

California Department of Public Health (CDPH)  
Division of Drinking Water and Environmental Management (DDWEM)  
**Safe Drinking Water State Revolving Fund (SDWSRF)**  
**Draft Amended 2012-2013 Intended Use Plan (IUP)**

**RESPONSES TO COMMENTS**

The CDPH posted to its website a notice dated February 15, 2013, regarding the availability of the Draft Amended 2012-2013 IUP for public review and comment. The notice established that written comments would be accepted no later than 5 p.m. on March 18, 2013.

During the public review and comment period from February 15 to March 18, 2013, CDPH received three written comments via email:

1. A letter from the following:
  - Phoebe Seaton, California Rural Legal Assistance, Inc.(CRLA)
  - Omar Carrillo, Community Water Center (CWC)
  - Jennifer Clary, Clean Water Action (CWA)
  - Colin Bailey, Environmental Justice Coalition for Water (EJCW)
2. A letter from Paul Boyer, Self-Help Enterprises, and
3. A letter from Mark Dellinger, County of Lake

**Responses to Specific Comments:**

I. Comments from CRLA, CWC, CWA, and EJCW:

**Comment 1:**

*IV. SDWSRF LOAN PROGRAM DESCRIPTION AND GOALS*

*A. California SDWSRF Long Term Goals*

...

*1. Ensure that all PWSs provide ~~an adequate, reliable supply of safe, clean drinking water~~, safe, clean, affordable, and accessible drinking water and achieve and maintain compliance with the SDWA and state standards.*

...

*3. Reduce Cost of Drinking Water*

*SDWSRF funding helps water systems minimize cost of supplying ~~reliable, safe drinking water~~ safe, clean, affordable, and accessible drinking water by providing [affordable financing]...*

**Response 1:**

The context of this section indicates CDPH's long term goal which is to ensure that all public water systems (PWSs) provide an adequate, safe and reliable supply of drinking water. The suggestion of changing the language in the IUP is appreciated, and CDPH fully supports policies to reach those goals. However, the CDPH SDWSRF program does not have the authority or capacity to ensure that PWSs provide "affordable" and "accessible" drinking water, so those added components are not applicable to the goals in the IUP. CDPH with SDWSRF funding will continue to help PWSs minimize costs of supplying reliable, safe drinking water by providing affordable financing which is CDPH's long term goal #3.

Assembly Bill (AB) 685 Section 106.3 states (a) "It is hereby declared to be 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." (b) "All relevant state agencies, including..., the State Department of Public Health, shall consider this state policy when revising, adopting, or establishing policies, regulations, and grant criteria..." CDPH has certainly considered this state policy, within its authority, when revising, adopting or establishing policies, regulations, and grant criteria. Assembly Bill (AB) 685 does not require CDPH to use the exact language in the bill when writing its policies.

**Comment 2:**

*V. SDWSRF SET-ASIDE PROGRAM DESCRIPTION AND GOALS*

...

*B. Water System Technical, Managerial, and Financial (TMF) Capacity Development*

...

*CDPH plans to will work on multiple fronts to coordinate staff and resources of its headquarters office and field offices, along with local health departments and CDPH's third-party contractors, to target and address the needs of these systems. As part of this Implementation Plan, CDPH will provide ongoing specialized and targeted training to internal and external personnel (i.e., third-party contractors and LPAs), and disseminate program specifics to community stakeholders, specialized in assisting small water systems. Increased collaboration internally and between partners will ensure program success, and should include development and distribution of informational material, such as facts sheets and FAQ's on program eligibility and benefits. Further, CDPH will allocate resources to ensure that the targeted water systems are provided assistance in establishing appropriate water rate structures and that these systems are brought up to a level of technical, managerial, and financial capacity that will enable them to sustain compliance into the future.*

**Response 2:**

CDPH appreciates the constructive suggestions included in this comment, and would be pleased to work collaboratively with community organizations and partners on some of them. The proposed language change, however, is not appropriate for the IUP. While CDPH will continue to assist targeted systems in their efforts achieving the technical, managerial and financial capacity to come into compliance and remain in compliance, CDPH cannot ensure such outcome.

CDPH has an on-going training program provided by third-party contractors to provide the necessary training for external personnel as well as internal staff so that they can carry out the necessary work to ensure the water served by PWSs is safe for human consumption.

As an on-going effort, CDPH frequently holds stakeholders meetings to communicate and disseminate program specifics. CDPH's funding website at <http://www.cdph.ca.gov/services/funding/Pages/SRF.aspx> has numerous links to additional information and guidelines on program eligibility and benefits. Contact information is also provided on the website for the public to contact the program for more information if it is not already on the website. CDPH continues to evaluate its funding websites to make them more user-friendly.

**Comment 3:**

*Clarifying Questions:*

- 1. Please clarify how communities are added to this program list and any criteria that may be probative.*
- 2. What factors caused the number of communities on the program list to expand over the past few months?*
- 3. What is CDPH's community outreach strategy for this program?*
- 4. What steps will be taken to ensure eligible communities, especially DACs, participate in this program and provided the technical assistance so that they are able to take advantage of the resources available through it?*

**Response 3:**

1. To clarify, CDPH assists communities via its authority to regulate public water systems (not communities). Public water system is defined as "a system for the provision of water for human consumption through pipes or other constructed

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conveyances that has 15 or more service connections or regularly serves at least 25 individual daily at least 60 days out of the year.” (Health and Safety Code 116275(h)). The list contains community water systems that serve under 1000 service connections and violate a health based standard. To create the list, CDPH started with the Annual Compliance Report data. The list then got shortened after confirming existing violations utilizing input from internal databases, along with the field offices and funding programs. To narrow down the focus of the violations, the list only includes primary maximum contaminant level (MCL) violations at the source and surface water treatment technology violations. The list excludes the following: schools or other non-community water systems; disinfection byproducts violations; Total Coliform Rule violations; Lead and Copper Rule violations; and monitoring/reporting violations.

2. In pulling all of the data together to make the Small Water System Program Plan List, some systems were inadvertently removed. In coordinating input from several groups, there was confusion over which systems belonged on the list. Some thought systems in the funding process or systems on their way to compliance didn't belong on the list. Although some systems didn't initially appear on the list, CDPH already recognized these systems and had made steps to push them toward compliance. CDPH's funding programs already included most of these systems.
3. CDPH participates at CFCC funding fairs, offers CalTAP workshops and various training. Outreach activities are provided through third party technical assistance providers once the water systems have been identified and placed on the program list. CDPH welcomes the ideas and assistance of non-profits and other organizations to expand outreach.
4. While CDPH cannot ensure participation of a targeted PWS, CDPH will continue to take multiple steps to strongly promote/encourage participation. Some of the steps are as follows:
  - CDPH staff and county drinking water programs will evaluate the overall condition of the infrastructure of the targeted water systems, and will identify deficiencies that should be addressed in a funding project.
  - CDPH staff will ensure that an enforcement action (citation or compliance order) has been taken against all of the targeted small water systems. The enforcement action will include a requirement to submit funding applications and relevant documents. Note that enforcement action may be taken without assessment of fines or penalties; but do require public notice to consumers of the water system's compliance issues.

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- CDPH provides the list of targeted small water systems to third-party contractors, so that they may prioritize assistance to these systems. The third-party contractors reach out to the water systems regarding the availability of funding, technical assistance services, and local assistance fairs/events.
- CDPH invites water systems to submit full applications for funding, and tracks whether the water system responds to the invitation. If a water system does not respond to the invitation, CDPH Field Offices, local health departments, and third-party contractors will work together to follow-up with the water system.
- Water systems that need assistance in preparing and submitting a complete application are referred to third-party contractors.
- CDPH staff and county drinking water programs assist targeted water systems to evaluate the possibility of consolidation.
- CDPH and third-party contractors assist water systems timely to address any issues or deficiencies identified by CDPH in the funding application as soon as possible.
- If a targeted water system does not submit an application, CDPH staff will identify the reason(s) and request a third-party contractor to provide assistance. Third-party contractors will follow up with water systems to assist them to address issues prior to the next funding invitation.
- CDPH staff and local health departments will take further enforcement action on a water system that doesn't follow the directives of the initial enforcement action by failing to develop a compliance plan or apply for funding.
- CDPH will expand technical resources by launching a website specifically for small water systems, including compliance tips, treatment technology explained in simple terms, guidance for selecting qualified engineering and environmental consultants, newsletters, and links to training material and funding opportunities.
- CDPH, local health departments, and contractors will provide follow up assistance to ensure sustained compliance by water systems.

Please see the Small Water System Program Goal Implementation Plan at the following web address for the comprehensive plan and steps.

<http://www.cdph.ca.gov/certlic/drinkingwater/Documents/SWS/2013/Small%20Water%20System%20Implementation%20Plan.pdf>

### **Comment 4:**

*E. Local Assistance Set-aside – Pre-Planning and Legal Entity Formation Assistance Program*

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*...The legal entity must have authority to own/operate a PWS and assess rates and charges for domestic water supply or have authority to agree to consolidate with an existing PWS. Consolidating water systems creates economies of scale, lowering the individual costs to each residential customer, making water systems more affordable to operate and maintain. Consolidating water systems involves multiple communities joining together to solve similar water problems using a regional approach. Eligible applicants for the funds are existing PWSs, public agencies such as county planning departments or Local Agency Formation Commissions (LAFCO), public colleges/universities, and non-profit organizations that can enter into a funding agreement with CDPH and can demonstrate their ability to carry out the proposal. Regional projects often include multiple entities that are in state drinking water compliance and others that are in violation. In some cases, the lead applicant applying for the regional water system is in compliance with drinking water standards while the smaller systems not designated as the lead applicant are in violation. In this case the regional project benefiting all parties, including those in violation, can apply. In this case, a joint application would be eligible for funding.*

*Through the preplanning process, CDPH staff will work with the project to ensure that, after completing pre-planning, the project will be eligible for SDWSRF funding, including planning funds for a cost-effective long-term solution.*

**Response 4:**

SDWSRF funding is only available to existing publicly-owned and privately-owned community water systems and non-profit non-community water systems. The Pre-Planning and Legal Entity Formation Assistance Program provides grant funding to communities or specified entities applying on their behalf to (1) form an eligible legal entity to apply for and receive further funding assistance for planning and/or construction; (2) form a PWS; or (3) be part of a nearby PWS. It is not to expand or otherwise determine eligibility criteria, and therefore the recommended texts are not relevant in this section of the IUP.

The primary focus of the Pre-planning program is to explore/investigate potentially available existing entities (governing bodies) which would have, or could have, the necessary authority to undertake planning, construction and operation of a project to solve the drinking water problems of the targeted area or community. In some cases the result would be the identification or creation of a regional authority, identification of an existing authority (PWS) which could extend service, or the creation of a new governing authority. In cases where a community is geographically isolated, a new governing entity would need to be created.

CDPH intends to provide more details with the application regarding the necessary authority a governing entity must have. Once the appropriate governance (legal entity)

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is identified (or formed), that governing entity could move into the regular process for planning and construction funding.

With regard to regional projects, the exploration of an appropriate governance structure with the required authorities is an eligible project under this set-aside. The eligible applicant could use the funds for activities such as identification of the affected areas with a water source(s) that exceeds primary drinking water standards, exploration and identification an appropriate regional governing authority for the affected area, conducting public outreach including obtaining written commitments from the individual homeowners and/or existing public water system(s) to become part of the governance, and formation of the entity if there is sufficient public support (at least 15 service connections)

The use of this Pre-planning set-aside will not be necessary for entities that already meet the eligibility requirements for accessing planning or construction funding. These set aside funds are designed to be used for activities or purposes that otherwise cannot be funded with the SDWSRF planning/construction funds; and that are necessary to enable the targeted area/community(ies) to access SDWSRF project funding.

### **Comment 5:**

#### *Clarifying Questions:*

*1. How will CDPH ensure that programs that are developed at the pre-planning stage are expedited through the application, contracting, and funding award processes for the remaining steps? We are concerned about this creating additional time lag by creating a separate funding step for communities to go from 1) pre-planning funding processes, to 2) planning application and funding processes, to 3) construction application and funding processes.*

*2. How will CDPH track and evaluate the success of this program? How will CDPH track the average time communities take getting from pre-application phases to completion of a project to ensure this new program is advancing better solutions more quickly, rather than slowing down the process?*

*3. Why not just move all planning grants into the local-assistance set aside program and allow more flexible eligibility requirements for all planning grants? Why is it necessary or beneficial to create a 3rd layer of funding application and contracting processes to address this pre-planning separately from planning?*

### **Response 5:**

1. The Pre-Planning program is not intended as an additional or separate funding step. It is intended to assist communities with the stated violations that cannot access SDWSRF funding due the lack of an eligible legal entity. The pre-planning funds are

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to assist communities in forming an eligible entity. Once the SDWSRF eligible legal entity is formed, the standard SDWSRF funding process applies, i.e. submit a pre-application, get ranked on the SRF PPL, receive an invitation to apply, etc. By forming a legal entity with the required authorities for entering into a contract prior to submission of a funding application, the application can be processed without delays resulting from the lack of a legal entity.

2. As mentioned in the draft amended 2012-2013 IUP, CDPH is piloting the Pre-Planning program to reach out to communities that do not have access to safe drinking water and are not eligible to participate in the SDWSRF funding process. The program would be a success if any of these communities eventually become eligible for SDWSRF funding. The time it takes to explore forming an eligible entity and/or a PWS will depend on many factors including the willingness of eligible participants, the ability to carry out all tasks and requirements of formation of a legal entity, and whether forming a PWS with the required TMF capacity or being a part of such PWS is feasible. This new program is to explore solutions for potentially eligible communities where there has been no apparent feasible solution. CDPH will re-evaluate this program each year to ensure that it meets all aspects of the SDWSRF program goals, and will revise it as indicated by such review.
3. Local-assistance set asides are designed to be used for activities or purposes that otherwise cannot be funded with the SDWSRF planning/construction funds. There are specific requirements and restrictions on how SRF planning/construction funds as well as how set-asides may be used. More importantly, in order to provide an eligible applicant or applicants with funding (planning and/or construction) CDPH must be able to enter into an enforceable contract which in turn requires that there be some entity with legal authority to enter into a contract with CDPH and with legal authority to act on behalf of the community served by applicant PWSs or to be served by a PWS created with the SDWSRF funding – this new pre-planning approach does just that.

In summary, the pre-planning set-aside leverages funds otherwise not available for projects in order to expedite the process of becoming ready to apply for SRF funded projects. For those communities that need such assistance, this will avoid delays in getting grants or loans for the infrastructure needed to provide safe drinking water – the opposite of the concerns expressed.

### **Comment 6:**

#### *VI. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS*

##### *C. Consolidation Promotion Incentives*

...

***In order to take advantage of these incentives, a PWS would need to demonstrate agreement between/among consolidating entities and would need to agree to submit an application when invited to do so. Also, a comparative analysis comparing the financial benefits between a full and physical consolidation for systems should be performed. The analysis should outline both***



*short and long-term benefits, mainly cost savings and reflect an appropriate long-term cost structure that does not disproportionately financially burden the smaller more disadvantaged water system. Additionally, unless consolidation is demonstrated to be the most cost effective solution for the PWS with the higher ranked problem and consolidation of the PWS with the higher ranked problem occurs as part of the funded project, the PWS with the project in a lower ranking is not eligible for funding. This requirement is intended to assure that the re-ranked projects proceed expeditiously to solve the most serious health-based problems on the PPL.*

**Response 6:**

California Code of Regulations, Title 22 (22 CCR), Section 63000.17 defines consolidation project as “a project that involves the restructuring of two or more water system into a single public water system through physical consolidation of the water systems.” 22 CCR, Section 63000.81 further defines restructured water system as “the single public water system that results from the consolidation of two or more water systems.” Based on the above definitions, the consolidating PWS will cease to exist and only the restructured PWS survives after consolidation project completion. CDPH agrees that a consolidation project which addresses a total combined distribution system for all project participants (‘full’ consolidation) is optimal if that is most feasible and affordable. However, a project that provides a reliable and affordable supply of safe drinking water to those participants’ respective service areas, is the primary goal of SDWSRF funding and should not be defeated if ‘full’ consolidation is not feasible or immediately achievable.

**Comment 7:**

*Clarifying Questions:*

- 1. What sort of agreement is required between water systems that would be acceptable to CDPH to ensure applicant eligibility? Please provide examples or guidelines.*
- 2. Will participants in this program be eligible for both planning and construction grants? What if the two systems are at different stage of addressing long-term solutions?*

**Response 7:**

1. CDPH policy strongly encourages consolidation as an effective and sustainable method to address public health concerns. Though consolidation is often the most cost-effective long term solution for solving a public health problem, in order for consolidation to take place, the PWSs that are involved in the consolidation must be willing participants. For the purpose of re-ranking of the incentive to a higher ranking (Categories A through G), a letter stating the intent of consolidation that is signed by all parties or separate signed letter from each PWS is required. More detailed requirements and information will be in the “Guidelines for Consolidation Incentive Projects,” which will be available at implementation.

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2. All projects on the PPL are eligible for SDWSRF grant/loan funding for either planning or construction or both. Once the planning project proves that consolidation is the most cost-effective solution, the construction project would be funded. Grant/loan determination depends upon the median household income for the each PWS' service area. It is possible for projects to move at different pace. However, certain conditions will have to be in placed to ensure consolidation project occurs in a timely manner.

II. Comments from Self-Help Enterprises:

**Comment 8:**

*Self-Help Enterprises supports the targeting of at least 15% of DWSRF funding to systems serving less than 10,000 people. In addition, we support targeting the smallest systems where funding has the greatest effect on user rates within that 15%.*

**Response 8:**

Thank you for supporting EPA's and CDPH's goals targeting the small PWSs where help are needed the most.

**Comment 9:**

***Page 8 (V.B.)***

*- CDPH has created a list of small community PWSs with fewer than 1,000 service connections that are in violation of at least one health-based drinking water standard.*

- *This list has left out several disadvantaged and severely disadvantaged small public water systems with Nitrate, Arsenic and Uranium MCL violations.*

***- Recommendations:***

- *Update the list to include qualifying PWSs.*

**Response 9:**

CDPH has sent a letter to Self-Help Enterprises requesting the list of systems referred to in the comment for review and will include those systems if they are deemed applicable.

**Comment 10:**

***Page 9 (V.E.)***

***E. Local Assistance Set-aside - Preplanning and Legal Entity Formation***

***Assistance Program:***

*- There are many communities and areas that can benefit from this proposed program. These funds will certainly help since entity formation costs have been restricted and/or denied in some State funded projects in the past.*

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### **- Recommendations:**

- *This Program funding should be broad and flexible to allow inclusion of non PWS, PWS and properties dependent on private wells, if they are in the geographic and/or potential service area and want to participate in a regional entity.*
- *Flexibility should be allowed for Project funds to cover different outcomes (example: Annexation, Regional interconnection and Consolidation).*

"Eligible applicants for the funds are existing PWSs, public agencies such as county planning departments or Local Agency Formation Commissions (LAFCO), public colleges/universities, and nonprofit organizations that can enter into a funding agreement with CDPH and can demonstrate their ability to carry out the proposal."

- *Can applicant's out of pocket expenses for grant implementation such as staffing, travel, water sampling, etc. be considered as eligible for reimbursement?*
- *A project may ultimately move forward, but in a different way than originally anticipated due to the information gathered and decision of the communities. Flexibility should be allowed for funds to pay for different outcomes (example: annexation, entity formation, regional interconnection and consolidation).*

### **- Recommendation:**

- *Allow funding to cover project staffing, mileage and related costs.*
- *Flexibility should be allowed for Project funds to cover different outcomes (example: annexation, regional interconnection and consolidation).*

"Eligible proposals will be reviewed and selected by a panel consisting of CDPH funding program and district office staff."

. *How often will this panel meet?*

. *By what criteria will Projects be selected?*

### **- Recommendation:**

- *Provide details on the selection criteria that will be used to score and/or select Projects.*

## **Response 10:**

CDPH will consider these recommendations in developing the criteria and guidelines during implementation phase of the Pre-planning set aside program. Details will be available on CDPH funding website.

Eligible proposals will be reviewed and selected by a panel consisting of CDPH funding program staff and district office staff. The panel will meet once to establish criteria for evaluating proposals, and once each funding cycle to review proposals, subject to the availability of funds.

The primary focus of the Pre-planning program is to explore potentially available existing entities which would have, or could have, the necessary authority to undertake

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planning, construction and operation of a project to solve the drinking water problems of the targeted area or community. In some cases the result would be the identification or creation of a new governing authority including regional authority. In cases where a community is geographically isolated, a new governing entity would need to be created.

With regard to regional projects, the exploration of an appropriate governance structure with the required authorities is an eligible project under this set-aside. The eligible applicant could use the funds for activities such as identification of the affected areas with a water source(s) that exceeds primary drinking water standards, exploration and identification an appropriate regional governing authority for the affected area, conducting public outreach including obtaining written commitments from the individual homeowners and/or existing public water system(s) to become part of the governance, and formation of the entity if there is sufficient public support (at least 15 service connections)

**Comment 11:**

*Page 10 (VI.)*

***VI. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS***

*"Projects may only be added to the PPL following public notice and hearing, or in case of "emergency" as described in Section VI, Part B.2, a 30-day public notice."*

- *A required 30 day public notice will slow implementation of Emergency repairs & projects. People cannot survive long without water.*

***- Recommendation:***

- *Emergency Projects: Eliminate the 30 day public comment process and replace with an emergency notification posting.*

*Page 13 (VI.B.2. and C.)*

***B. Process for Adoption of the SDWSRF PPL***

***2. Emergency Process:***

*- "The list will be posted for 30-day public comment prior to being adopted into the comprehensive SDWSRF PPL. Invitation to submit a full application will be automatically extended for SDWSRF funding for a cost effective long-term solution.*

*Emergency projects will be subject to all applicable SDWSRF requirements including environmental review. Emergency projects will be processed in the order their complete applications are received and in the same manner as other SDWSRF projects in the pipeline."*

*- It is difficult to resolve an "emergency" where people are without water and there is a need for immediate action when the process requires:*

- *A 30 day public comment period;*
- *An environmental review;*
- *The submission of a full application; and*
- *Processing emergency projects in the same manner as other SDWSRF projects.*

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### **- Recommendation:**

- *Set up the SRF Emergency process similar to the State Prop 84 Emergency Water Supply Process.*
- *Emergency Projects should be exempt from;*
  - *30 day public bidding process, (Obtain bids within a very restricted timeframe)*
  - *Lengthy environmental review, (for example: Statutory exemption per CEQA guidelines section 15269)*
  - *State Prevailing and Davis Bacon Wage and Labor Compliance monitoring requirements,*
  - *As well as other regulations preventing a speedy correction of the "Emergency".*

### **Response 11:**

The emergency process indicated in the IUP is not for interim solutions; therefore, the recommendations are not applicable. The amended IUP is simply proposing a process change to enable a PWS that experienced an emergency event, to submit a pre-application for SDWSRF funding for a cost-effective long-term solution to the problem caused by such event, without having to wait for an open Universal Pre-application period. CDPH will review the pre-application and place it on the SDWSRF PPL if appropriate, and send an invitation to the PWS to submit an application following the 30-day public comment period. This expands the ability to use SDWSRF funds for long-term solutions resulting from emergencies.

CDPH has no authority to waive statutory State prevailing wage requirements, nor the federal Davis Bacon wage requirements.

### **Comment 12:**

*Page 13 (VI.B.2. and C.)*

#### ***C. Consolidation Promotion Incentives***

*"... A PWS with a project ranked in a lower PPL category (less serious health concern) that agrees to physically consolidate a PWS with a higher ranked project could be reranked into the same PPL category as the PWS with the higher ranked problem." ....*

- *This is a great incentive for Consolidation projects.*
- *In addition, interconnection projects bring systems together that will often, in time, consolidate into one system. Regional systems can take years to consolidate as systems work out local consolidation and representation issues as multiple systems and communities agree to be part of one system. Interconnection to provide clean water and ultimately consolidation would not be possible without financial help from the SRF.*
- *It seems that eliminating water purveyors takes precedence over helping communities obtain a safe and sustainable water supply.*

### **- Recommendation:**

- *We recommend the SRF be given greater flexibility by allowing Projects that Interconnect, to be encouraged in a similar way as Consolidation Projects.*

**Response 12:**

PWSs with a health based problem often lack TMF capability to provide drinking water that meets state and federal standards. Interconnection may provide safe and potable drinking water for short term, but over the long term, these PWSs may not be able to maintain compliance on their own. The SDWSRF program, with its goal of solving problems for these PWSs for the long term, places an emphasis on encouraging consolidation, not just interconnection. However, if a project to interconnect one or more PWSs is a long-term cost-effective solution, and if the participating PWSs have required TMF capacity and meet other SDWSRF requirements, the project may be eligible for funding.

**Comment 13:**

*Page 14 (VI.D.)*

***D. Use of the Project Priority List***

*"As part of CDPH's efforts to reduce the un-liquidated obligations. CDPH strives to fully obligate all available funds for each fiscal year."*

*- This is great! Speeding up preparation and approval of both Planning and Construction Funding Agreements would allow for obligation of more SRF funds and enable faster completion of Projects. It would also allow Projects to obtain matching Project funds earlier.*

*"CDPH may invite projects in lower categories when there are not enough projects in categories A to G ready to proceed to construction."*

*- We recognize the State's need to disburse funds in a timely fashion. However Projects "Ready to proceed" are often ones that can afford to fund their own planning and design and thus move to the front of the line.*

*- Disadvantaged community water systems rely on State funds to pay for the required Project planning and design work. The SRF application process and funding agreement issuance can take years to implement.*

***Recommendation:***

- *Expedite funding for small disadvantaged water systems.*
- *Quick processing of the application review/approval and issuing of State SRF funding agreements for DAC projects is needed.*

**Response 13:**

CDPH continues to work on improving the application review and approval process so that funding agreement issuance can be timely, especially for DAC projects. Technical assistance via third party contractors has been provided to DAC water systems to get through the funding process. However, there are conflicting objectives/requirements

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that CDPH has been trying to balance and will continue to do so. Funding of large and/or “ready to proceed” projects does not diminish CDPH’s ability to fund small projects or those that require more time and assistance to become “ready to proceed”.

**Comment 14:**

*Page 17(VII.)*

**VII. PROGRAM TO PROVIDE ASSISTANCE TO PWSS SERVING DISADVANTAGED COMMUNITIES**

*- Short term Planning loans (less than 5 years) particularly on small DACs are burdensome and expensive to DAC users. System users see no tangible benefits. It is especially difficult to require repayment of a loan when there is no system to generate fees for loan repayment.*

***Recommendation:***

- *Allow 100% loan forgiveness to all DAC’s using Planning Funds.*
- *This will allow DAC projects to move forward to construction much faster.*

**Response 14:**

Planning funding is available to water systems with up to 80% loan forgiveness for DACs and up to 100% for severely DACs. State law provides up to 100 percent principal forgiveness only for severely DACs. Because the SDWSRF is intended as a perpetual source of funding for PWS infrastructure projects, it is important to balance the revolving nature of the fund (via loans) with PWS financial need.

**Comment 15:**

***General comments***

*SRF Process for Planning and Construction payments:*

- The current method of mailing a printed check is time-consuming, inefficient and subject to loss and theft.*
- Most small systems, including but not limited to DAC’s, are forced to get interim financing on SRF Projects to pay contractors; but must wait months for State payments on Project Claims.*
- USDA/Rural Development provides Electronic Fund Transfers of their funds.*
- A State of California Committee has determined it is possible for the State to do Electronic Fund Transfers.*
- Electronic Fund Transfers of State SRF (and other State funds) would allow prompt payment of Project expenses and eliminate a costly expense borne by DACs and other small water systems.*

***Recommendation:***

- *Allow Electronic Fund Transfers of SRF funds into Project Construction accounts to expedite payment on approved SRF Claims.*

**Response 15:**

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All payments and fund transfers for CDPH funding programs are through State Controller Office. CDPH has evaluated electronic fund transfer - it is beyond CDPH's control to implement electronic fund transfer for SDWSRF Projects. However, CDPH continues to explore options to speed the availability of funds.

III. Comments from Mark Dellinger, County of Lake:

**Comment 16:**

*Lake County strongly supports the creation of a Pre-Planning and Legal Entity Formation Assistance Program under Local Assistance Set-aside. The County is currently involved in the early stages of such a system formation yet this has been a struggle for Lake County. Access to this potential program would be very useful to both our agency as well as CDPH. Lake County knows of other situation in the County where such a program may provide a significant benefit as well. However, the proposed level of funding may be inadequate to address the actual needs.*

**Response 16:**

As mentioned in the Amended IUP, CDPH will re-evaluate this set-aside program each year to ensure that it would achieve its goals and purposes.

**Comment 17:**

***Promote Consolidation:** Lake County greatly supports CDPH efforts to promote consolidation. We appreciate your past efforts within the SDWSRF program to promote this concept. However, this proposal represents a significant increase in that commitment. Our agency has several possible systems that could benefit from a physical consolidation.....It will achieve badly needed economies of scale while dramatically improving water quality.*

**Response 17:**

Thank you for your appreciation of CDPH efforts in encouraging and promoting consolidation. CDPH is aware of the needs and the benefits of consolidation and continues to develop programs or policies to further advance the efforts.