

**STATE  
WATER  
RESOURCES  
CONTROL  
BOARD**



**CALIFORNIA  
ENVIRONMENTAL  
PROTECTION  
AGENCY**



**Policy for Developing the Fund Expenditure Plan  
for the  
Safe and Affordable Drinking Water Fund**

Prepared by:

THE DIVISION OF FINANCIAL ASSISTANCE

STATE WATER RESOURCES CONTROL BOARD

STATE OF CALIFORNIA

Amended October 8, 2021

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# Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

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# Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

## I. INTRODUCTION

This Policy is adopted by the State Water Resource Control Board (State Water Board) for its development of the Fund Expenditure Plan (Plan) for the Safe and Affordable Drinking Water Fund (SADW Fund or Fund), as part of the State Water Board's larger Safe and Affordable Funding for Equity and Resilience (SAFER) Drinking Water Program (Program). The SAFER Program's goals are to provide safe drinking water in every California community, for every Californian.

The Fund was established by Senate Bill (SB) 200 in July 2019 to address funding gaps and provide solutions to water systems, especially those serving disadvantaged communities, to address both their short- and long-term drinking water needs. SB 200 requires the annual transfer of 5 percent of the annual proceeds of the Greenhouse Gas Reduction Fund (GGRF) (up to \$130 million) into the Fund until June 30, 2030. Projects funded by the SAFER Program using GGRF monies will also either facilitate reductions of greenhouse gas emissions or improve climate change adaptation and resiliency of GGRF Disadvantaged Communities (DACs), GGRF Low-Income Households, or GGRF Low-Income Communities. Money transferred into the Fund is continuously appropriated and must be expended consistent with the Plan, which is adopted annually by the State Water Board. The Plan is based on a drinking water needs analysis and will document past and planned expenditures and prioritize projects for funding.

The State Water Board administers the SAFER Program primarily through its Division of Drinking Water (DDW), Division of Financial Assistance (DFA), and Office of Public Participation (OPP). The State Water Board sets drinking water standards and adopts regulations for drinking water systems. DDW issues permits and enforces compliance with the California Safe Drinking Water Act, including ordering consolidations and administrator services. Through DFA, the State Water Board offers many financial assistance programs to assist with the provision of safe drinking water. OPP provides community engagement assistance to support effective public participation in State Water Board decisions and actions.

The Fund complements the State Water Board's existing suite of financial assistance programs, which are generally limited to addressing capital infrastructure. Other funding sources administered by the State Water Board for drinking water projects include: General Fund allocations, Proposition 68 Drinking Water, Proposition 1 and Proposition 68 Groundwater, and the Drinking Water State Revolving Fund (DWSRF), which offers both loans and principal forgiveness. Per Health and Safety Code section 116766, the purpose of the Fund is to help water systems provide an adequate and affordable supply of safe drinking water in both the short and long term and fund the following:

- (1) Operation and maintenance (O&M) costs to help deliver an adequate supply of safe drinking water in both the near and long terms.

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- (2) Consolidating water systems or extending drinking water services to other public water systems, domestic wells, and state small water systems.
- (3) The provision of replacement water, as needed, to ensure immediate protection of health and safety as a short-term solution.
- (4) The provision of administrator services (under Health and Safety Code section 116686) for purposes of helping the systems become self-sufficient in the long term.
- (5) The development, implementation, and sustainability of long-term drinking water solutions.
- (6) State Water Board costs associated with the implementation and administration of the programs under Health and Safety Code section 116765, et seq.

The statutory basis for the Fund is established in Section 53082.6 of the Government Code; Sections 39719, 100827, 116275, 116385, 116530, 116540, 116686, and Chapter 4.6 (commencing with Section 116765) of the Health and Safety Code; and Chapter 7 (commencing with Section 8390) of the Public Utilities Code.

Notwithstanding any provision of this Policy, the State Water Board will implement the Fund consistent with federal law and policy, and state law and policy.

The provisions of this Policy are effective upon adoption by the State Water Board, unless otherwise required by federal or state statute, guidance, regulation, or agreement.

### **I.A. Purpose and Objective**

The purpose of this Policy is to establish and document the State Water Board's direction on how the Fund Expenditure Plan will be developed and implemented. This Policy discusses how the Program supports the Water Boards' mission; defines key terms; discusses eligible entities and projects; provides an overall funding strategy; includes funding terms, conditions, and how to appeal a funding determination; discusses the required elements of the Fund Expenditure Plan (including how proposed solutions will be identified, evaluated, and prioritized); establishes a petition process for consideration of consolidation orders; and identifies SAFER Program resources.

The primary purpose of the SAFER Program per Health and Safety Code section 116765, subdivision (j) is to bring true environmental justice to California and begin to address the continuing disproportionate environmental burdens in the state by creating a fund to provide safe drinking water in every California community, for every Californian. The Fund will assist water systems in providing a safe, adequate, and affordable supply of drinking water to communities in both the near and long terms by accelerating implementation of short- and long-term solutions, moving water systems to more efficient modes of operation, providing short-term O&M support as a bridge until long-term sustainable solutions are in place, and providing long-term O&M support when necessary. Funded solutions will take a holistic view of existing violations, other system deficiencies and potential risks (e.g., unregulated contaminants of emerging concern) when evaluating alternatives.

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Short-term goals for the SAFER Program include:

- (1) Provision of safe drinking water to more communities and people, more efficiently, and in less time. This may be via replacement water, appointing administrators to assess the status and needs of failing systems and identifying opportunities to increase efficiency, and accelerating implementation of capital projects.
- (2) Promoting consolidation and extension of service.

Long-term goals for the SAFER Program include support of water system improvements such as system upgrades, and building technical, managerial, and financial (TMF) capacity to make systems safe, efficient, and sustainable.

The purposes of the Fund Expenditure Plan are to:

- (1) Identify public water systems (PWS), community water systems (CWS), state small water systems and regions where domestic wells consistently fail or are at risk of failing to provide adequate safe drinking water, the causes of failure, and appropriate remedies;
- (2) Determine the amounts and sources of funding needed to provide safe drinking water or eliminate the risk of failure to provide safe drinking water; and
- (3) Identify gaps in supplying safe and affordable drinking water and determine the amounts and potential sources of funding to eliminate those gaps.

The State Water Board convened an Advisory Group in December 2019 to provide input into the development of this Policy, the Fund Expenditure Plan, and overall implementation of the Fund. More information on the Advisory Group is presented in Section XI.A.

### **I.B. Responsibilities of the Division of Drinking Water and the Division of Financial Assistance**

The State Water Board administers the Fund through DFA and implements the Safe Drinking Water Act through DDW. The Deputy Director of DFA, or designee, is authorized to execute financial assistance agreements with monies from the Fund in accordance with this Policy and the Fund Expenditure Plans. The Deputy Director of DDW, or designee, issues permits and enforces the State Water Board's remedies against public water systems for non-compliance with the California Safe Drinking Water Act, including the ordering of consolidations (for consistently out of compliance systems) and appointing of administrator services. Legislation effective January 1, 2022 amends the Health and Safety Code and expands the State Water Board's authority to order consolidation where a water system serving a DAC is an at-risk water system, or where a DAC is substantially reliant on at-risk domestic wells. In addition, the State Water Board sets drinking water standards and adopts regulations for drinking water systems.



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DFA and DDW will work collaboratively to ensure that systems that are in violation or identified as at-risk are being considered per the Policy and Fund Expenditure Plans for funding of appropriate projects or services that both address water quality issue(s) and take into consideration the most sustainable long-term solution for each particular system. Water Board staff will work to identify and implement solutions for state small systems in DACs and private wells that do not provide safe drinking water. For projects or services that are already being funded, DFA and DDW will continue to work collaboratively with the system and other stakeholders (e.g., local primacy agency, TA provider, consultant), as appropriate, to help reduce or remove roadblocks to ensure that projects are making adequate progress or that services are being provided in a timely manner.

### **I.C. Updates to the Policy and Fund Expenditure Plans**

The initial versions of the Policy and Fund Expenditure Plan will be in place by June and July, 2020, respectively so that implementation of solutions is not delayed. The Policy and Fund Expenditure Plan will be evaluated continuously as the SAFER Program is implemented and continues to develop. The Policy will be revised as needed as the Program evolves. It is anticipated that the Policy will be revised as frequently as every two years initially. The Fund Expenditure Plan will be updated annually as required by statute. Beginning in 2021, Fund Expenditure Plans will include a projected five-year strategy and associated solution list to the extent they can be identified and projected. The Deputy Director of DFA may make clarifying, non-substantive amendments to this Policy. The Deputy Director of DFA may also substantively update and amend the appendices included in this Policy.

Development of the Fund Expenditure Plan will be coordinated with and complement the development of other drinking water funding program plans to best leverage other capital funding sources. These programs include the Drinking Water State Revolving Fund Intended Use Plan and bond-funded programs administered by the State Water Board. State Water Board staff will also coordinate with other funding agencies including, but not limited to, USEPA, the Department of Water Resources, and the United States Department of Agriculture (USDA).

## **II. SUPPORTING THE WATER BOARDS' MISSION**

Projects funded by the larger SAFER Program help to further the Water Boards' mission "to preserve, enhance, and restore the quality of California's water resources and drinking water for the protection of the environment, public health, and all beneficial uses, and to ensure proper water resource allocation and efficient use, for the benefit of present and future generations." Part of this mission includes but is not limited to furthering the human right to water and addressing climate change.

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## II.A. Human Right to Water

In February 2016, the State Water Board adopted Resolution No. 2016-0010 which identifies the human right to water as a top priority and core value of the Water Boards. Pursuant to Water Code section 106.3, “every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.” This Policy is consistent with Water Code section 106.3, as the core function of the SAFER Program is to ensure that every Californian has access to safe and affordable drinking water. The State Water Board has developed an interactive map showing the compliance status of public water systems that can be found at the State Water Board’s Human Right to Water Portal at [https://www.waterboards.ca.gov/water\\_issues/programs/hr2w/](https://www.waterboards.ca.gov/water_issues/programs/hr2w/).

Additional tools will be developed to track implementation of the SAFER Program and expenditures from the Fund.

The Office of Environmental Health Hazard Assessment (OEHHA) has developed an assessment and data tool to identify indicators for achieving the Human Right to Water using data on water quality, accessibility and affordability. As part of their Drought Contingency Planning Work, the Department of Water Resources (DWR) has developed initial drought impact screening and planning criteria. State Water Board staff will continue to work with OEHHA, DWR, and interested stakeholders in developing metrics to track progress attributable to the SAFER Program and the Fund.

### II.A.1. Homelessness Access to Water and Sanitation

In many cases, persons experiencing homelessness do not have access to safe, clean water. The Fund is a potential opportunity for providing safe, clean drinking water to persons experiencing homelessness. Initially, the Board is focusing available funds on the provision of safe and affordable drinking water to water systems in violation of public health standards, water systems that are at-risk, and domestic well users in high risk areas. A large-scale investment in providing drinking water to persons experiencing homelessness using the Board’s available funds is not possible given the other significant demands on those funds.

However, limited scope projects or pilot programs that improve access to or provide drinking water access to persons experiencing homelessness may be funded through the SAFER Program in coordination with municipalities, other public agencies, and nongovernmental partners that are directly addressing the variety of challenges associated with homelessness. In addition, by focusing the SAFER Program on supporting drinking water infrastructure improvements and affordability issues in low-income communities, the SAFER Program contributes to helping keep people in more affordable housing and communities.

## II.B. Climate Change

The State Water Board seeks to reduce the effects of climate change and to promote sustainable water resources for future generations. In March 2017, the State Water

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Board adopted Resolution No. 2017-0012 requiring a proactive approach to climate change in all Water Board actions and programs. Applicable to the Fund, Health and Safety Code section 39719, subdivision (b)(3)(B) requires that GGRF monies be used to facilitate reductions of greenhouse gas emissions or to improve climate change adaptation and resiliency of GGRF DACs or GGRF Low-Income Households or GGRF Low-Income Communities. This Policy is designed to support those efforts.

### II.B.1. California Climate Investments Requirements

Beginning July 1, 2020 up to \$130 million will be transferred from the GGRF to the Fund annually until 2030. In addition to facilitating reduction of greenhouse gas emissions or improving climate change adaptation and resiliency of GGRF DACs, GGRF Low-Income Households or GGRF Low-Income Communities, GGRF expenditures for the SAFER Program must meet the requirements of Health and Safety Code section 39712, subdivisions (b)(1-6), consistent with Health and Safety Code Division 25.5 (commencing with Section 38500). Where applicable and to the extent feasible, The State Water Board will meet these requirements by funding projects that:

- Improve public health by working to assure all public water supplies meet drinking water standards
- Reduce exposure to local environmental contaminants found in the drinking water supply
- Provide job development and training to disadvantaged and low-income communities
- Provide educational and community capacity building opportunities through community engagement and leadership
- Benefit individuals living in disadvantaged and low-income communities

Additionally, per Health and Safety Code section 39719, subdivision (b)(3)(B), the State Water Board will fund projects that:

- Increase resiliency and adaptation to climate change and lessen the impacts of climate change (reduced surface water flows, declining groundwater basins, increasing environmental contamination, drought, wildfires) by enhancing the long-term sustainability of drinking water systems
- Incorporate greenhouse gas emissions reductions in projects through energy efficiency and renewable energy components, where applicable and feasible

The State Water Board satisfied the requirements of Government Code section 16428.9, subdivision (a) and Health and Safety Code section 39719, subdivision (b) before any GGRF funds were spent by describing in an Expenditure Record and Attestation Memorandum how program expenditures will improve climate change adaptation and resiliency of GGRF DACs or GGRF Low-Income Households or GGRF Low-Income Communities. Project application evaluation and prioritization will be further defined in the Fund Expenditure Plan and will consider criteria defined in the

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Funding Guidelines for Agencies that Administer California Climate Investments (GGRF Funding Guidelines, available at:

<https://ww3.arb.ca.gov/cc/capandtrade/auctionproceeds/2018-funding-guidelines.pdf>), in particular, ensuring that projects benefit GGRF Priority Populations . An interactive GGRF Priority Population mapping tool is available at: <http://www.arb.ca.gov/cc-communityinvestments>. The State Water Board will work with the California Air Resources Board to determine a methodology to track and report improvements from projects funded by the Fund (e.g., greenhouse gas emission reductions, co-benefits, and other climate change related improvements) and develop a reporting template for the SAFER Program.

The Safe and Affordable Drinking Water Fund is part of California Climate Investments, a statewide program that puts billions of Cap-and-Trade dollars to work reducing greenhouse gas emissions, strengthening the economy, and improving public health and the environment – particularly in DACs. The Cap-and-Trade program also creates a financial incentive for industries to invest in clean technologies and develop innovative ways to reduce pollution. California Climate Investments projects include affordable housing, renewable energy, public transportation, zero-emission vehicles, environmental restoration, more sustainable agriculture, recycling, and much more. At least 35 percent of these investments are located within and benefiting residents of DACs, low-income communities, and low-income households across California. For more information, visit the California Climate Investments website at: <http://www.caclimateinvestments.ca.gov>.

### **III. TRIBAL CONSIDERATIONS**

Engagement with California Native American Tribes will be prioritized in outreach, program design and funding elements of the SAFER Program. California Native American Tribes are eligible recipients of monies from the Fund. The water system needs of California Native American Tribes will be evaluated for funding based on the same criteria as other eligible recipients. All State Water Board funding agreements contain compliance obligations, such as monitoring, reporting, inspection, and accounting (see Section IX for more information on funding terms and conditions). These compliance obligations ensure that the State Water Board complies with statutory requirements and responsibly administers state funds. Federally recognized Native American Tribes are also eligible to receive SAFER funding and staff will work with them to try to ensure that they can also benefit from the SAFER Program. In order to fund a project with a federally recognized Native American Tribe, the State Water Board may require a limited waiver of sovereign immunity strictly to ensure compliance with the terms of the financial assistance agreement. In addition, the State Water Board will work cooperatively with California Native American Tribes to access water quality data and water system operational information, if available.

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## IV. DEFINITIONS

The Policy includes the following defined terms:

“Adequate supply” means sufficient water to meet residents’ health and safety needs at all times. (Health & Saf. Code, § 116681, subd. (a).)

“Administrator” means an individual, corporation, company, association, partnership, limited liability company, municipality, public utility, or other public body or institution whom the State Water Board has determined is competent to perform the administrative, technical, operational, legal, or managerial services required for purposes of Health and Safety Code section 116686, pursuant to the Administrator Policy Handbook adopted by the State Water Board. (Health & Saf. Code, §§ 116275, subd. (g), 116686, subd. (m)(1).)

“California Native American Tribe” means federally recognized California Native American Tribes, and non-federally recognized Native American Tribes on the contact list maintained by the Native American Heritage Commission for the purposes of Chapter 905 of the Statutes of 2004. (Health & Saf. Code, § 116766, subd. (c)(1).) Drinking water systems for federally recognized tribes fall under the regulatory jurisdiction of the United States Environmental Protection Agency (USEPA), while non-federally recognized tribes are currently under the jurisdiction of the State Water Board.

“Community water system” or “CWS” means a PWS that serves at least 15 service connections used by yearlong residents or regularly serves at least 25 yearlong residents of the area served by the system. (Health & Saf. Code, § 116275, subd. (i).)

“Consistently fails” means a failure to provide an adequate supply of safe drinking water. (Health & Saf. Code, § 116681, subd. (c).)

“Consolidation” means joining two or more public water systems, state small water systems, or affected residences into a single public water system, either physically or managerially. (Health & Saf. Code, § 116681, subd. (e).)

“Contaminant” means any physical, chemical, biological, or radiological substance or matter in water. (Health & Saf. Code, § 116275, subd. (a).)

“Cost-effective” means achieving a sustainable result at the most reasonable cost.

“Designated water system” means a public water system or state small water system that has been ordered to consolidate pursuant to Health and Safety Code section 116682 or that serves a disadvantaged community, and that the State Water Board finds consistently fails to provide an adequate supply of affordable, safe drinking water. (Health & Saf. Code, § 116686, subd. (m)(2).)

“Disadvantaged community” or “DAC” means the entire service area of a community water system, or a community therein, in which the median household income is less

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than 80 percent of the statewide annual median household income level. (Health & Saf. Code, § 116275, subd. (aa).) See separate definition of ‘GGRF Disadvantaged Community’.

“Domestic well” means a groundwater well used to supply water for the domestic needs of an individual residence or a water system that is not a public water system and that has no more than four service connections. (Health & Saf. Code, § 116681, subd. (g).)

“Executive Director” means the Executive Director of the State Water Board.

“Fund” means the Safe and Affordable Drinking Water Fund established pursuant to Health and Safety Code section 116766.

“Fund Expenditure Plan” means the plan that the State Water Board develops pursuant to Health and Safety Code section 116768 et seq.

“Greenhouse Gas Reduction Fund” has the same meaning as in Health and Safety Code section 39710.

“GGRF Disadvantaged Community” or “GGRF DAC” means a disadvantaged community identified by the California Environmental Protection Agency pursuant to Health and Safety Code section 39711, i.e., communities may include, but are not limited to, either of the following: (1) areas disproportionately affected by environmental pollution and other hazards that can lead to negative public health effects, exposure, or environmental degradation, or (2) areas with concentrations of people that are of low income, high unemployment, low levels of homeownership, high rent burden, sensitive populations, or low levels of educational attainment.

“GGRF Funding Guidelines” means the August 2018 Funding Guidelines for Agencies that Administer California Climate Investments.

“GGRF Low-Income Communities” means census tracts with median household incomes at or below 80 percent of the statewide median income or with median household incomes at or below the threshold designated as low income by the Department of Housing and Community Development’s list of state income limits adopted pursuant to Section 50093 of the Health and Safety Code. (Health & Saf. Code, § 39713, subd. (d)(2).)

“GGRF Low-Income Households” means households with household incomes at or below 80 percent of the statewide median income or with household incomes at or below the threshold designated as low income by the Department of Housing and Community Development’s list of state income limits adopted pursuant to Section 50093 of the Health and Safety Code. (Health & Saf. Code, § 39713, subd. (d)(1).)

“GGRF Priority Populations” means populations required to be prioritized for GGRF funding, i.e., GGRF DACs, GGRF Low-Income Communities, and GGRF Low-Income Households.

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“Human consumption” means the use of water for drinking, bathing or showering, hand washing, oral hygiene, or cooking, including, but not limited to, preparing food and washing dishes. (Health & Saf. Code, § 116275, subd. (e).)

“Loan” means and includes any repayable financing instrument, including a loan, bond, installment sale agreement, note, or other evidence of indebtedness.

“Low-Income Household” means a single household with an income that is less than 200 percent of the federal poverty level, as updated periodically in the Federal Register by the United States Department of Health and Human Services under authority of subsection (2) of Section 9902 of Title 42 of the United States Code. See separate definition of ‘GGRF Low-Income Households’.

“Maximum contaminant level” means the maximum permissible level of a contaminant in water. (Health & Saf. Code, § 116275, subd. (f).)

“Median household income” or “MHI” means the household income that represents the median value for the community. The methods for calculating the median household income will be included in this Policy as future Appendix A.

“Non-transient Non-Community Water System” or “NTNC” means a public water system that is not a community water system and that regularly serves at least 25 of the same persons over six months per year.

“Primary drinking water standard” has the same meaning as in subdivision (c) of Health and Safety Code section 116275.

“Public Water System” or “PWS” means a system for the provision to the public of water for human consumption through pipes or other constructed conveyances that has 15 or more service connections or regularly serves at least 25 individuals daily at least 60 days out of the year. A PWS includes any collection, pretreatment, treatment, storage, and distribution facilities under control of the operator of the system that are used primarily in connection with the system; any collection or pretreatment storage facilities not under the control of the operator that are used primarily in connection with the system; and any water system that treats water on behalf of one or more public water systems for the purpose of rendering it safe for human consumption. (Health & Saf. Code, § 116275, subd. (h).)

“Replacement water” includes, but is not limited to, bottled water, vended water, point-of-use, or point-of-entry treatment units. (Health & Saf. Code, § 116767, subd. (q).)

“Resident” means a person who physically occupies, whether by ownership, rental, lease, or other means, the same dwelling for at least 60 days of the year. (Health & Saf. Code, § 116275, subd. (t).)

“Safe drinking water” means water that meets all primary and secondary drinking water standards, as defined in Health and Safety Code section 116275.

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“Secondary drinking water standards” means standards that specify maximum contaminant levels that, in the judgment of the State Water Board, are necessary to protect the public welfare. Secondary drinking water standards may apply to any contaminant in drinking water that may adversely affect the public welfare. Regulations establishing secondary drinking water standards may vary according to geographic and other circumstances and may apply to any contaminant in drinking water that adversely affects the taste, odor, or appearance of the water when the standards are necessary to ensure a supply of pure, wholesome, and potable water. (Health & Saf. Code, § 116275, subd. (d).)

“Service connection” means the point of connection between the customer’s piping or constructed conveyance, and the water system’s meter, service pipe, or constructed conveyance, with certain exceptions. (See Health & Saf. Code, § 116275, subd. (s).)

“Severely Disadvantaged Community” or “SDAC” means the entire service area of a community water system in which the MHI is less than sixty percent of the statewide median household income.

“Small community water system” or “Small CWS” means a CWS that serves no more than 3,300 service connections or a yearlong population of no more than 10,000 persons. (Health & Saf. Code, § 116275, subd. (z).)

“Solution List” means a list of projects in the Fund Expenditure Plan that are prioritized to receive assistance from the Fund in a particular state fiscal year.

“State small water system” means a system for the provision of piped water to the public for human consumption that serves at least five, but not more than 14, service connections and does not regularly serve drinking water to more than an average of 25 individuals daily for more than 60 days out of the year. (Health & Saf. Code, § 116275, subd. (n).)

“State Water Board” means the State Water Resources Control Board.

“Technical Assistance Provider” or “TA Provider” has the meaning established in Health & Safety Code, section 116767, subdivision (u).

“Technical, Managerial and Financial Capacity” or “TMF” means the ability of a water system to plan for, achieve, and maintain long term compliance with drinking water standards, thereby ensuring the quality and adequacy of the water supply.

“Vended water” means any water that is dispensed by a water-vending machine, retail water facility, or water from a private water source, or other water as defined in Section 111170 of the Health and Safety Code that is not placed by a bottler in sealed containers, and that is dispensed by a water-vending machine, retail water facility, water hauler, or any other person or facility for drinking, culinary, or other purposes involving a likelihood of the water being ingested by humans. Vended water does not include water from a public water system that has not undergone additional treatment. Water sold



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without further treatment is not vended water and shall be labeled in accordance with Health and Safety Code section 111170. (Health & Saf. Code, § 111070, subd. (b).)

“Waterworks Standards” means regulations adopted by the State Water Board entitled “California Waterworks Standards” (Chapter 16 (commencing with Section 64551) of Division 4 of Title 22 of the California Code of Regulations). (Health & Saf. Code, § 116275, subd. (q).)

### **V. ENTITIES ELIGIBLE FOR FUNDING**

Eligible recipients include public agencies, nonprofit organizations, public utilities, mutual water companies, California Native American Tribes, administrators, and groundwater sustainability agencies. Funding provided to a public utility that is regulated by the Public Utilities Commission or a mutual water company must have a clear and definite public purpose and benefit the customers of the water systems and not the investors or shareholders.

Effective September 23, 2021, the list of eligible funding recipients for monies from the SADW Fund also includes Technical Assistance Providers. DFA staff will develop a Request for Qualifications (RFQ) process to identify qualified Technical Assistance Providers.

Criteria that will be used to evaluate the competency of an entity or person interested in being recognized as a Technical Assistance provider include: 1) demonstrated knowledge and experience in successfully providing any combination of administrative, technical, operational, legal, or managerial services to drinking water systems in California, as well as working with DACs; 2) number of systems assisted; 3) demonstrated successful outcome in bringing a water system into compliance; completing a consolidation; reducing or eliminating factors that put the system at risk of not providing safe water; and/or demonstratable enhancement of the technical, managerial, and administrative capacity of the water system; 4) demonstrated success in outreach and engagement with community members; and 5) ability to provide Technical Assistance to multiple water systems concurrently in a defined region of California or statewide. The Deputy Director of DFA is delegated the authority to identify other criteria and evaluation factors, as necessary, to conduct the RFQ, or otherwise identify qualified Technical Assistance providers, which criteria will be incorporated into this Policy as future Appendix C and posted on the State Water Board’s website.

### **VI. PROJECT ELIGIBILITY DETERMINATION**

#### **VI.A. Water Systems and Domestic Wells**

Projects and/or services that are eligible for Safe and Affordable Drinking Water Funds must address: 1) existing or potential water quality compliance issues; 2) Technical, Managerial, or Financial capacity deficiencies that prevent a system from sustainably

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providing safe and affordable drinking water; and 3) improvements to public water systems, community water systems, state small water systems and domestic wells that are in violation or considered at-risk. Prioritized projects will generally fall into DWSRF Project Categories A, B, and C (see Section XI.D, XI.E, and XI.F regarding project identification and prioritization).

### VI.B. Communities

In general, proposed projects and services will be prioritized for funding if they benefit a DAC, SDAC, or GGRF Priority Populations and Low-Income Households. Proposed projects and services may also be funded for non-DACs if the project reduces greenhouse gas emissions.

A disadvantaged community is defined by the median household income (MHI) relative to the statewide MHI. DFA determines MHI for a water system's service area. MHI determination guidelines will be included in this Policy as future Appendix A and posted online at:

[https://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/sustainable\\_water\\_solutions/](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/sustainable_water_solutions/) (expected in July 2020). Household income surveys may be conducted when MHI data from sources such as the American Community Survey (ACS) are unavailable or not representative of the community. Guidelines for conducting household income surveys will be included in this Policy as future Appendix B.

For the DWSRF and bond-funded drinking water programs, the State Water Board determines grant and loan eligibility and amounts allocated annually for DAC and non-DAC projects, depending on the available funding, in the DWSRF Intended Use Plan (IUP). The community or water system size may also be a factor in grant or loan eligibility as larger systems often have better economies of scale to afford water systems improvements and ongoing O&M.

Some special considerations for funding eligibility and prioritization are described below.

#### VI.B.1. Greenhouse Gas Reduction Fund Projects

Projects or services funded with appropriations from the GGRF must be for the purposes of facilitating reductions of greenhouse gas emissions in California or improving climate change resiliency and adaptation for GGRF DACs, GGRF Low-Income Communities, or GGRF Low-Income Households (Health & Safety Code, § 39719, subd. (b)(3)(B)).

#### VI.B.2. Schools and Non-Transient Non-Community Water Systems

State Water Board staff will evaluate the eligibility for funding an NTNC water system owned by a K-12 public school district based on the source of funds in the SADW Fund: 1) In considering use of GGRF funds, the MHI of the community served by the school district will be considered in evaluating eligibility of projects; 2) In considering use of other funds transferred to the SADW Fund, an NTNC owned by a K-12 public school district is deemed to serve a severely disadvantaged community (SDAC) because the

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primary users are minor students, who generally have incomes below 60 percent of the statewide annual MHI.

All other eligible NTNCs and the MHI of the small community they serve will be evaluated on a case-by-case basis based upon the intended customer base.

### **VI.B.3. Communities with a Large Proportion of Secondary Homes**

A community that includes secondary homes that are greater than 50 percent of the total number of dwellings will not be considered a DAC for determining funding eligibility. A community with between 25 percent and 50 percent secondary homes will be evaluated on a case-by-case basis to determine eligibility for grant or partial grant. Typically, permanent residents are those residing in the community at least six months out of the year; however, seasonal, migrant laborers can also be counted as permanent residents. A permanent home survey may be required for determining eligibility of projects that benefit a community with a known prominence of secondary homes.

### **VI.B.4. Ability to Pay**

An applicant's or system owner's ability to pay the cost of the capital improvement or repay a loan may be assessed to determine the financial capacity of a system or applicant to contribute to the cost of the project and/or service and may affect the portion of project/service cost available to be funded as a grant. DFA may require applicants to submit audited financial documents or tax returns to assess the applicant's/owner's ability to finance a project.

### **VI.B.5. Other Considerations**

When determining funding eligibility, the State Water Board may also take into consideration other factors, including, but not limited to a community's cost of living, unemployment rate, high water rates, and proportion of households with many people. State Water Board staff, in consultation with the Advisory Group, will develop an affordability threshold to be considered by the State Water Board in future updates of the Policy or Fund Expenditure Plans. The affordability threshold refers to a water system or community level affordability as opposed to an individual household affordability. The affordability threshold will be established by the State Water Board in the Fund Expenditure Plan as part of the requirement to create a list of systems that consistently fail to provide an adequate supply of safe drinking water (Health & Safety Code, § 116769(2)(B)).

## **VII. TYPES OF PROJECTS ELIGIBLE FOR FUNDING**

The Fund may be used on a broad range of projects and/or services of the following types:

- Provision of interim replacement water (e.g., temporary bottled water, point-of-use [POU] or point-of-entry [POE] installation)
- Planning or design (e.g., feasibility study)

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- Construction
- Consolidation (physical or managerial)
- Administrator funding
- O&M
- Technical Assistance (e.g., assistance with construction application)

Any eligible project or service may also be funded on an emergency basis. More information on emergency projects is included in Section VIII.D.

Information on identification, evaluation and prioritization of solutions is included in Sections XI.D and XI.E and will be described in more detail in the Fund Expenditure Plan.

### **VIII. FUNDING STRATEGY**

Overall, the funding strategy for the Fund over the next ten years is to get communities access, as quickly as possible, to safe drinking water and move systems towards sustainable and resilient long-term solutions. Projects should address existing and potential water quality, quantity or other TMF and operational issues by promoting consolidation where feasible.

Some special considerations are described below.

#### **VIII.A. Advance Payment**

Disbursements for projects and programs funded by the SADW Fund and the broader SAFER Program are generally provided as reimbursements based on an invoice submittal for approved and eligible costs included in each funding agreement. Effective September 23, 2021, the State Water Board is authorized to provide necessary advance payment for projects funded by the SADW Fund, with advance payments for construction projects not to exceed 25 percent of the total amount of construction funding provided by the State Water Board for a project.

The Deputy Director of DFA is delegated the authority to develop advance payment guidelines for SADW Fund, which will be incorporated into this Policy as future Appendix D and posted on the State Water Board's website.

#### **VIII.B. Regional Programs and Projects**

Whenever appropriate, Water Board staff will seek to work with systems and entities to promote regional-scale solutions as opposed to a series of individual projects or services to increase efficiency and decrease administrative burden. Some examples include but are not limited to: multiple county interim water program handled by one third party; county-wide domestic well testing programs handled by one third party; and region-wide funding for a larger system to undergo consolidation with multiple smaller systems.

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## **VIII.C. Operation and Maintenance**

A priority use of the Fund is to provide support for failing and at-risk systems that cannot afford to operate and maintain the systems in order to provide safe and affordable drinking water. The Fund may be used to move these systems, as much as possible and feasible, to a level of long-term sustainability. The State Water Board will utilize a number of strategies to provide O&M support for these systems.

### **VIII.C.1. Consolidation and Extension of Service**

A primary mechanism to increase operational efficiency and reduce O&M costs over the long-term is to consolidate small systems into larger ones. State Water Board staff will pursue options to consolidate systems where feasible. Consolidation may be either physical or managerial or include extension of service to households or state small systems. SAFER Funds may be used to:

- (1) Pay for any infrastructure needed for the consolidation
- (2) Offset increased O&M costs for the receiving system during the consolidation (i.e., until the consolidating system's customers begin receiving water service from the receiving system)
- (3) Pay for any additional infrastructure needed by the larger system in order to consolidate the smaller system to ensure existing customers are not impacted by the consolidation
- (4) Provide incentives for voluntary consolidations

Specific consolidation incentives for the larger system will be identified in the Fund Expenditure Plans and DWSRF IUP.

### **VII.B.2 Infrastructure Improvements to Reduce Long-term O&M Costs**

The State Water Board will continue to fund water system infrastructure improvements with a focus on reducing long-term O&M costs. Projects such as installation of water meters, replacement of leaking or aging distribution lines, installation of solar energy systems, and replacement of inefficient pumps can reduce long-term operation costs through the reduction of overall water and energy demand.

### **VII.B.3 Technical Assistance and Administrators**

The State Water Board has historically provided technical assistance to small DACs and will expand those efforts under the SAFER Program. Technical assistance can directly reduce O&M costs when services are provided free of charge for activities that would otherwise require the system to expend funds – e.g., training of water system operators, and development of asset management plans and capital improvement plans. Technical assistance can also provide indirect reductions in O&M through the performance of TMF assessments and assisting the water system in implementing TMF improvement recommendations.

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The State Water Board may appoint and fund Administrators to operate and maintain water systems, or to manage the implementation of capital projects in order to accelerate their completion. Through the Administrator, the State Water Board may provide funding for the O&M of the system while the system's Technical, Managerial, and Financial capacity is optimized, or the system is consolidated.

The State Water Board may provide funding for service providers such as construction or planning project managers to accelerate the implementation of solutions for systems struggling to implement solutions. The State Water Board may provide funding for TMF assessments, preliminary planning, and environmental or engineering assistance.

The State Water Board may also provide pooled services to multiple systems within an area to reduce costs.

### **VII.B.2 Direct Assistance to Offset Operation and Maintenance Costs**

The State Water Board may provide direct funding to water systems to ensure operations are adequately funded where rates exceed an affordability threshold established by the State Water Board. This may include satisfying an existing debt obligation if it will help the system achieve long-term sustainability.

State Water Board staff will employ an iterative approach to assisting systems optimize efficiency and lower O&M costs. Direct O&M support may be provided during this interim period to ensure customers receive safe and affordable drinking water while solutions are planned and implemented. The long-term goal is for all systems to become self-sustaining. Any direct assistance will be conditioned on the system working to optimize efficiency, consolidate where feasible, or take other actions as directed by the State Water Board to reduce O&M costs.

The State Water Board may pilot a program to provide direct assistance to offset O&M costs. The pilot program will focus on water systems that are in compliance with drinking water standards but must charge rates that exceed the affordability threshold due to the need treat contaminants to meet primary maximum contaminant limits.

### **VIII.D. System Sustainability**

Funding of all projects for water systems will be contingent on developing or updating an asset management plan, capital improvement plan, and conducting a rate study within the first two years after completion of the project. To promote availability of funding for systems that have a sustainability or resiliency plan in place, any new projects for systems that have already received funding from the State Water Board to address existing and potential water quality, or Technical, Managerial, or Financial capacity issues, may only be considered for funding of the new project if the system has completed these required plans and rate study, and implemented appropriate rate adjustments in the last five years.

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### **VIII.E. Emergency Projects**

Otherwise eligible projects or services and reimbursable costs can be funded on an emergency basis and include, but are not limited to: well replacement and repair; emergency interties; hauled water; operation and maintenance support, including emergency operators or to address sudden revenue shortfalls caused by a natural disaster.

#### **VIII.E.1. Large-Scale Emergencies**

Some emergency projects or services may be necessary to address unforeseen needs caused by natural disasters such as earthquake, flood, drought, fire, or pandemic. For a State or federally declared emergency or natural disaster, the State Water Board will work with the California Office of Emergency Services and other local, State and federal agencies to coordinate a response and identify such needs. Although the Fund can help supplement disaster response (e.g., as match funds or for small scale services or projects) in certain circumstances, the amount of funds available is insufficient to address a large-scale natural disaster. In addition, the funding systems and processes that the State Water Board relies upon do not lend themselves to rapid disbursement of funds. In general, funding recipients must have some cash reserves available to cover costs while awaiting reimbursement.

#### **VIII.E.2. System-Level Emergencies**

Other emergency projects or services may be needed as a result of an unexpected water system emergency (e.g., storage tank failure, water system line break). In general, water systems with adequate technical, managerial, and financial capacity will have sufficient reserves to address emergency repairs and will be implementing a capital improvement plan to mitigate or avoid emergencies caused by failing and aging infrastructure.

For any system requesting funding as a result of an emergency specific to that water system, the State Water Board will require submittal of financial records to determine whether the system has adequate emergency reserves. The State Water Board will give priority to requests for emergency funding from systems that serve small DACs where there is the greatest threat to public health and safety. In determining priorities for funding projects, the State Water Board will also consider the applicant's access to or ability to qualify for alternative funding sources. The State Water Board will make every effort to access, and require an eligible recipient to access, other funds available to address emergency needs, including other State, federal, local funds, or commercially available loans or lines of credit.

In such cases, DFA will coordinate with DDW to implement the appropriate regulatory response and funding requirements to ensure the affected water system is addressing their TMF deficiencies. Staff will work with TA providers to assess longer-term TA or planning needs. Emergency funding may be conditioned on the system working to

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improve asset management and financial planning or taking other actions as directed by the State Water Board to improve the system's TMF capacity.

Emergency funding requests are accepted on a continuous basis to address needs as they arise.

Emergency funding is not to serve as an expedited path to funding for non-emergency projects. Emergency requests submitted in an attempt to circumvent the regular funding process for long-term solutions will not be approved. Projects that have been in the application process, but not making adequate progress, will generally not be considered emergencies. These projects will be re-directed to the appropriate funding source and application process and offered additional TA pending availability.

### **VIII.F. Community Engagement**

State Water Board staff will increase engagement with water systems, community residents, domestic well owners, schools, local community-based organizations, or other funding recipients at all stages of the SAFER Program. State Water Board staff will work to develop clear communication and outreach materials in multiple languages and will provide multiple opportunities for community participation. State Water Board staff will work with the Advisory Group and other stakeholders to solicit input on various issues related to the SAFER Program implementation; feedback will be shared with State Water Board Members during Board workshops and meetings. State Water Board staff will work with the Advisory Group to develop, and periodically update, a community engagement and outreach strategy.

In addition to the Advisory Group, State Water Board staff will host community meetings throughout the state to raise awareness of the SAFER Program and its components; solicit feedback on community drinking water needs; and highlight opportunities for local water-related jobs, capacity building trainings, and leadership positions. Community input will be solicited and incorporated throughout the development of projects from planning through construction, as well as through post construction and/or O&M, or throughout the time frame of the provided service (e.g., interim replacement water, administrator funding, or TA). Increased and early community engagement will help to keep projects on track; proactively identify potential risks, issues, or delays; and ensure that identified long-term solutions have community buy-in and a path towards equitable and resilient water governance.

### **VIII.G. Community Workforce Development and Training**

In compliance with the GGRF Funding Guidelines, the State Water Board will develop and implement a workforce development program leveraging partnerships and funding agreements focusing on training and capacity building to support long-term, stable employment and career development. The workforce development program will focus on small DACs and SDACs and will track the number of people trained, retained, and involved as apprentices as part of the program. The workforce development program may include the following actions:



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- (1) Continue to fund and, expand where appropriate, operator training programs.
- (2) Provide direct TMF capacity-building assistance to local water systems with TMF deficiencies.
- (3) Promote local workforce development and training, where appropriate, when administrators are appointed.
- (4) Develop and implement a broad-based strategy for promoting community workforce development and training.
- (5) Coordinate with other workforce development initiatives funded through California Climate Investments.

Specific details regarding the workforce development program will be included in the Fund Expenditure Plan.

### **VIII.H. Improving Administrative Efficiency**

To promote increased efficiency in the development, execution, and oversight of funding agreements and projects, State Water Board staff will:

- (1) Evaluate current process steps and requirements and make revisions to improve process times.
- (2) Develop appropriate metrics and goals to allow for identification of potential areas for improvement.
- (3) Identify projects or project types that may be candidates for streamlined review or waiver from certain review steps, as feasible under applicable law and policy.
- (4) Evaluate the potential to identify the funding source early enough to determine whether federal cross-cutting requirements will apply to the construction project.

## **IX. FUNDING TERMS AND CONDITIONS**

General program requirements and conditions that must be met to obtain funding are outlined as General Terms and Conditions, available at:

[https://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/general\\_terms.html](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/general_terms.html). Additional terms and conditions specific to GGRF expenditures are outlined in the GGRF Funding Guidelines.

The State Water Board will require regular project reporting and may set additional requirements as conditions of funding, including but not limited to: preparation of a project assessment and evaluation plan; system TMF audits; expectations for rate setting, system and operational improvements to reduce costs and increase efficiencies; evaluation of alternative treatment technologies; any reports, data, information, and certifications that may be reasonably required; and a consolidation or extension of service feasibility study. The State Water Board may also fund those solutions that it determines to be the most sustainable, considering a water system's ability to obtain and maintain TMF capacity to operate their system self-sufficiently over the long-term.

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Applications for funding received by the State Water Board for the SAFER Program will be treated in accordance with Public Records Act requirements, i.e., certain information included in applications, subject to those requirements, may be publicly disclosed.

### **X. APPEALING A FUNDING DETERMINATION**

An applicant may appeal a funding determination related to the SAFER Program within thirty (30) days to the Deputy Director of DFA or designee, for a final Division decision. An applicant may appeal a final Division decision to the State Water Board within thirty (30) days of its issuance. The Office of the Chief Counsel of the State Water Board will prepare a summary of the dispute and make recommendations relative to its final resolution, which will be provided to the State Water Board's Executive Director and each State Water Board Member. Upon the motion of any State Water Board Member, the State Water Board will review and resolve the dispute in the manner determined by the State Water Board. Should the State Water Board determine not to review the final Division decision, this decision will represent a final agency action on the dispute.

Where a financing agreement has been executed, the dispute and remedies provisions of that agreement will control, and the dispute provisions of this section are inapplicable.

### **XI. STATUTORY REQUIREMENTS FOR THE FUND EXPENDITURE PLAN**

The statute governing development of the Fund Expenditure Plan contains several requirements. This section describes how the State Water Board will develop the information to meet the statutory requirements.

#### **XI.A. Advisory Group**

The State Water Board will consult with an Advisory Group to assist in developing the Policy, the Fund Expenditure Plan and overall implementation of the SAFER Program. The Advisory Group will be governed by a charter that will specify the duties of the advisors, and the frequency and methods of interaction with the State Water Board and the public. The Advisory Group will meet up to four times per calendar year. These meetings will be in addition to other State Water Board meetings, workshops and other opportunities for public engagement.

Representatives of each of the following are included in the Advisory Group:

- Public water systems
- TA providers
- Local agencies
- Non-governmental organizations
- Residents served by CWS in DACs, state small water systems, and domestic wells
- The public

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## XI.B. Drinking Water Needs Analysis

A drinking water needs analysis (Needs Analysis) was initially funded by Chapter 449 of the Statutes of 2018, which requires that it be completed by June 2021. The Needs Analysis will be updated as information is developed. The Needs Analysis, with Advisory Group and public input, will be the basis for the Fund Expenditure Plan, and will cover, at a minimum, three elements:

- (1) **Element 1:** Identification of PWSs in violation or at risk including:
  - a) PWSs with on-going violations
  - b) PWSs at risk of failure based on factors as developed by the State Water Board
  
- (2) **Element 2:** Identification of domestic well and state small water systems at-risk. The State Water Board will use the following resources:
  - a) State Water Board, U.S. Geological Survey, County Health, and Department of Water Resources, or other available data regarding estimates of domestic wells impacted by contaminants
  - b) Outreach to obtain inventory, locational, and water quality data on state small water systems
  
- (3) **Element 3:** Cost analysis for interim and long-term solutions – a methodology will be developed to estimate the most sustainable and cost-effective solutions to drinking water problems identified in Elements 1 and 2.

Data and information available beyond the Needs Analysis, as well as work being done in other programs (both within the Water Boards and by other state agencies) will also be considered (to the extent feasible which still allows for the efficient funding of projects) in identifying systems, state smalls, and domestic wells that are at risk for the purposes of developing the Fund Expenditure Plan.

## XI.C. Fund Expenditure Plan Priorities

In addition to building on the Needs Analysis, consistent with Health and Safety Code section 116769, subdivision (b), the Fund Expenditure Plan must prioritize funding for all of the following:

- (1) Assisting DACs served by a public water system, and Low-Income Households served by a state small water system or a domestic well.
- (2) The consolidation or extension of service, when feasible, and administrative and managerial contracts or grants entered into for administrators (pursuant to Health and Safety Code section 116686) where applicable.
- (3) Funding costs other than those related to capital construction costs, except for capital construction costs associated with consolidation and service extension to reduce the ongoing unit cost of service and to increase sustainability of drinking water infrastructure and service delivery.

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## **XI.D. Identification of Water Systems Needing Solutions**

Water systems needing solutions to provide safe and affordable drinking water will be identified in the Fund Expenditure Plan by utilizing the following:

- (1) Public water systems identified as being currently in violation of one or more federal (e.g., USEPA Region 9 violations) or state primary drinking water standards with an enforcement action taken; or with failures to meet primary or secondary drinking water standards. These systems consistently fail to deliver safe and affordable drinking water.
- (2) Public water systems at risk as determined by risk criteria identified in the Needs Analysis
- (3) Review of a map created by the State Water Board Division of Water Quality of aquifers that are at high risk of containing contaminants that exceed safe drinking water standards that are used or likely to be used as a drinking water source for a state small water system or domestic well
- (4) Review of a map created by the Department of Water Resources of areas at high risk for drought and other resiliency factors
- (5) State Water Board notification of local health officers and county planning agencies regarding high-risk aquifers within their jurisdictions
- (6) Outreach and testing of domestic wells serving low-income households (e.g., through TA providers)
- (7) State small water systems and individual wells as determined through review of data collected from January 1, 2014 to the present and electronic data collected annually thereafter
- (8) Community water systems serving DACs that must charge rates above the affordability threshold established by the State Water Board in order to supply, treat, and distribute potable water that complies with federal and state drinking water standards.

## **XI.E. Evaluation and Prioritization of Solutions for Systems in Violation**

Water systems in violation, as identified above, will be evaluated and categorized by risk level in accordance with the following criteria:

- (1) Immediate health risk
- (2) Untreated or at-risk sources
- (3) Other chronic compliance or water shortage problems

Solutions will be prioritized within each risk category identified above. These correspond to DWSRF Program Project Categories A, B, and C. Overarching considerations include cost effectiveness, feasibility, community input, affordability, readiness of funding recipients to proceed, length of time in violation, and pursuit of long-term, sustainable solutions that promote adaptation and resilience.

Solutions may include, but are not limited to, a mix of the following:

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- (1) Interim water supplies
- (2) Administrator
- (3) Preliminary work: feasibility studies and planning, including technical assistance
- (4) Regionalization, physical consolidation/extension of service, or managerial consolidation, including both capital infrastructure projects and O&M support
- (5) Repairing, replacing and upgrading failing water system equipment, pipes, or fixtures
- (6) Optimization of systems
- (7) Long-term O&M support upon system optimization
- (8) Removal of financial barriers to provide access to capital (e.g., satisfying outstanding long-term debt obligations of community water systems or state small water systems)

### **XI.F. Evaluation and Prioritization of Solutions for At-Risk Systems**

Initially, water systems will be evaluated and categorized by risk level in accordance with the following criteria:

- (1) Systems with source water contaminants with notification levels and/or response levels, where a new or revised maximum contaminant level (MCL) is being proposed or contains regulated contaminants that are at risk of exceeding established MCLs.
- (2) Inadequate TMF
- (3) A system's or water supply's vulnerability, including risk of disruption or shortages due to drought, falling water tables, or wildfire
- (4) History of past violations
- (5) Secondary risks including waterworks standards and potential for infrastructure failure
- (6) Other identified risk factors

As discussed in Section XI.B, the Needs Analysis is used to develop the Fund Expenditure Plan and will identify public water systems at-risk. The "Other identified risk factors" (criteria 6 above) will be documented in the Needs Analysis. Solutions will be prioritized within each risk category identified above. Overarching considerations include cost effectiveness, feasibility, community input, affordability, and pursuit of long-term, sustainable solutions that promote adaptation and resilience. For projects addressing contaminants that do not have adopted MCLs, the Water Boards will evaluate solutions that provide interim water supplies or that will reduce the likelihood for large capital expenditures to address the contaminants in the future (e.g., consolidation, new sources without those contaminants).

Solutions may include, but are not limited to, a mix of the following:

- (1) Interim water supplies
- (2) Administrator
- (3) Preliminary work: feasibility studies and planning, including technical assistance
- (4) Regionalization, physical consolidation/extension of service, or managerial consolidation, including both capital infrastructure projects and O&M support

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- (5) Repairing, replacing and upgrading failing water system equipment, pipes, or fixtures
- (6) Optimization of systems
- (7) Long-term O&M support, upon system optimization, for designated water systems (i.e., a public water system or state small water system that has been ordered to consolidate or that serves a DAC, and that the State Water Board finds consistently fails to provide an adequate supply of affordable, safe drinking water)
- (8) Removal of financial barriers to provide access to capital (e.g., satisfying outstanding long-term debt obligations of community water systems or state small water systems)

Based on the Needs Analysis and other available information, DFA will provide grant funding to technical assistance providers and community outreach organizations to assist with evaluating and prioritizing systems and identifying solutions. DFA may consult with individuals with knowledge of a water system's needs, including but not limited to, State Water Board staff, technical assistance providers, Advisory Group members, industry and professional associations, and other professionals, to assist with evaluating the TMF capacity of systems and identifying opportunities for consolidation, capital funding needs, and other efficiencies that may be gained. This group will engage with the community to provide a pathway for input into the assessment and determination of solutions.

### **XI.G. The Safe and Affordable Drinking Water Fund Solution List**

A wide range of projects and activities are eligible for funding through the Fund (see Section VI). The State Water Board intends to maximize use of the Technical, Managerial, Financial assessment process to identify the O&M costs, technical assistance, planning activities or projects needed to reach a long-term solution and sustainable operations and management for systems that require financial assistance. The Fund Expenditure Plan will identify eligible projects, activities and costs as well as ineligible costs.

The Fund Solution List will be developed in connection with the DWSRF Program annual IUP. The Solution List will include systems in violation and at-risk systems, with solutions in prioritized order. Funding will then be assigned to maximize availability. Capital improvement projects will generally be funded through the DWSRF or other State Water Board capital funding sources (e.g., general obligation bonds), except where the project or recipient does not qualify for the funds or there are insufficient capital funds. DACs that can meet DWSRF credit requirements by raising rates will be expected to do so, except where raising rates would exceed the affordability threshold. Consolidation of non-DAC communities which will result in decreases of greenhouse gas emissions may be funded. Funding will be mainly in the form of grants, with some loans potentially available to incentivize consolidations or refinance existing debt at a more favorable rate.

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The Fund Solution List will also identify systems and projects for which other entities, such as responsible parties or dischargers pursuing alternative compliance pathways, have an obligation to provide funding support (e.g., for 1,2,3-Trichloropropane treatment). The State Water Board will evaluate those systems and projects to determine whether a timely solution will be provided by those entities with a funding obligation; whether the State Water Board should fund the project and seek reimbursement from the entity with the funding obligation; or whether the State Water Board should co-fund the project with the entity with the funding obligation.

Water systems may require multiple capital improvement projects in order to maximize efficiency and become sustainable. State Water Board staff, working with technical assistance providers and the communities, may prioritize and phase projects in order to provide safe drinking water as soon as feasible, depending on funding availability. In order to accelerate provision of long-term solutions, DFA staff may fund multiple project phases for efficiency.

### **XI.H. Report of Prior Year Expenditures**

The Fund Expenditure Plan will include a summary of recipients; the status, type and location of each project funded in the prior year; and the amount and type of funds from each source spent on each project in the prior year. The State Water Board will provide this information to the Department of Finance for inclusion in their annual report required under Section 39720 of the Health and Safety Code.

### **XI.I. Metrics**

This Policy identifies the types of metrics that will be tracked and for which specific numeric goals will be set. The Fund Expenditure Plan will identify the specific numeric goals and include a summary of progress made. The following metrics will be incorporated to track and measure the success of the program, including:

- (1) The number of communities, including state small system and domestic well communities, and schools and associated population provided with interim supplies of safe drinking water, including but not limited to:
  - a) Point-of-use/Point of Entry devices
  - b) Hauled water
  - c) Bottled drinking water
  - d) Vending machines
  
- (2) The number of communities, including state small system and domestic well communities, and schools and associated population with executed and completed preliminary planning assistance projects, including but not limited to:
  - a) Technical assistance workplans
  - b) Administrator contracts
  - c) Planning agreements
  - d) Planning projects

## Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

- (3) The number of communities, including state small system and domestic well communities, and schools and associated population with long-term solutions completed, including but not limited to:
  - a) Executed consolidation agreements or orders
  - b) Construction funding agreements executed
  - c) Water systems returned to compliance
  - d) Non-construction funding agreements executed to support alternative solutions, remove financial barriers, and provide long-term O&M
  
- (4) The number of community water systems and school water systems and associated population that return to compliance and are out of compliance, as well as:
  - a) The time to return to compliance
  - b) The number of systems that are out of compliance due to requirements in place before and after July 2019
  
- (5) Climate change adaptation related metrics, including:
  - a) Pounds of carbon dioxide saved per project
  - b) Number of communities, including state small system and domestic well communities, and schools and associated population with a long-term solution being implemented (i.e., construction project being funded)
  
- (6) Cost effectiveness of the Program, including:
  - a) Cost of solution per connection or per person served
  
- (7) Administrative efficiency of the funding Program, including:
  - a) The time between interim replacement water being requested and provided
  - b) The time between a technical assistance request being made and the start of the technical assistance being provided
  - c) The time for an application to be complete after being started
  - d) The time for a complete application to result in an executed funding agreement
  - e) The time for a complete request for reimbursement to result in receipt of payment
  
- (8) Community engagement effectiveness of the Program, including:
  - a) Number of Advisory Group meetings
  - b) Number of community meetings
  - c) Estimated number of meeting attendees
  - d) Website and social media analytics
  - e) Diversity of communication strategies, platforms, and materials

State Water Board staff will work with stakeholders, including the Advisory Group, to propose criteria and metrics for evaluating the TMF of water systems and system-wide affordability thresholds. Additional metrics for program implementation will be identified as the program evolves.



# Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund

## **XI.J. Public Hearing**

The State Water Board will hold at least one public hearing before adopting each Fund Expenditure Plan.

## **XI.K. Report to the Legislature**

The State Water Board will provide the first Fund Expenditure Plan to the Joint Legislative Budget Committee and the chairpersons of the fiscal committees in each house of the Legislature by March 1, 2021 and will similarly provide subsequent annual Fund Expenditure Plans by March 1 of each year. The State Water Board may submit the Fund Expenditure Plans either in the Governor's Budget documents, or as separate reports. The Fund Expenditure Plan will be posted on the State Water Board's website.

## **XII. OTHER ITEMS**

### **XII.A. Petition Process for Consideration of Consolidation**

Members of a disadvantaged community may petition the State Water Board to consider ordering consolidation of the community's water system. Any such petition must include the following information:

- Contact information, including name and address, of the petitioner
- Signatures of community members supporting the consolidation
- Available water system water quality data
- The relative location of the water system to adjacent and/or nearby water systems
- The reason(s) the petitioner seeks consolidation

Petitions which include significant community support and cost-effective projects will have a greater likelihood of being accepted and acted upon by the State Water Board.

Upon receipt of a petition, DDW will confirm receipt of the petition within 30 days, review the petition and make recommendations relative to its final resolution. The State Water Board will notify the petitioner within 90 days of the receipt of the petition if the State Water Board will consider consolidating the water system named in the petition pursuant to Health and Safety Code section 116682. A petition is deemed denied if there is no response from the State Water Board by 90 days from the date the State Water Board received the petition. If the petition is denied, the State Water Board will keep the petition on file in the event future consolidation opportunities arise.

### **XII.B. SAFER Program Resources**

Information regarding the SAFER Program, funding, and the Advisory Group can be found on the State Water Board's website: <https://www.waterboards.ca.gov/safer/>.

The State Water Board, in consultation with the Advisory Group, will continue to develop tools and resources for tracking projects, expenditures, and progress against

## **Policy for Developing the Fund Expenditure Plan for the Safe and Affordable Drinking Water Fund**

established metrics towards bringing safe and affordable drinking water to all Californians.

**Appendix A.**  
**Median Household Income Determination Guidelines**

December 18, 2020

# Appendix A. Median Household Income Determination Guidelines

## I. Purpose

The purpose of this document is to provide a standard procedure to determine the Median Household Income (MHI) and to aid the public in understanding how the MHI is determined by Division of Financial Assistance (DFA) staff.

## II. Background

The MHI of a community is used to determine whether the water/wastewater system (system) or community is eligible for grant funding through the DFA's funding programs. The DFA utilizes the American Community Survey (ACS) 5-Year Estimates to determine the MHI of a community. ACS is a nationwide survey conducted by the United States Census Bureau (Census). ACS data is updated annually and is available for geographic areas down to the block group level. A community is considered a disadvantaged community (DAC) if the MHI is less than 80 percent of the statewide MHI. A community is considered a severely disadvantaged community (SDAC) if the MHI is less than 60 percent of the statewide MHI.

ACS data is based on a survey of less than one percent of the households in a community. The MHI data include the estimated MHI based on the ACS results and a margin of error (MOE) based on a 90 percent confidence interval. The MOE reflects the uncertainty in the estimated MHI given the sample size of the population surveyed. In general, a smaller sample size will have a larger MOE and a larger sample size will have a smaller MOE.

For communities with a small population, the MOE range can be in the tens of thousands of dollars. The estimated MHI based on the ACS may be above or below the DAC/SDAC thresholds, but the MOE range for communities with small populations will often range from below those DAC/SDAC thresholds to above those thresholds. Since the MHI determination can impact whether a water system or community qualifies for grant funding, it is important that the MOE be considered in determining the MHI and that the MHI determination not rely solely on the estimated MHI from the ACS data.

## III. Determination of MHI

The service area used to determine the MHI can either be the system's permitted service area or a defined community boundary for areas that are not currently connected to a system.

### A. MHI Determination using ACS data

The MHI is determined using the Census geography that best represents the community (i.e. city/Census Designated Place (CDP), or block group, or census tract):

- 1) If the community's boundaries match the boundaries of a city or CDP, an MHI determination will be made using the readily available city or CDP data on the Census website.

## Appendix A. Median Household Income Determination Guidelines

- 2) If the community's boundaries do not match the boundaries of a city or CDP, DFA staff makes an MHI determination by using block group data and Geographic Information System (GIS) software to establish an estimated MHI and MOE. This is accomplished by calculating a weighted MHI based on the spatial distribution of the community's boundaries across multiple city, CDP, or census tract boundaries.

The lower range of the MOE will be applied to a community's estimated MHI up to a maximum MOE value of \$7,500 for communities with more than 500 people and \$15,000 for communities with 500 or fewer people. The MOE will be subtracted from the estimated MHI as determined using the applicable method described above. The following table demonstrates how MHI is determined using the maximum MOE value:

City / Census Designated Place (CDP)	Population <sup>1</sup>	MHI <sup>1</sup>	MOE <sup>1</sup>	Usable MOE	MHI Determination
Martell CDP	300	\$82,841	+/- 39,067	- 15,000	\$67,841
North Lakeport CDP	3,141	\$44,631	+/- 3,853	- 3,853	\$40,778

<sup>1</sup> – Population, MHI, and MOE are ACS data.

Example 1: According to 2014-2018 ACS data, the Martell CDP has an MHI of \$82,841 with an MOE of \$39,067, and a population of 300. The MOE of \$39,067 exceeds the maximum usable MOE for a community with 500 or fewer people, which is \$15,000. Therefore, the MHI will be determined using the maximum usable MOE of \$15,000, which results in a lower bound MHI of \$67,841.

Example 2: According to 2014-2018 ACS data, the North Lakeport CDP has an MHI of \$44,631 with an MOE of \$ 3,853, and a population of 3,141. The MOE is below the maximum usable MOE of \$7,500 for a community with more than 500 people. Therefore, the MHI will be determined using the MOE from the ACS data (\$3,853), which results in a lower bound MHI of \$40,778.

Prior to making the final MHI determination, DFA staff consults with staff from the Division of Drinking Water (DDW) local District Offices, or the Regional Boards for input based on their understanding of the system/community. If DDW or Regional Board staff believe the MHI determination is not representative of the system/community and MHI determination could impact a grant/loan funding decision, then DFA will consider conducting an income survey.

Once the system/community is determined with a DAC/SDAC status, that status is expected to be valid for up to three (3) years from the time of the executed planning agreement to the time that DFA staff deemed the construction application complete. DFA staff may conduct another MHI determination if the DAC status has changed in a manner more favorable for the system or the community during the review period of the construction application or to ensure that the Board maintains compliance with funding source requirements.

## Appendix A. Median Household Income Determination Guidelines

### B. MHI Determination using an Income Survey

If the MHI cannot be determined due to unavailable ACS data or the available data is not considered representative based on consultation with DDW or Regional Board staff, an income survey may be conducted. An impartial third party must conduct an income survey in accordance with the current Multiagency Income Survey Guidelines. An income survey may be conducted under the Technical Assistance (TA) Programs, if eligible.

In addition, the system can self-fund the income survey if it is not eligible for TA. The cost of an income survey is eligible for reimbursement if it is determined DAC or SDAC. All income surveys must be completed in accordance with the current Multiagency Income Survey Guidelines.

## **Appendix B.**

### **Multiagency Income Survey Guidelines**

California State Water Resources Control Board  
United States Department of Agriculture Rural Development

August 2021

## Appendix B. Multiagency Income Survey Guidelines

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## Appendix B. Multiagency Income Survey Guidelines

### I. Introduction

This document outlines a set of guidelines on how to conduct household income surveys when Median Household Income (MHI) data from sources such as the American Community Survey (ACS) are unavailable or not representative of the service area. MHI values estimated in accordance with these guidelines can be used to determine funding eligibility for certain programs administered by the California State Water Resources Control Board (State Water Board) and the United States Department of Agriculture Rural Development (USDA). Any deviation from the guidelines or changes to the letter templates (included in the appendices) requires prior authorization from one of these funding agencies. Once an income survey report has been completed and approved, it may be used in all funding projects for the above funding agencies for up to five years. However, the Funding Agency may use ACS data or request that a new MHI Survey be conducted if the Funding Agency believes the previous income survey MHI determination is not representative.

### II. Definitions

**Applicant/Recipient:** The legal entity that has entered, or plans to enter, a financial agreement with the Funding Agency.

**Commercial Property:** Real estate property that is primarily used for business activities including retail, office and industrial.

**Funding Agency:** State Water Board or United States Department of Agriculture Rural Development.

**Household:** Consists of all the persons who occupy a housing unit, regardless of relationship to each other.

**Household Income:** The household income is the total amount of income received by all household members 15 years old and over. Income includes any sources of gross income received regularly from employment, net business or farm income, veteran's payments, unemployment compensation, child support, Social Security or supplemental security income, public assistance, retirement, survivor or disability pensions, interest payments, or alimony.

**Housing unit:** A housing unit can be a house, a unit in a multi-unit building, an apartment, a mobile home, or individual units of a labor camp. If multiple housing units are in one parcel, each housing unit needs to be surveyed.

**Primary Home:** Primary residence of occupant.

**Sample Size:** The count of individual samples (household responses) received from the conducted survey.

**Secondary Home:** Vacation or seasonal home.

## Appendix B. Multiagency Income Survey Guidelines

State Water Board: California State Water Resource Control Board.

Survey Implementer: The organization or consultant that will implement the survey. The Survey Implementer must be a reliable, impartial source that is not associated with the project or Applicant/Recipient.

Universe: Total number of households from which a representative sample is drawn. The universe includes primary homes and secondary homes.

Vacant Home: Unoccupied housing unit with an inactive water and/or sewer connection.

Vacant Lot: Parcel with no housing units.

### III. Authorization

The Applicant/Recipient may request an income survey if there is a reason to believe that the available MHI is not an accurate representation of the MHI of the service area. An income survey may or may not be paid for by the Funding Agency. The Funding Agency may also require an income survey if there is insufficient data available to accurately determine the service area MHI. Authorization requests must be approved by the Funding Agency prior to implementing an income survey. Failure to obtain survey pre-approval could result in invalidation of survey data which could cause increased costs and delays due to the possibility of restarting survey implementation.

Prior to conducting an income survey, the Applicant/Recipient and Survey Implementer should discuss any possible co-funding opportunities to identify if the income survey will need to meet the requirements of other funding agencies.

The Applicant/Recipient must submit a written request for authorization from their Funding Agency Contact to conduct an income survey. A template is included below in Exhibit A. Such requests must include the following:

- 1) The specific reasons why the Applicant/Recipient believes the available household income data for the service area is not accurate. If data is not available, this must be specified.
- 2) The funding source(s) they are pursuing and if they anticipate applying for co-funding with any other state or federal agencies.
- 3) An estimate of the MHI and rationale for the estimate.
- 4) The organization or consultant that will implement the survey. The Survey Implementer must be a reliable, impartial source that is not associated with the project or Applicant/Recipient.

## Appendix B. Multiagency Income Survey Guidelines

- 5) Survey procedures including methods for selecting and contacting survey participants and the format for reporting survey results. A map to identify the service area boundaries.
- 6) Estimated number of households in the service area and associated number of responses required.
- 7) Estimated number of permanent households.
- 8) Estimated cost and schedule for completing the survey. Schedule must account for delays due to issues with meeting the minimum sample size requirements (described in detail in the following section).
- 9) Method for accommodating persons with limited English proficiency.

### IV. Household Selection and Sample Size

Every household within the MHI survey boundary must have an equal opportunity to be included in the sample. The Income Survey Results Template automatically calculates the required sample size based on the universe size and provides the required sample size based on the highest value resulting from the State Water Board and USDA Funding methods described below:

#### State Water Board Funding:

The minimum required number of responses is based on the number of households in the service area and is calculated using Cochran's formula for small population sizes (12,000 households or fewer), which will allow for the calculation of a median household income with a 90% confidence interval and a 5% margin of error.

$$n = \frac{270.6}{1 + \frac{270.6 - 1}{N}}$$

Where,

N = Number of households in universe

n = Minimum number of responses from households

## Appendix B. Multiagency Income Survey Guidelines

### USDA Funding:

The minimum response rate percentage is determined by the table below.

Households in Universe	Sample Size as Percentage
1 – 55	90
56 – 63	87
64 – 70	85
71 – 77	84
78 – 99	80
100 – 115	78
116 – 153	72
154 – 180	69
181 – 238	67
239 – 308	57
309 – 398	50
399 – 650	38
651 – 1,200	25
1,201 – 2,700	13
2,701 or more	10

The calculated minimum number of responses must be rounded up to the closest whole number. The calculated sample size is a minimum; all households in the sample universe must be given a sufficient opportunity to respond. All responses from households must be used in calculations. Completed surveys that identify addresses as vacant lots, vacant homes, or commercial properties must be excluded from the universe.

When it is not viable to survey all households in the universe, a randomized subset of the total may be used with approval from the Funding Agency. The subset of addresses must be randomly selected from a randomized list of all household addresses. All households in this subset must be surveyed even if the minimum responses rate has been achieved. Over-sampling to account for non-responsive households may be required. The amount of over-sampling will be determined by the Survey Implementer; oversampling by at least 20 percent of the required sample size is a good rule of thumb, but it will vary greatly based on service area's engagement.

In cases where it is not practical to obtain enough responses to meet the minimum sample sizes, defaulted values (equal to the largest household income in the sample) can be used to meet the sample size requirement. A request must be submitted to the Funding Agency for written approval to use defaulted values. See Exhibit D for a Sample Request to Use Additional Values. A copy of the approval must be included in the final report.

## Appendix B. Multiagency Income Survey Guidelines

### V. Method Selection

The Survey Implementer must decide the most cost-effective survey method that is best for an area, the size of the sample needed, and the means available for identifying households to survey.

The selected survey method(s) must provide a means for households with limited English proficiency to respond to the survey. Please refer to “Enforcement of Title VI of the Civil Rights Act of 1964 National Origin Discrimination Against Persons with Limited English Proficiency”, 65 FR 50123, for the specifics of this requirement.

Prior to conducting a survey, a notification letter must be sent by the Applicant/Recipient to all the addresses of households identified to be surveyed and inform users that an income survey will be conducted (see Exhibit B). Addresses are to be obtained from the Applicant/Recipient contact.

To maintain impartiality, only the Survey Implementer, and delegates, who are not associated with the Applicant/Recipient, are permitted to handle survey data or be present during surveys. Acceptable survey methods include:

- 1) **Electronic Surveys:** An electronic survey is a time efficient and affordable way to collect income data for communities where almost, if not all, residents have access to e-mails. This is the primary method if e-mail addresses from most residents are available in order to provide an equal opportunity to respond. Mailed surveys must be sent to residents whose emails are not available. Otherwise, electronic surveys must only be used in conjunction with other survey methods by providing a link in survey materials. Electronic survey methods must be approved by the Funding Agency prior to conducting an electronic survey.
- 2) **Door-to-door survey:** A door-to-door survey takes more time to conduct because of the effort needed to obtain surveys. Door-to-door surveys without mailings must make a fair attempt to contact all households. First, the Survey Implementer must introduce themselves, and then contact someone who is qualified to speak for the household (i.e., heads of household, spouse of the head of household, or someone in the household who is knowledgeable about household income.) Next, the Survey Implementer identifies the purpose of the survey, solicits participation from the respondent, and accurately records the survey responses. Survey Implementers for small communities often use a door-to-door survey due to the geographical size. Two or more visits at different times must be attempted if previous visits are not successful.

All door-to-door surveys must be conducted at a time and day to maximize likelihood that a qualified household member is available. The Survey Implementer must avoid selecting a time or method that will yield biased results. For example, conducting surveys only during the day from Monday to Friday might exclude families where all heads of household work. Since these households could have higher incomes than families with only one employed

## Appendix B. Multiagency Income Survey Guidelines

member, timing may lead to the biased result of finding an excessively high proportion of low-income households. The Survey Implementer must ensure that each survey is complete and that each question is answered clearly. Incomplete or ambiguous responses must be clarified by re-contacting the respondent.

- 3) **Mail survey:** A mail survey may be easy to conduct, but often yields a low rate of response, which would require additional survey mailings and possibly a door-to-door survey. To conduct a mail survey, the Survey Implementer needs a list of all the addresses in the service area, a survey, a stamped self-addressed return envelope and postage. Consideration must be given to multiple-unit residences, such as apartment buildings, which may have only one billing address but represent several households that should be included in the universe. A follow up letter must be mailed if the first mailing does not generate the required number of responses. The number of surveys mailed will depend on the number of households in the service area:

For mail surveys when the service area has 3,300 or fewer households: Every household will be contacted. If additional responses are required after mailings, households to be surveyed by door-to-door surveys will be selected from the pool of non-responsive households using a random numbers generator.

For mail surveys when the service area has more than 3,300 households: The households to be surveyed will be selected using a random numbers generator.

- 4) **Combination survey:** Using a combination of the above methods is advisable in some situations to effectively survey a service area. For example, when no one is home to answer a door-to-door survey, a note may be left requesting that the occupant telephones the Survey Implementer. Similarly, the Survey Implementer may telephone a household to schedule a time to perform the survey. A letter may be mailed to residents informing them of the date a survey will occur and a time the Survey Implementer will visit.

## VI. Results

The service area MHI must be determined based on the median value of the total annual income of all households surveyed, including secondary homes. The results must specify that the service area MHI is based on a random sample if not all households are surveyed. The number of responses must meet the minimum response rate, unless a written waiver of such requirement is obtained from the Funding Agency. The waiver must be included in the final report.

Any non-standard survey method(s), response(s), or results that introduce uncertainty (e.g., a significant number of extremely low incomes.) must be discussed with the Funding Agency representative and may be audited before approval.

The Income Survey Results Template calculates the MHI based on the income of all households in the sample.

## Appendix B. Multiagency Income Survey Guidelines

### VII. Final Report

A final report summarizing the income survey process and results is required and must be concurred by the Funding Agency prior to distributing to other parties involved. Along with the report, an electronic copy of the Income Survey Results must be provided using the spreadsheet template. The report must include the following items:

- 1) MHI and related calculations (number of households sampled, number of households contacted, number of households in the service area)
- 2) Validity period of MHI determination (up to five years from the final survey report date)
- 3) Survey methodology
- 4) Explanation of any accommodations made for persons with limited English proficiency; or explanation of why no accommodations were necessary
- 5) List of households in the service area (specifies households that responded, households that did not respond, vacant lots, secondary homes, additional households discovered and commercial properties). A clear distinction between secondary homes and permanent households must be made
- 6) Sample of mailed letters and/or electronic communication and survey questions
- 7) Service area boundary map
- 8) MHI data table containing survey number, number of people in household, annual gross income reported, survey date, and secondary home status (Reference the table in Exhibit F)
- 9) Copy of income survey request/methods approval request letter from the Applicant/Recipient (not required for income surveys covered under Technical Assistance)
- 10) Copy of income survey approval letter from the Funding Agency
- 11) Any waivers or special instructions provided by the Funding Agency

A Report Concurrence Letter from the Funding Agency must be included with all copies of the Final Report.

### VIII. Report Concurrence

The final draft of the income survey report must be submitted to the Funding Agency. The Funding Agency will make recommendations or formally concur with the report and MHI determination with an approval letter. The approval letter must then be included with all copies of the final version of the report.

## Appendix B. Multiagency Income Survey Guidelines

With documented Funding Agency concurrence, MHI determinations from income surveys are valid for up to five years from the final MHI report date. The Funding Agency holds the right to audit the data five years from the date of the final report. The key to match the household list to the survey returns will be available to the Funding Agency for review. The Funding Agency is not obligated to use the income survey MHI to determine funding eligibility if there is reason to believe the data is no longer accurate.

### IX. Sample Documents

The following sample documents are attached in the appendices below. Any changes to the letter templates require prior authorization from the funding agency.

- Exhibit A. Sample Letter Requesting Authorization for Performing an Income Survey (For use by Applicant/Recipient who does not have a Technical Assistance)
- Exhibit B. Sample Letter to Notify Users of Income Survey (For use by Applicant/Recipient)
- Exhibit C. Sample Letter (For use by Survey Implementer)
- Exhibit D. Sample Request to Use Additional Values (For use by Survey Implementer)
- Exhibit E. Mailed Survey Template (For use by Survey Implementer)
- Exhibit F. Sample Table from Income Survey Results Spreadsheet (For use by Survey Implementer)



## Appendix B. Multiagency Income Survey Guidelines

### Exhibit A. Sample Letter to Request Authorization to Perform an Income Survey

(For use by Applicant/Recipient performing Independent Income Survey)

Date

Dear (Contact at Funding Agency),

This letter serves as our formal request for authorization to perform an independent income survey to determine the Median Household Income (MHI) of the (system/service area name).

(Pick one of the below options)

- 1) We have been informed by (project or grant manager) at the (Funding Agency) that there is insufficient data available through the American Communities Survey (ACS) to determine the service area's MHI and an income survey is required.

OR

- 2) We do not believe the MHI data provided by the American Communities Survey (ACS) data accurately represents the service area MHI because... *(Include specific reason why)*.

We believe the service area's MHI to be approximately *(insert estimated value)*, based on... *(include rationale such as surrounding areas, previous income surveys, etc.)*.

We wish to contract *(name of Survey Implementer)* to perform the income survey. *(name of Survey Implementer)* has no connections to the project and will serve as an impartial third party.

Approximately *(# of households)* permanent households are located within the system's service area. Based on the most current Multiagency Guidelines provided by the State Water Resources Control Board, Division of Financial Assistance, and the number of households in our records, the minimum sample size is *(minimum sample size)*. These numbers are preliminary estimates and are subject to change. A map of the service area is attached for reference.

*(Survey Implementer)* has proposed the following methodology:

*(Pick one of the below options or develop an alternative)*

- 1) Following a notification letter from *(name of Applicant/Recipient)*, *(name of Survey Implementer)* will perform additional mailings of surveys. Surveys will be mailed in English and (add additional languages as needed). If mailings do not yield enough responses to meet the minimum sample size, *(name of Survey Implementer)* will perform door-to-door surveys.
- 2) Following a notification letter from *(name of Applicant/Recipient)*, *(name of Survey Implementer)* will perform door-to-door surveys.

## Appendix B. Multiagency Income Survey Guidelines

- 3) Following a notification letter from *(name of Applicant/Recipient)*, *(name of Survey Implementer)* will perform an electronic survey.

*(Add project specific strategies for ensuring sampling is random and that households with Limited English Proficiency are provided an opportunity to respond.)*

The preliminary cost estimate is *(insert estimated cost)*. The anticipated start date is *(insert date)*, with an estimated completion date of *(insert date)*.

Sincerely,

## Appendix B. Multiagency Income Survey Guidelines

### Exhibit B. Sample Letter to Notify Users of Income Survey

(For use by Applicant/Recipient)

*(Use Applicant/Recipient letterhead)  
(Current Date)*

Dear Resident of *(system/service area name)*,

*(Applicant/Recipient name)* has plans to apply to *(federal or state funding programs)* for *(water/sewer)* system improvements and upgrades that will include the following:

*(insert description of project).*

*(Insert why project is needed)*

As part of the application process, the funding agency needs to determine the median household income of the service area. *(Applicant/Recipient name)* will have an impartial third-party contractor perform a focused household income survey.

Income surveys require a high percentage of residents to respond for the survey to be considered valid. Submittal of incomplete or inaccurate income information could significantly delay or potentially jeopardize the service area's ability to receive state or federal funding support.

It is therefore critical that you provide the information requested accurately on the survey form. Your responses to this survey will be kept anonymous. No personal identifying information will be reported in the survey results.

*(Choose option based on sampling strategy)*

- 1) *(name of Survey Implementer)* will perform this survey. An income survey will be *(mailed/mailed)* to you in the next few days. Please complete the information and return it to *(name and address to return survey)*.

If unable to meet the response rate after repeated mailings/emailing, *(name of Survey Implementer)* will perform door-to-door surveying.

- 2) *(name of Survey Implementer)* will perform this survey. Beginning on *(insert date)*, they will begin door-to-door surveys based on a random sampling of households in the service area.

*(name of Survey Implementer)* has been authorized to perform this survey on behalf of *(insert Applicant/Recipient name)*.

You can help your community and *(Applicant/Recipient name)* obtain funding from federal and state funding agencies, so that needed improvements can be made. Thank you for your assistance. For more information, please feel free to contact:

## **Appendix B. Multiagency Income Survey Guidelines**

*(Applicant/Recipient Contact information)*

*(Contact information for the Survey Implementer)*

Thank you for your help,

*(Name, and Title)*

## Appendix B. Multiagency Income Survey Guidelines

### Exhibit C. Sample Letter

(For use by Survey Implementer for Mailed/mailed Surveys)

(Applicant/Recipient Letterhead)

(Current Date)

ATTENTION: RESIDENTS OF (System/Service area Name)

The (Applicant/Recipient name) has authorized (name of Survey Implementer) to conduct an income survey in your neighborhood. Attached is the survey form that will be utilized to obtain the needed information. Please complete the survey to the best of your ability.

The information obtained through this survey is necessary to determine funding eligibility from various federal or state programs. The funding will be used to plan and/or construct (description of project). This will enable the (Applicant/Recipient Name) to (insert reason for project). This survey is being conducted to establish an accurate Median Household Income of the service area.

Any personally identifiable information will be kept confidential. Income data may be publicly released but will not contain any personally identifiable information. It is important that the information you provide is an accurate representation of the questions asked. Please complete the attached survey as soon as possible and return the completed survey form in the included pre-addressed, postage paid envelope. The survey can be completed online at [insert website address] (Note to implementer: remove sentence if there is no option to respond digitally). Assistance can be arranged to help you complete the survey if required. If a response is not received within 15 days, you will receive an additional notice with a second copy of the form for your response.

Once the completed surveys have been received, (name of Survey Implementer) will create two separate lists: one with anonymous data from the survey, and one with a list of households. The key used to associate the survey results with specific households' addresses will be kept confidential and will only be utilized to verify the accuracy of the income report by (name of the Survey Implementer).

If you would like more information about the survey and how the information will be utilized to assist the residents of (system/service area name), please feel free to contact:

(Applicant/Recipient contact person name, address, phone number, e-mail address)

(Survey Implementer organization name, contact person name, contact info)

## Appendix B. Multiagency Income Survey Guidelines

### Exhibit D. Request to Use Additional Values

(For use by Survey Implementer if they are unable to meet sample size requirements)

Dear (Contact at Funding Agency),

This letter serves as our formal request for authorization to use additional values due to an inability to meet the sample size requirements.

[Explain efforts performed so far to solicit survey responses and why you believe additional efforts to obtain sample sizes will not be effective.]

[Include a screenshot of the Data Tables from the 'Results' tab from the Income Survey Results Template.]

Since we have been unable to achieve the required minimum sample size, we are requesting authorization to include default values in our calculations.

We recommend defaulting them to the maximum observed household income value of [insert the maximum value observed].

We have attached the current electronic version of the Income Survey Results Template to this request.

Sincerely,

## Appendix B. Multiagency Income Survey Guidelines

### Exhibit E. Household Income Survey

<b>Residential Address: (Added prior to mailing)</b>	<b>Survey Number: (Added prior to mailing)</b>
<p><b>1. Please check the appropriate box regarding the property listed above:</b></p> <p><input type="checkbox"/> Primary Home (Primary residence or occupied by a seasonal, migrant laborer)</p> <p><input type="checkbox"/> Secondary Home (Vacation or Seasonal Home)</p> <p><input type="checkbox"/> Rental Home and I am the owner (<i>Skip sections 2 and 3, answer 4</i>)</p> <p><input type="checkbox"/> Commercial Property including Short Term Rentals (<i>Skip sections 2-4</i>)</p> <p><input type="checkbox"/> Vacant Lot (<i>Skip sections 2-4</i>)</p> <p><input type="checkbox"/> Vacant Home (<i>Skip sections 2-4</i>)</p>	
<b>2. How many people, including children and adults, live in this household?</b>	
<p><b>3. Provide your household income information for the past 12 months below:</b></p> <p>Household earnings in wages, salary, commissions, and bonuses from all jobs of residents 15 and older \$ _____</p> <p>Net non-farm business, professional practice or partnership income \$ _____</p> <p>Net farm income \$ _____</p> <p>Other earnings (interest, Social Security, public assistance, retirement plans, etc.) \$ _____</p> <p><b>Total Income</b> \$ _____</p>	
<p><b>4. If this property is a rental and you are the owner, please provide the tenant's name and mailing address.</b></p> <p><i>Tenant Name:</i></p> <p><i>Tenant Mailing Address:</i></p>	
<p>I hereby certify that the above statements are true and correct to the best of my knowledge.</p> <p>Printed Name _____ Signature _____ Date _____</p>	

**Please return this survey in the enclosed postage-paid envelope**

**Appendix B. Multiagency Income Survey Guidelines**

**Exhibit F. Example Table from Income Survey Results Template**  
(For use by Survey Implementer)

Survey Number	Survey Date	# of People in Household	Reported Income Value	Primary or Secondary Household