

Division of Financial Assistance

Clean Water State Revolving Fund

Draft SFY 2019-2020 Intended Use Plan (IUP)
Informational Workshop/Webinar



April 30, 2019



Preview

- Introductions
- Background
- Financial Outlook
- Analysis & “Fundable List”
- What’s New & What’s the Same
- Implementation & Schedule
- Submitting Comments
- Questions

INTRODUCTION

- ❖ **Introductions**

- ❖ **Questions during webcast**

CleanWaterSRF@waterboards.ca.gov

Program Background

- CWSRF Est'd in 1987 by Clean Water Act Amendment
 - Low interest loans and limited principal forgiveness for water quality projects
- State loans/grants complement CWSRF
 - CWSRF Policy and IUP applicable to CWSRF and complementary sources
 - Policy last amended November 28, 2018
- High Demand
 - >\$7.0 billion



IUP Basics

- **Draft SFY 2019-2020 CWSRF IUP**
 - https://www.waterboards.ca.gov/public_notices/comments/

- **Cap Grant Application & Federal Requirements**

- **Annual Business Plan**
 - Finances
 - Staffing
 - Resources
 - Goals/Approach/Requirements

Recent CWSRF & Complementary Financing

| | 15-16 | 16-17 | 17-18 | 18-19 |
|----------------------|-------|-------|-------|-------------|
| Number of Agreements | 69 | 110 | 105 | 35 (Est'd) |
| \$, millions | 1,074 | 1,693 | 1,106 | 450 (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

Eligible Projects

Eligible Project Types May Depend on the Applicant Type and the Funding Source

1. Publicly-Owned Treatment Works (Wastewater & Storm Water)
2. Non-Point Source & Storm Water
3. Estuary Plans (SF Bay, Morro Bay, Santa Monica Bay)
4. Construct, repair, or replace decentralized wastewater treatment systems
5. Manage, reduce, treat, or recapture stormwater or subsurface drainage water
6. Public agency measures to reduce demand for POTW capacity through water conservation, efficiency, or reuse
7. Development and implementation of watershed projects meeting CWA Section 122 criteria
8. Public agency measures to reduce energy consumption of POTW
9. Reusing or recycling wastewater, stormwater, or subsurface drainage water
10. Increase security of POTW
11. To qualified nonprofits to assist owners and operators of small and medium POTW
 - Plan, develop, and obtain financing for eligible projects and
 - Help those POTW achieve compliance with CWA
12. To qualified nonprofits to assist eligible individuals
 - repair or replace existing individual household decentralized wastewater treatment systems or
 - connect individual household to a POTW

Eligible Applicants & Costs

Eligibility May Depend on the Funding Source

- **Applicants:** Cities, Counties, Districts, Joint Power Authorities, State Agencies, Non-Profits, Private Entities (Select Categories and Sources), and Tribes
- **Costs:** Planning, Design, Construction, Construction Management, Administration, and Value Engineering



Financial Outlook

- **Sustainable CWSRF Loan Capacity**
 - Approximately \$1.0 Billion per year

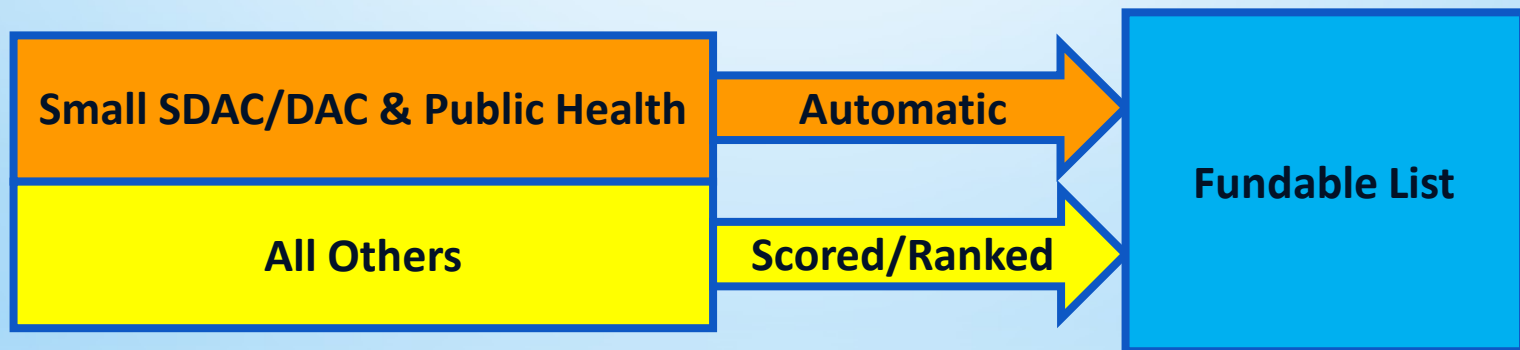
- **Complementary Funds**
 - SCG
 - Grant and PF = \$78 million
 - WRFPP
 - Grant = \$8.8 million (\$48.8 million if Prop 68 appropriated)
 - Loan = \$105 million (\$137 million if Prop 68 appropriated)
 - Stormwater
 - Grant = \$96.4 million
 - Final solicitation early 2019
 - Groundwater
 - Grant = \$675 million
 - Round 2 Concepts early 2018
 - Additional solicitations 2019 and/or 2020

Comprehensive List of Applications

| Application Status | # of Applications | Requested Amount, M |
|--|-------------------|---------------------|
| Currently on Fundable List (Rollovers from SFY 2018-19 IUP) | 77 | \$1,479 |
| New Small SDAC and Small DAC Projects (Automatically Added to Fundable List) | 70 | \$164 |
| Projects Subject to Scoring (Requesting Placement on the Fundable List) | 97 | \$5,258 |
| Projects Not Subject to Scoring (Not Requesting Placement on Fundable List) | 12 | \$219 |
| Total | 256 | \$7,120 |

The Fundable List

- Fundable List Identifies Projects DFA Can Finance
 - Only Projects on Fundable List Eligible
- Loan Demand > Loan Capacity
 - Therefore, Scoring/Ranking Other (Primarily Loan) Projects, and
 - Funding Target = 90% → 125% of Sustainable Loan Capacity



Small Disadvantaged Communities

➤ **Automatically on Fundable List**

- Applications are not scored and 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**

- <20,000 people

➤ **Disadvantaged Community**

- <80% Median Household Income (MHI)

➤ **Severely Disadvantaged Community**

- <60% MHI

SCG Planning Grant Eligibility Criteria

| | | | |
|------------------------|---|-------------------------------|---------------------------|
| 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 | Community MHI | Percent of Total Project Cost | Maximum Grant Per Project |
| <20,000 | DAC <80 percent of Statewide MHI | 100 percent | \$500,000 |

SCG Construction Grant Eligibility Criteria

| | | | | | |
|-------------------------------|--|--|--|---|---|
| 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 | | | | |
| Affordability Criteria | | | Grant Amount | | |
| Population | Community MHI | Wastewater Rates as a Percentage of MHI | Percentage of Total Eligible Project Cost | Maximum Grant Amount Per Project | 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% | | |
| | SDAC <60% of Statewide MHI | NA | 100% | | |

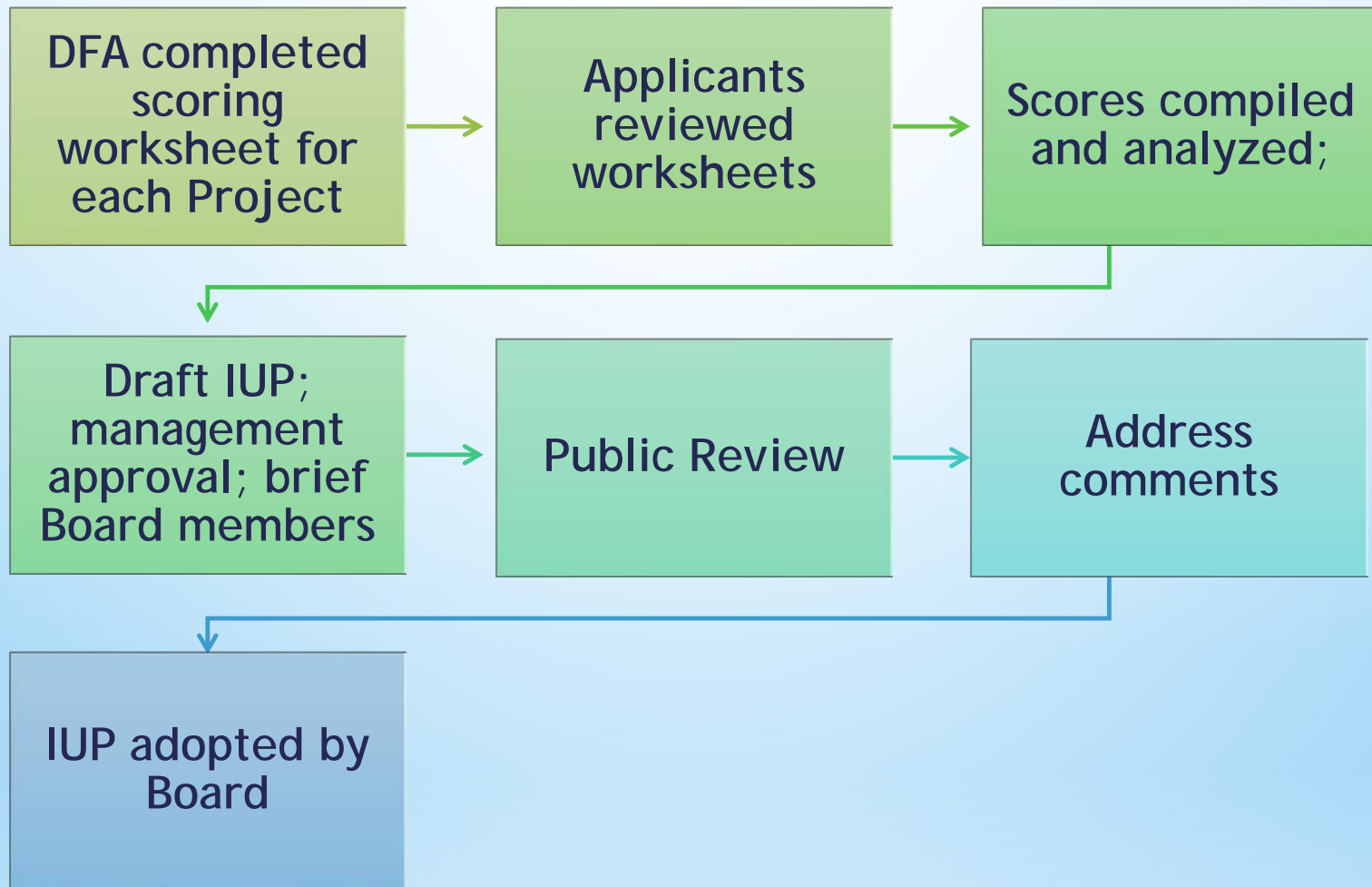
SCG Construction Grant Eligibility Criteria for Septic to Sewer and Regional Projects

| | | | | | |
|-------------------------------|--|--|--|---|---|
| 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 | | | | |
| Affordability Criteria | | | Grant Amount | | |
| Population | Community MHI | Wastewater Rates as a Percentage of MHI | Percentage of Total Eligible Project Cost | Maximum Grant Amount Per Project | Maximum Cost Per Household / Project |
| <20,000 | MHI ≤100% Statewide MHI | ≥4% | 50% | \$8 million | \$75,000 |
| | DAC <80% of Statewide MHI | ≥1.5% | 75% | | |
| | SDAC <60% of Statewide MHI | NA | 100% | | |

Scoring & Ranking Essentials

- Sum of 3 Components; Intended to be Mutually Exclusive
 - Primary Score – water quality conditions
 - Secondary Score – applicant or project features
 - Readiness Score – ensure timely use of cash
- Maximum Score = 16
- Cut-Off Score
 - Projects with Same Score Either Fundable or Not Fundable
- Increase Funding to Past Partially Funded Projects?

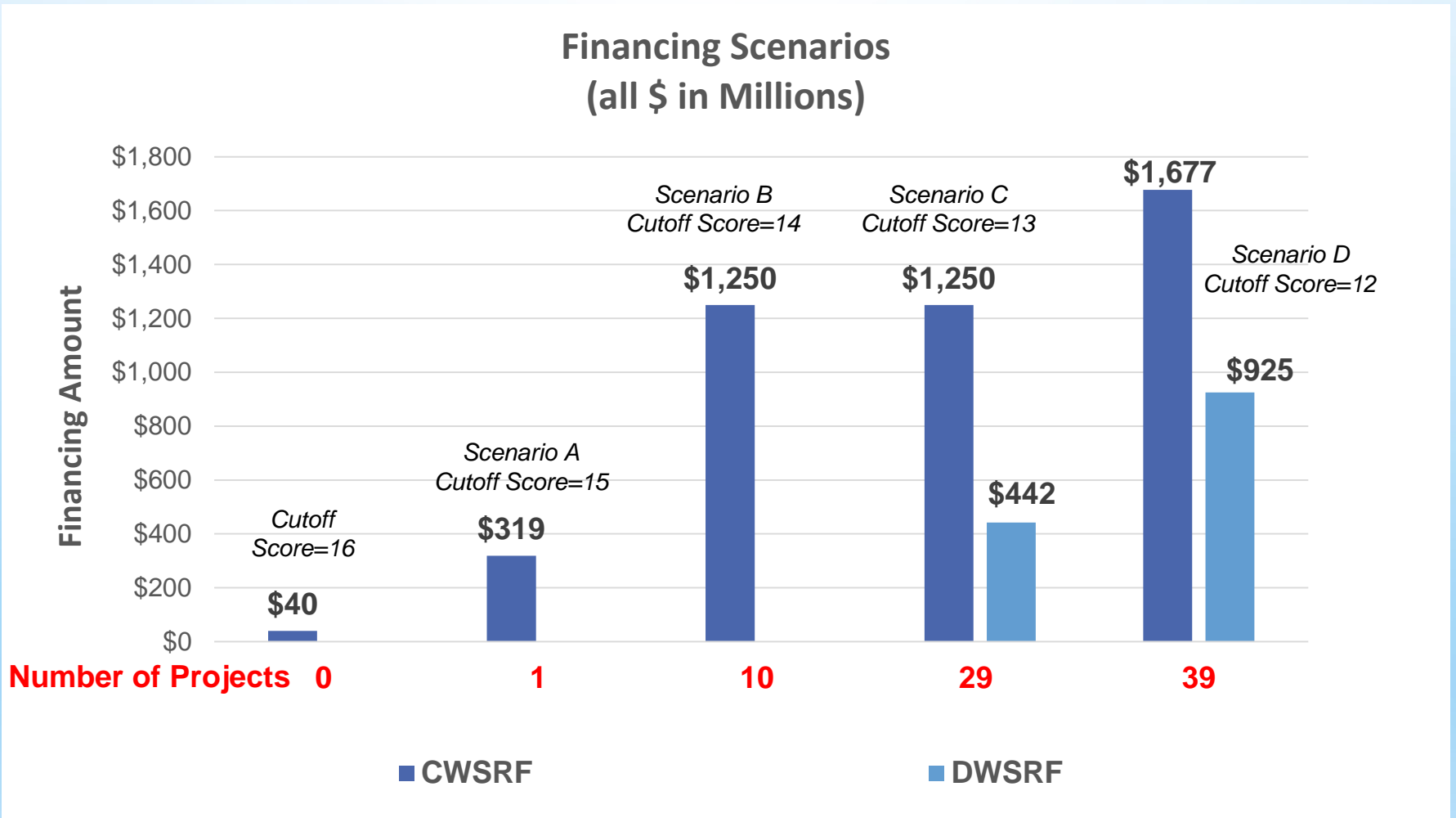
Process: Scoring and Developing the Fundable List



Ranking the Scores

| Scenario | Cutoff Score | # CW Projects | Est'd Total CWSRF Loan (Millions) | Est'd Total DWSRF Loan (Millions) | Comments |
|-----------|--------------|---------------|-----------------------------------|-----------------------------------|--|
| -- | 16 | 0 | \$40 | \$0 | <ul style="list-style-type: none"> • Highest Possible Score • Est'd Loan = Small SDAC/DAC Projects |
| A | 15 | 1 | \$319 | \$0 | <ul style="list-style-type: none"> • Fully Fund 1 Project @ 100% of Total Project Costs |
| B | 14 | 10 | \$1,250 | \$0 | <ul style="list-style-type: none"> • Partially Fund 3 Projects @ 52.4% of Total Project Costs • Fully Fund 7 Others @ 100% of Total Project Costs |
| C | 13 | 29 | \$1,250 | \$442 | <ul style="list-style-type: none"> • Partially Fund 5 Projects, each > \$90 M, @ 31.2% of Total Project Costs • Fully Fund 24 Others @ 100% of Total Project Costs • Provide Additional Funding for 2 Projects from DWSRF Loan |
| D | 12 | 39 | \$1,677 | \$925 | <ul style="list-style-type: none"> • Partially Fund 5 Projects @ 51% of Total Project Costs • Fully Fund 34 Others @ 100% of Total Project Costs • Fully Fund 2 Projects @ 100% with DWSRF loan |

Comparison of Scenarios



What's New?

➤ CWSRF Policy Amendment

- New Priority Scoring System & Fundable List
- Eligible Start Date: construction costs can be eligible starting at Notice to Proceed (* Applicants can start construction at their own risk! Being “Fundable” DOES NOT GUARANTEE an Executed Funding Agreement.)
- “Restructure” Planning & Design Loans
- Bridge Financing costs to cover eligible project costs until CWSRF is approved (* Applicants should verify eligibility before closing bridge financing!)
- New Eligible Project Costs
 - Replacement of Private Laterals (* No direct funding to homeowners!)
 - Recycled water onsite user retrofits (* No direct funding to individual property owners!)

What's New? (Cont.)

- Principal Forgiveness = “Non-Repayable Financing”
- New Credit Review Appendix N
- Debt service coverage
 - Increased senior and parity coverage from 1.1 to 1.2 times
 - Lowered subordinate coverage to 1.0 times
- **Updated & New Forms (Coming Soon to a Web Site Near You)**
 - General Application
 - Technical Application
 - Financial Application
 - Application Instructions
 - Water Conservation Certification
- **Short-Term Financing Incentive**
 - 0.25% reduction for 20-year financing term

Stays the Same

- **PF for “Green” Projects**
 - \$32 million Available from 2017 Cap Grant; No New Funds After 2017 Fund Committed
 - Projects on 18-19 Fundable List Have Priority
- **Optional Match Financing**
 - Effective Rate is 1.2% on 30-year Match Loan
- **Application Process**
- **Applications Accepted Continuously**
 - Will Assist & Review as Time Permits
 - No Deadline to Submit Applications
 - December 31st Deadline for Complete Application for Readiness Scoring

Stays the Same

- **Fundable List Not a Guarantee of Funding**
 - Must Meet all Eligibility Criteria for Funding
- **Retroactive Planning & Design Costs**
 - Project Planning & Design Costs Remain Eligible Regardless When Incurred
 - Must Still Be Documented

Implementation

- **Execute all Fundable Agreements by June 30, 2020**
 - Applications not Funded Will Roll Over to 2020-21 Fundable List

- **Mid-Year Status Report**
 - Progress Towards Executing Agreements
 - Only Additions to Fundable List will be Small SDAC, Small DAC, or Public Health Projects

- **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 | April 26, 2019 |
| Deadline to Submit Written Comments | Noon, May 27, 2019 |
| Board Meeting – Consider Adoption of IUP | June 18, 2019 |
| Start Developing SFY 20-21 Fundable List (Complete Application Not Required, but Complete Applications Will Score Higher) | December 31, 2019 |
| Execute Agreements for All Projects on Fundable List | June 30, 2020 |

Submitting Comments

- **Details on “Notice of Opportunity to Comment”**

- **Written Comments**
 - Due noon, May 27, 2019
 - Use subject line “Comment Letter – June 18, 2019 Board Meeting – FFY 2019 CWSRF 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

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