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

❖ INTRODUCTIONS

❖ QUESTIONS DURING WEBCAST

Drinking Water SRF @ 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/)

- CAP GRANT APPLICATION & FEDERAL REQUIREMENTS

- ANNUAL BUSINESS PLAN
  - FINANCES
  - STAFFING
  - RESOURCES
  - GOALS/APPRAOCH/REQUIREMENTS
## Recent DWSRF & Complementary Financing

<table>
<thead>
<tr>
<th></th>
<th>15-16</th>
<th>16-17</th>
<th>17-18</th>
<th>18-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Agreements</td>
<td>31</td>
<td>93</td>
<td>72</td>
<td>17 (Est’d)</td>
</tr>
<tr>
<td>$, millions</td>
<td>331</td>
<td>307</td>
<td>336</td>
<td>250 (Est’d)</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Application Status</th>
<th># of Applications</th>
<th>Requested Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Small SDAC &amp; Small DAC Projects</td>
<td>98</td>
<td>$189,110,000</td>
</tr>
<tr>
<td>New Small SDAC and Small DAC Projects (Automatically Added to Fundable List)</td>
<td>110</td>
<td>$234,219,000</td>
</tr>
<tr>
<td>Projects Subject to Ranking (Requesting Placement on the Fundable List)</td>
<td>94</td>
<td>$2,441,095,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>302</strong></td>
<td><strong>$2,864,424,000</strong></td>
</tr>
</tbody>
</table>
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 ≤ 3,300 service connections or a yearlong population ≤ 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 ≤ 6,600 service connections or a yearlong population of >10,000 and ≤ 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

<table>
<thead>
<tr>
<th>Total Eligible Planning Project Cost</th>
<th>Interest Rate</th>
<th>Loan Term</th>
<th>Maximum Grant/Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $500,000</td>
<td>n/a</td>
<td>n/a</td>
<td>$500,000</td>
</tr>
<tr>
<td>&gt; $500,000</td>
<td>0%</td>
<td>Up to 5 years</td>
<td>$500,000</td>
</tr>
</tbody>
</table>
## Construction Grant Eligibility Criteria

<table>
<thead>
<tr>
<th>Affordability Criteria</th>
<th>Maximum Principal Forgiveness, Grant or Combination per Construction Project</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Community Served by CWS</strong></td>
<td><strong>Residential Water Rates as a percentage of MHI</strong></td>
</tr>
<tr>
<td>DAC</td>
<td>&lt;1.5%</td>
</tr>
<tr>
<td></td>
<td>≥1.5%</td>
</tr>
<tr>
<td>SDAC</td>
<td>n/a</td>
</tr>
</tbody>
</table>
# Fundable List Summary

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

 ❖ 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
<table>
<thead>
<tr>
<th>Item</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft IUP Posted for 30-Day Public Comment</td>
<td>May 3, 2019*</td>
</tr>
<tr>
<td>Deadline to Submit Written Comments</td>
<td>Noon, June 3, 2019*</td>
</tr>
<tr>
<td>Board Meeting – Consider Adoption of IUP</td>
<td>June 18, 2019</td>
</tr>
<tr>
<td>Execute Agreements for All Projects on Fundable List</td>
<td>June 30, 2020</td>
</tr>
</tbody>
</table>

*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