMMENTS/\)](https://www.waterboards.ca.gov/public_notices/comments/)

❖ CAP GRANT APPLICATION & FEDERAL REQUIREMENTS

❖ ANNUAL BUSINESS PLAN

- FINANCES
- STAFFING
- RESOURCES
- GOALS/APPROACH/REQUIREMENTS

RECENT DWSRF & COMPLEMENTARY FINANCING

	15-16	16-17	17-18	18-19
Number of Agreements	31	93	72	17 (Est'd)
\$, millions	331	307	336	250 (Est'd)

FI\$CAL

- New Commitments
 - Starting July 1, 2018
- Past Commitments (Pre-July 1, 2018)
 - Conversions Starting January 31, 2019
- Delays
 - Executing New Agreements
 - Final Budget Amendments & Other Amendments
 - Disbursements
- Mitigation Actions
 - Shift Staff Resources
 - Prioritize Conversions
 - Small SDAC & Small DAC
 - Pending Claims
 - Bundle Claims if Possible
- Estimated New Normal?
 - 2019-20

ELIGIBILITY

Eligibility May Depend on the
Applicant Type and the Funding Source

❖ ELIGIBLE APPLICANTS:

- Publicly Owned Community Water Systems (CWS)
- Privately Owned CWSs
- Nonprofit Non-CWSs

❖ ELIGIBLE COSTS:

- Planning Documents
- Project Design
- Construction
- Construction Management
- Administration
- Environmental Documents

FINANCIAL OUTLOOK

- **Sustainable DWSRF Loan Capacity**
 - Approximately \$420 Million per year

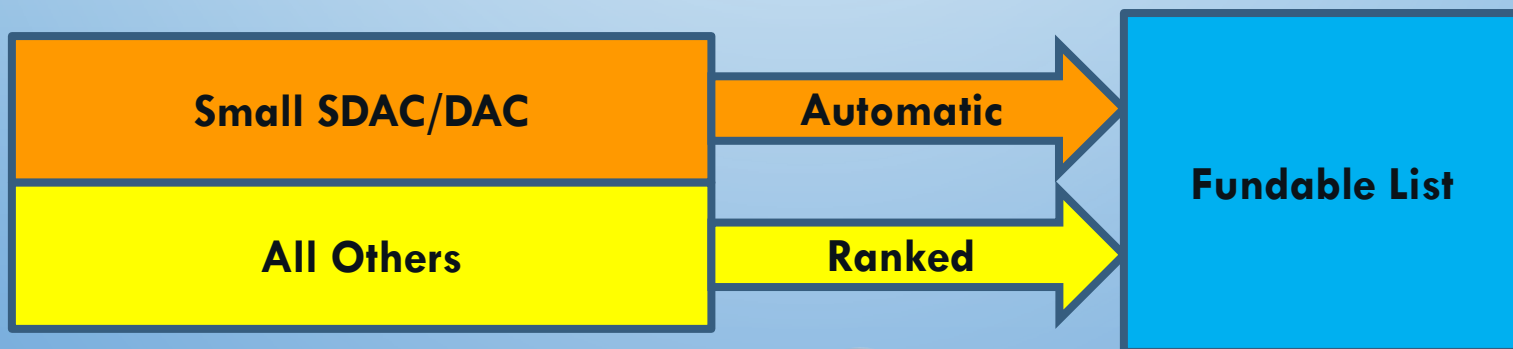
- **Complementary Funds**
 - SCG
 - Grant and PF = \$215 million
 - Groundwater
 - Grant = \$675 million
 - Round 2 Concepts early 2018
 - Additional solicitations 2019 and/or 2020

COMPREHENSIVE LIST OF APPLICATIONS

Application Status	# of Applications	Requested Amount
Existing Small SDAC & Small DAC Projects	98	\$189,110,000
New Small SDAC and Small DAC Projects (Automatically Added to Fundable List)	110	\$234,219,000
Projects Subject to Ranking (Requesting Placement on the Fundable List)	94	\$2,441,095,000
Total	302	\$2,864,424,000

THE FUNDABLE LIST

- ❖ **Fundable List Identifies Projects DFA Can Finance**
 - Only Projects on Fundable List Eligible
- ❖ **Increase Loan Demand**
 - Deputy Director May Add “Other” Projects Ready for an Agreement and Bypass “Other” Fundable Projects Not Making Sufficient Progress Toward an Agreement



SMALL DISADVANTAGED COMMUNITIES

❖ **AUTOMATICALLY ON FUNDABLE LIST**

- Applications not scored or ranked
- Initial eligibility screening by DFA staff
- Eligibility re-checked/confirmed prior to funding by DFA staff

❖ **SMALL COMMUNITY GRANT (SCG) FUNDING**

- Current demand exceeds funding available
- DFA staff qualifies applications for all available funding sources
- Based on readiness to proceed and availability of funding
- Prioritizing construction projects

SMALL DISADVANTAGED COMMUNITIES

❖ **SMALL COMMUNITY WATER SYSTEM (SCWS)**

- ❖ Serves $\leq 3,300$ service connections or a yearlong population $\leq 10,000$ persons

❖ **DISADVANTAGED COMMUNITY (DAC)**

- Service Area has an MHI $< 80\%$ of the Statewide median household income.

❖ **SEVERELY DISADVANTAGED COMMUNITY (SDAC)**

- Service Area has an MHI $< 60\%$ of the Statewide median household income.

➔ Eligible for grant/principal forgiveness

SMALL DISADVANTAGED COMMUNITIES

❖ EXPANDED SCWS

- Serves $> 3,300$ and $\leq 6,600$ service connections or a yearlong population of $> 10,000$ and $\leq 20,000$ persons; and
- May be Eligible for grant/principal forgiveness if serves an SDAC

❖ TECHNICAL ASSISTANCE FOR SMALL DAC & SDAC

- TMF Assessments
- Funding Application Assistance
- Rate Studies
- Income Surveys
- Legal Assistance

SMALL DISADVANTAGED COMMUNITIES

PLANNING GRANT ELIGIBILITY CRITERIA

Total Eligible Planning Project Cost	Interest Rate	Loan Term	Maximum Grant/Project
≤ \$500,000	n/a	n/a	\$500,000
> \$500,000	0%	Up to 5 years	\$500,000

SMALL DISADVANTAGED COMMUNITIES

CONSTRUCTION GRANT ELIGIBILITY CRITERIA

Affordability Criteria		Maximum Principal Forgiveness, Grant or Combination per Construction Project		
Type of Community Served by CWS	Residential Water Rates as a percentage of MHI	Percentage of Total Eligible Project Cost	Maximum Amount / Construction Project	Maximum Amount per Connection / Construction Project
DAC	<1.5%	Not Eligible for Principal Forgiveness, Grant or Combination		
	≥1.5%	Up to 100%	\$5 million	\$30,000
SDAC	n/a			

FUNDABLE LIST SUMMARY

Summary	Number of Projects	Estimated Project Cost	Estimated DWSRF Loan	Estimated PF/Grant Amount
Small Water System Planning	80	\$33.8	\$0.5	\$33.4
Large Water System Planning	4	\$2.7	\$2.2	\$0.5
Small Water System Construction	116	\$356.8	\$84.7	\$269.3
Large Water System Construction (Including Expanded SWS)	50	\$2,263.5	\$1,093.8	\$65.8
TOTAL	250	\$2,656.9	\$1,181.3	\$368.9

❖ **ESTIMATED COSTS IN MILLIONS**

WHAT'S NEW?

❖ DWSRF POLICY AMENDMENT

- Debt Service Coverage
 - Increased Senior and Parity Coverage from 1.1 to 1.2 times
 - Lowered Subordinate Coverage to 1.0 times

❖ FUNDABLE LIST

- All Small DAC & Small SDAC projects automatically added to the Fundable List
- Other Fundable List projects not making progress to a Financing Agreement may be bypassed

❖ UPDATED FORMS (COMING SOON TO A WEB SITE NEAR YOU)

- General Application
- Technical Application
- Financial Application
- Application Instructions

WHAT'S NEW? (CONT.)

❖ **EXTENDED PLANNING FINANCING TERMS**

- Added option to request 10 – year term
- 5 or 10 year term at Applicant's request

❖ **EXTENDED CONSTRUCTION FINANCING TERMS**

- DAC/SDAC – 40 years or Project useful life
- All Others – 30 years or Project's useful life

❖ **LOAN REPAYMENT**

- Repayment on future loans will be annual, not semi-annual
- 1st Principal & interest payment after project completion:
 - 12 months for non-DAC/SDAC
 - 18 months for DAC/SDAC
- Pre-Payments Require DFA Deputy Director Approval

WHAT'S THE SAME

❖ **MATCH FINANCING AVAILABLE**

- Effective rate on 30-year match loan is 1.2%

❖ **APPLICATION PROCESS**

❖ **APPLICATIONS ACCEPTED CONTINUOUSLY**

- Will assist & review as applications are submitted

❖ **FUNDABLE LIST NOT A GUARANTEE OF FUNDING**

- Must meet all eligibility criteria for funding

❖ **RETROACTIVE PLANNING & DESIGN ELIGIBILITY**

- Project planning & design costs remain eligible regardless of when incurred
 - Must still be documented

IMPLEMENTATION

- ❖ **EXECUTE ALL FUNDABLE AGREEMENTS BY JUNE 30, 2020**
 - Applications not funded will roll over to 2020-21 List
- ❖ **MID-YEAR STATUS REPORT**
 - Progress towards executing agreements
- ❖ **STATUS REPORTS**
 - Individual monthly application status reports on Fundable projects
 - Modify web status report to provide additional information

SCHEDULE

Item	Date
Draft IUP Posted for 30-Day Public Comment	May 3, 2019*
Deadline to Submit Written Comments	Noon, June 3, 2019*
Board Meeting – Consider Adoption of IUP	June 18, 2019
Execute Agreements for All Projects on Fundable List	June 30, 2020

* *Estimated date*

SUBMITTING COMMENTS

❖ DETAILS ON “NOTICE OF OPPORTUNITY TO COMMENT”

❖ WRITTEN COMMENTS

- DUE NOON, JUNE 3, 2019*

** Estimated date*

- USE SUBJECT LINE “COMMENT LETTER – JUNE 18, 2019 BOARD MEETING – FFY 2019 DWSRF IUP”
 - JEANINE TOWNSEND, CLERK TO THE BOARD
STATE WATER RESOURCES CONTROL BOARD
1001 I STREET, 24TH FLOOR
SACRAMENTO, CA 95814
 - < 15 MEGABYTES, EMAIL COMMENTLETTERS@WATERBOARDS.CA.GOV
 - > 15 MEGABYTES, FAX TO (916) 341-5620
 - COURIERS CHECK IN WITH CALEPA BUILDING SECURITY PERSONNEL

❖ ORAL COMMENTS

- AT JUNE 18 BOARD MEETING

QUESTIONS

DRINKINGWATERSRF@WATERBOARDS.CA.GOV

