

WATER RECYCLING FUNDING PROGRAM GUIDELINES

July 2008

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**California State Water Resources Control Board
Division of Financial Assistance**

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SECTION I: INTRODUCTION

The State Water Resources Control Board (SWRCB) provides funding for the planning, design, and construction of water recycling projects. The program is administered by the Division of Financial Assistance (Division). The purpose of these Guidelines is to provide the criteria and process for obtaining funding.

The guidelines are presented in three sections:

- Section I is introductory and applies to all water recycling funding programs;
- Section II describes the Facilities Planning Grant Program;
- Section III describes the construction grant and low-interest loan funding programs.

All projects receiving funding commitment after adoption of these guidelines are subject to them. These guidelines are also applicable to State Revolving Fund (SRF) loan funded water recycling projects augmenting state or local water supplies. Agencies applying for an SRF water recycling loan must also comply with the current "*Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities*" (SRF Policy).

A. Water Recycling Funding Programs

Water recycling planning grant funding is available to assist public agencies with their feasibility study and planning efforts. Section II provides criteria and a description of the application process for planning grants. Construction projects may be funded with a combination of grants and loans. Privately owned water utilities that are regulated by the Public Utilities Commission are also eligible to apply for construction grants. Section III provides details about construction funding programs.

B. Program Funding Sources

1. The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50):
Chapter 7, Section 79550(g) authorizes grants for water recycling projects that meet the goals and objectives of the California Bay-Delta Program (CALFED) and are consistent with the CALFED Record of Decision. Approximately \$42 million was appropriated to the SWRCB in fiscal year 2003/04 for this program.
2. SRF Loan Program:
The SRF loan program provides low-interest loans to public agencies for planning, design, and construction of projects that recycle water to replace the use of the State and/or local water supply. Over the life of the program, funds have generally been available for eligible projects. However, current funding has been curtailed due to a temporary reduction in cash flow. It is anticipated that SRF water recycling project funding will recommence in fiscal year 2005/06.

3. The Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act (2000 Bond Law), Proposition 13:

The funds for construction grants and loans from Proposition 13 have essentially been exhausted. A small amount of money comes into the program each year from loan repayments. This provides the source of funds for the planning grant program. As the size of the planning grants is small (\$75,000 maximum), the repayment funds are sufficient to maintain this program.

C. Application Information and Assistance

Detailed information about applying for each funding program is in the applicable section. SWRCB staff are available to answer questions and provide assistance to applicants during the planning and construction funding process. An applicant anticipating the possibility of seeking future funding is encouraged to contact SWRCB staff for an application and information. The Water Recycling Funding Program manager can be contacted by phone at (916) 341-5700. Please mail all inquiries to:

State Water Resources Control Board
Division of Financial Assistance
Water Recycling Funding Program
P. O. Box 944212
Sacramento, California 94244-2120

D. Special Assistance

SWRCB staff will provide additional application assistance to disadvantaged communities, upon request. Staff can arrange to travel to local offices for meetings to provide one-on-one assistance in filling out the funding application.

E. General Program Requirements

1. Conflict of Interest:

All participants are subject to State and federal conflict of interest laws. Failure to comply with these laws, including business and financial disclosure provisions, will result in the application being rejected and any subsequent grant agreement being declared void. Other legal action may also be taken. Before submitting an application, applicants are urged to seek legal counsel regarding conflict of interest requirements. Applicable statutes include, but are not limited to, California Government Code Section 1090 and California Public Contract Code Sections 10410 and 10411.

2. Confidentiality:

Once an application has been submitted to the SWRCB, any privacy rights as well as other confidentiality protections afforded by law with respect to the application package will be waived.

3. Labor Code Compliance:

In addition to compliance with other provisions of the California Labor Code, applicants must comply with California Labor Code Section 1771.8, which requires a body awarding a contract for a public works project financed in any part with funds made available by Proposition 50 to adopt and enforce a labor compliance program pursuant to California Labor Code Section 1771.5(b).

4. Related Litigation:

Grant agreements funded by the SWRCB will specify that under no circumstance may a Grantee use funds from any disbursement under the grant agreement to pay costs associated with any litigation the Grantee pursues against SWRCB or any Regional Water Quality Control Board (RWQCB), regardless of the outcome of any such litigation, and notwithstanding any conflicting language in the grant agreement, the Grantee agrees to complete the Project funded by the grant agreement or to repay the grant funds plus interest.

5. Urban Water Management Plan:

For urban water suppliers applying for funding for planning studies or construction projects receiving Proposition 13 funds, the SWRCB will not execute a funding contract/agreement until the applicant has documented that it has prepared and adopted a complete Urban Water Management Plan and submitted the plan to the Department of Water Resources in accordance with the Urban Water Management Planning Act (Water Code Sections 10610 et seq.).

SECTION II: FACILITIES PLANNING GRANT PROGRAM

The Water Recycling Facilities Planning Grant Program (FPGP) provides grants to public agencies for facilities planning studies. The FPGP requirements and procedures are described in this section.

The purpose of the FPGP is to assist agencies in the preparation of facilities planning studies for water recycling using treated municipal wastewater and/or treated groundwater from sources contaminated due to human activities. In addition to encouraging new recycling planning studies, these funds are intended to supplement local funds and enhance the quality of local planning efforts.

A. Funding Criteria

1. **Eligible Projects:**
Grants are provided for facilities planning studies to determine the feasibility of using recycled water to offset the use of fresh/potable water from state and/or local supplies. Pollution control studies, in which water recycling is an alternative, are not eligible. The grant will cover 50 percent of eligible costs up to \$75,000.
2. **Eligible Applicants:**
Only public agencies are eligible to receive a facilities planning grant. An agency may receive more than one facilities planning grant from the SWRCB. However, each proposed study must be independent in scope of work from previously-funded studies.
3. **Deliverables:**
Each grant must result in a final facilities planning report. The final report must include an analysis of all of the essential components of potential project alternatives. The final report will designate the proposed recycled water service area and analyze the feasibility of serving all or portions of the designated area.
4. **Timeline:**
The grant agreement will contain a time limit for the applicant to submit a final facilities planning report, which must be within three years from the date of the grant commitment. An agency may submit a request for a one-time extension of the submittal date. SWRCB staff may approve an extension of up to 12 months from the date specified in the grant commitment. If the deadline is not met or if an extension is granted and the extended deadline is not met, the funding commitment will expire and the committed funds will become available to other projects.

B. FPGP Grant Process

The FPGP grant process is illustrated in Figure 1 (See following page).

Figure 1- Facilities Planning Grant Program Process

Request grant application	Grant application is distributed to interested applicants upon request.	See Section II.C.
Grant application submittal	Applicant submits grant application, including plan of study and other required documents.	
Review of Application	SWRCB staff reviews grant application.	
Applicant Meeting	SWRCB staff and applicant meet to discuss the plan of study and grant program procedures.	
Grant Commitment	Grant commitment approved by the Division Chief.	
Grant Agreement Execution	Grant agreement prepared and executed.	
Draft Facilities Planning Report Submittal	Applicant proceeds with feasibility study, prepares draft facilities planning report, and submits to SWRCB staff.	See Section II.D.
Draft Facilities Planning Report Review	SWRCB staff reviews draft report and issues draft report approval.	
50 Percent Payment	Applicant requests first 50 percent grant disbursement. SWRCB staff processes 50 percent grant payment.	
Final Facilities Planning Report Submittal	Applicant completes plan and submits Final planning report (including market assurances) and a copy of a locally adopted resolution approving final environmental documents.	
Facilities Planning Report Approval	SWRCB staff approves Final facilities planning report.	
Final Payment	SWRCB staff processes remaining grant payment.	See Section II.E.

C. Application Requirements

The application package consists of:

- an application form (see Appendix A),
- a resolution by the local agency authorizing the grant application, and
- a plan of study.

The plan of study describes the nature and scope of the proposed facilities planning study and must include the components listed in Table 1 (next page).

After review of the application package, SWRCB staff will schedule a meeting with the applicant to discuss the plan of study and grant program procedures. After necessary adjustments, SWRCB staff will approve the plan of study. After approval of the plan of study, the Division will issue a grant commitment.

D. Review and Approval of Draft and Final Facilities Planning Report

The facilities planning study consists of all of the following:

- a feasibility study,
- a detailed evaluation of the selected alternative for a water recycling project,
- construction financing plan,
- recycled water market assessment, and
- preliminary recycled water market assurances.

Completion of the study, for purposes of the grant, consists of submittal of a final facilities planning report that fully documents all aspects of the study. The facilities planning report must include an analysis of all of the essential components of potential projects. The level of detail should be commensurate with the size and complexity of the proposed project. Further information on facilities planning for water recycling including recycled water market assessments, and recycled water market assurances is located in Appendix B of these Guidelines. Preliminary recycled water market assurances consist of letters of intent from users that will be a part of the recommended project, a description of future connections to the project and anticipated schedule, and either a draft recycled water mandatory use ordinance or draft model user contract.

During the course of planning, it may be concluded that a viable recycling project cannot be recommended. In this case, after consultation with, and approval from, SWRCB staff, the planning efforts may be terminated prior to completion of all of the tasks specified in the plan of study. The results of the work completed and the basis for the conclusion should be documented in a report. After submittal of the report, the applicant will receive grant funds for the work completed in the study and preparation of the report up to 75 percent of the approved grant commitment.

Table 1- Plan of Study Components

1. A description of the recycled water service area that will be studied.
2. The potential sources of recycled water and a summary of the unit processes currently in use at existing treatment facilities.
3. A description of the current disposal/reuse of the wastewater that is proposed to be recycled.
4. A map of the study area showing the sources of recycled water and potential service area(s).
5. Identification of the water and wastewater agencies having jurisdictions over the sources of recycled water and/or the potential service area.
6. A general description of water recycling and potable water supply alternatives that will be evaluated.
7. A description of the opportunities for stakeholder participation, for example, public meeting with the local community members, potential recycled water users, and other agencies that have a stake in the study.
8. A schedule with the start and completion dates of major tasks associated with the facilities planning study.
9. A list of potential problems that may cause delay in the progress of the study and description of the proposed actions to reduce the impact of these potential problems.
10. Identification of the entities that will be conducting the study and description of their roles. This may include a description of proposed subcontracts with consultants or interagency agreements with other agencies, and any force account work.
11. Proposed budget for the study, including estimated costs of specific tasks, sources of financing, and sources of funds for cash flow until grant reimbursement.

E. Funding Restrictions and Eligible Costs

An applicant may conduct the facilities planning study with its own staff resources (using what is referred to as a “force account”) or by contract with consulting firms or another public agency. If an applicant uses its own staff resources for the planning study, the applicant must establish accounting methods to track staff time and materials expenses directly related to the planning study. In general, force account eligible costs will be limited to direct costs, including labor overhead, chargeable to the planning study. Further guidance on Force Account eligible costs is included in Appendix C of these Guidelines.

After Plan of Study Approval, SWRCB staff will present the proposed study to the Chief of the Division for a preliminary grant commitment. All costs incurred on facilities planning studies are eligible for reimbursement after the preliminary grant commitment date.

F. Disbursement of Grant Funds

Grant funds will be provided in two disbursements. Disbursement of 50 percent of the total estimated grant will be made upon approval of a draft facilities plan. A final disbursement will be processed after SWRCB staff approval of the final facilities planning report.

SECTION III: CONSTRUCTION FUNDING PROGRAM

Funding for the construction of water recycling facilities is primarily provided from Proposition 50 and the SRF loan program. The steps for securing funding for the construction of water recycling facilities are as follows:

- Placement on a competitive funding list (Water Recycling and/or SRF, as applicable) in a fundable category.
- Submittal of a complete Financial Assistance Application package.
- Receipt of a Facilities Plan Approval.
- Receipt of a SWRCB's preliminary funding commitment.
- Submittal of final plans and specifications (P&S).
- Receipt of a Final P&S Approval.
- Submittal of construction bid package(s), and
- Execution of a grant and/or loan agreement.

Funding criteria and details of the above steps are described in the following sections.

A. Funding Criteria

Construction grants will be limited to 25 percent of the eligible construction cost of a proposed project or \$5 million whichever is less. Eligible costs may include allowances for design, legal tasks, construction management, and engineering during construction. A detailed discussion of eligible and ineligible costs is included in Section III.H. Retroactive funding of eligible construction costs incurred on or after January 1, 2004, will be available for projects that have started construction prior to receiving a funding commitment from the Division. A construction grant may be combined with any other source of funding the applicant may be eligible to obtain.

B. Placement on Competitive Project List

All proposed projects must be placed on the SWRCB's, WRCP Competitive Project List (CPL) and/or the SRF Priority List to be considered for financial assistance. The SRF Priority List is only applicable to SRF loans. Projects placed on the CPL are classified by categories (I–VI) based on the information provided by the applicant. The description of these categories is included in Table 2 (see next page). The draft CPL will be updated during the initial 60 days following adoption of these Guidelines. The draft CPL will be posted on the website for public review and comments. The CPL will be presented to the SWRCB for adoption 90 days following the adoption of these Guidelines.

If a proposed project is not listed on the adopted CPL and SWRCB staff determines that the project meets the WRCP funding requirements, SWRCB staff may present the proposed project to the SWRCB for inclusion on the current adopted CPL.

See Appendix D for more information concerning inclusion on the CPL. Please refer to the SRF Policy for inclusion on the SRF Priority List.

Table 2 - Description of Project Categories

Category Type	Description
Category I – State Water Supply and the Delta	- provide for treatment and delivery of municipal wastewater or groundwater contaminated due to human activity, for uses (including groundwater recharge) that will offset State water supplies; and - provide benefits to the Delta by: - increasing the average water flow into the Delta, or - reducing water pumping from the Delta.
Category II – State Water Supply	provide for treatment and delivery of municipal wastewater or groundwater contaminated due to human activity, for uses (including groundwater recharge) that replace the use of the State water supply with recycled water, but do not provide benefits to the Delta.
Category III - Local Water Supply	provide for treatment and delivery of municipal wastewater to users that replace the use of local water supply with recycled water.
Category IV – Local Groundwater Reclamation	provide treatment and reuse of groundwater contaminated due to human activity; and provide local water supply benefits.
Projects within the following two categories, Category V and VI, may only be considered for funding by the SRF Loan Program for the objective of pollution control, if applicable.	
Category V – Pollution Control	provide for the treatment and disposal of municipal wastewater to meet waste discharge requirements imposed for water pollution control.
Category VI – Miscellaneous	are projects that do not have identifiable benefits to the State or local water supply.

C. Projects Eligible To Compete for Funding

Inclusion on the CPL allows applicants to be considered for financial assistance. However, placement of the proposed projects on this list is not a commitment to fund. Funds are committed to a project only when the project receives a preliminary commitment.

Because Proposition 50 funds for water recycling are designated for meeting the objectives of the CALFED Bay-Delta Program, projects that meet the requirements of Category I are eligible to compete for Proposition 50 grant funds. When sufficient funds accumulate from repayment of Proposition 13 and 1984 Bond Act loans, projects in Categories II, III, and IV as well as Category I will be eligible to compete.

D. Construction Funding Process

After adoption of these Guidelines, applicants whose proposed projects meet the requirements of Category I may compete for the available funding. The available funding is distributed to projects that meet the requirements of these Guidelines and that are first ready to proceed to construction. Funding is distributed until the funding source is expended.

The complete application packages submitted prior to adoption of the CPL will be considered to have been submitted on the date of adoption of the CPL. If the grant funding requests from the eligible Category I applicants that have submitted complete applications prior to adoption of the CPL exceed available funds, SWRCB staff will utilize the following factors, in the order listed below, to further distribute and/or prioritize the construction grant funds:

1. Reducing the maximum grant amount per project from \$5 million to \$4 million to distribute the available funds among a greater number of projects.
2. Providing preferences for projects that provide benefit to and/or are submitted by a disadvantaged community, (defined in Appendix H).
3. Geographically distributing the grant funds by allocating:
 - a. a minimum of 40 percent of the funds to projects within the following Southern California Counties:
 - (i) Los Angeles County
 - (ii) Orange County
 - (iii) Riverside County
 - (iv) San Bernardino County
 - (v) San Diego County
 - (vi) Ventura County
 - b. a minimum of 40 percent of the funds distributed to projects within the remaining counties; and

- c. the remaining 20 percent of the funds distributed to projects within any county.
4. Prioritizing applications based on the project type as follows (In order of funding priority):
 - a. Recycled Water Distribution System
 - (1) Component of a Regional Distribution System
 - (2) Local Distribution System
 - b. Groundwater Recharge Facilities
 - c. Recycled Water Treatment Facilities
 - d. Groundwater Reclamation

Projects with multiple components will be prioritized based on the highest-ranking project type.

The list of recommended highest priority projects may be presented to the SWRCB before making the final determination. The highest priority projects will be recommended to receive a preliminary funding commitment, as they become ready to proceed, until available funds are exhausted

The construction funding process is outlined in Figure 2.

E. Application Requirements

A complete application package should be submitted for each proposed project. Please see Appendix E for a listing of all required application attachments. The major components of a funding application are as follows:

- A completed Financial Assistance Application form, including attachments. See Appendix E for the Application Form.
- A Facilities Plan (See Section E.1 for details).
- An Authorized Representative Resolution (Legal Authority) from the governing body of the applicant agency authorizing an individual to act on their behalf regarding the application for financial assistance. A model resolution may be found in Appendix F.
- A Water Conservation Plan complying with the program's Water Conservation Plan requirement. (See Section E.2 for details.)

Figure 2 - Water Recycling Construction Program Funding Process

Request application package	Financial Assistance Application is distributed.	See Section III.E.
Submit Application	Applicant submits completed application package.	
Review of application	SWRCB staff reviews and comments on the application and facilities planning documents. Applicant prepares responses, if necessary.	See Section III.F.
Project facilities plan approval	SWRCB staff issues project facilities plan approval, makes preliminary eligibility determination.	
Funding Authorization	Preliminary funding commitment is made.	
Design submittals	Applicant submits 100 percent design submittal package.	
Design review and approval to advertise	SWRCB staff makes final eligibility determinations and issues final plans & specification approval and approval to advertise for bids.	See Section III.G.
Construction contract issuance	Applicant awards construction contract to bidder and submits related information to SWRCB.	See Section III.H.
Loan/Grant agreement issued	SWRCB issues Approval-of Award and prepares and executes a funding agreement with the applicant.	
Disbursements	Applicant requests grant/loan funding disbursements. SWRCB issues funding disbursements to the applicant.	
Construction monitoring	Staff monitors status of construction and of users converting to recycled water use.	See Section III.K.
Project Completion	Applicant completes construction and initiates operation. Project Performance certification begins.	See Section III.K and III.L.
Annual Reports	Applicant submits reports annually for the specified period.	
Repayments to SWRCB (loans only)	Applicant begins loan repayments in accordance with the loan contract.	

1. **Facilities Plan**

The facilities plan includes the following:

- A project report. Please see Table 3 for the requirements.
- Draft environmental documents.
- Draft construction financing plan.
- Initial recycled water market assurances.

Table 3 - Project Report Requirements*

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| <ol style="list-style-type: none"> 1. Study area characteristics. 2. Water supply characteristics and facilities. 3. A cost-effectiveness evaluation of alternative project concepts. 4. An estimate of the total capital costs and annual operation and maintenance costs. 5. A map of the service area. 6. A written record of the required public meeting. A noticed public meeting is required to obtain public comment on the proposed project and to discuss financial and environmental factors related to the project. 7. Documentation showing that the applicant has the legal, institutional, managerial, and financial capability to construct the proposed project and to operate and maintain the project facilities throughout their service life. 8. A discussion of the selected alternative that includes the following: <ul style="list-style-type: none"> • A detailed description of the selected alternative. • A statement of the relevant design criteria. • The estimated construction cost and annual operation and maintenance cost, and a description of how the local costs will be financed. • Dedication of an identified source of revenue to repay the loan (Required for loans only) • A discussion of the water quality and other non-monetary benefits of the project. • A discussion of any interagency service agreements necessary to construct, operate, and maintain the system. 9. An implementation schedule for completion of the project. |
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* Additional detail about the report may be found in Appendix B.

a. Environmental Documents

Environmental documents must meet all requirements of the CEQA review process. Applicants must additionally meet specific CEQA requirements where a state agency is the “responsible agency” as defined in CEQA.

The applicant must submit the draft environmental documents directly to the Governor’s Office of Planning and Research, State Clearinghouse (SCH) for distribution to State agencies for comments. To ensure that responsible agencies will receive copies of the environmental documents for review, the applicant should send them directly to the agencies in addition to the SCH. The applicant is also responsible for sending copies of the environmental documents to any local or federal responsible agency with jurisdiction over any part of the proposed project. Under some circumstances, a project may qualify for a statutory or categorical exemption from CEQA requirements. In these cases, a Notice of Exemption (NOE) should be completed and included with the project application along with supporting information. Once the applicant has approved the project, it should file the NOE with the county clerk.

After the comment period, the applicant must submit the following to the SWRCB:

- (1) one copy of the Final EIR or adopted Negative Declaration;
- (2) any comments received on the CEQA document and the applicant’s responses;
- (3) the adopted mitigation monitoring plan when mitigation measures are included;
- (4) the local resolution certifying or adopting the final environmental document; and,
- (5) a Notice of Determination filed with the county clerk.

The agreed upon mitigation measures must be in place prior to the execution of a funding agreement/contract. Compliance with the mitigation plan is a condition of the final agreement/contract.

Use of previously prepared environmental documents is also acceptable, provided the procedures and guidance in Sections 15153, 15162-15164, 15168, or 15221 of the State CEQA Guidelines are followed.

For further guidance on environmental review requirements for both state bond and SRF funded projects, applicants should refer to the SWRCB’s “Environmental Review Process Guidelines for State Revolving Fund Loan Applicants,” which is included in Appendix E of the “Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities.” This document describes requirements for compliance with CEQA as well as additional environmental review requirements for SRF projects.

b. Construction Financing Plan

Applicants seeking grant and/or loan funding must demonstrate that there are sufficient financial resources to finance the design and construction of the project, by submitting a construction-financing plan. The construction-financing plan generally consists of the following items:

- An up-to-date capital cost estimate, including construction, engineering, legal, and administrative costs with a reasonable allowance for contingencies.
- A cash flow analysis, consisting of a monthly forecast of expenses during design and construction, and sources of funds to meet those expenses.
- The sources and amounts of funds for capital costs, including the status and timing of securing those funds.

Funds will not be disbursed until after the grant or loan agreement is executed. Thus, the recipient must carry design and other project related costs until after execution of the agreement. Funding disbursements will be made during construction in proportion to eligible costs incurred. If there are multiple construction contracts, the funding disbursements will be proportioned amongst each construction contract.

The cash flow analyses should be based on the above procedures for disbursements and the assumption that receipt of funds will take 60 days from date of request.

c. Recycled Water Market Assurances

Recycled Water Market Assurances are documentation of the commitment of user participation in the project. Initial Recycled Water Market Assurances are as follows:

- For existing users, either an adopted mandatory use ordinance or letters of intent to execute a user contract.
- For future users, a description of each user and the schedule for connection.

Submittal of letters of intent or notifications of users may be waived by the SWRCB staff for users with sites already plumbed and metered for use of recycled water, but temporarily using potable water.

Detailed descriptions of mandatory use ordinances and user contracts are contained in Appendix G.

2. Water Conservation Plan Requirements

The SWRCB will not execute a funding contract/agreement for a project until the applicant has submitted a locally adopted water conservation program. An acceptable locally adopted water conservation program is described in "Water Conservation Review Procedures," December 5, 1993, included as Appendix F of the SWRCB's *"Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities,"* last amended January 22, 2003. In lieu of adoption of an independent water conservation program, the applicant may become a signatory to the

“Memorandum of Understanding Regarding Urban Water Conservation in California”, as currently revised by California Urban Water Conservation Council.

If the applicant is not a water purveyor, it must:

- (1) Certify that 75 percent of the water connections in its service area are covered by adopted water conservation programs; or
- (2) Demonstrate that the water purveyor(s) have signed the Memorandum of Understanding covering at least 75 percent of the water connections within the applicant's sewer service area.

The SWRCB staff may waive the requirements of this section under the following circumstances: the water supplier for the community serves 3,000 or fewer customers and the costs to prepare a document to satisfy these requirements are found to be burdensome to the supplier in light of the benefits derived from the plan.

F. Facilities Plan Approval And Preliminary Funding Commitment

Upon receipt of a Financial Assistance application (Appendix E), SWRCB staff will review the application package for completeness and compliance with program requirements. The application package requirements are described in Section III.E. Once the SWRCB staff determines that the application package is complete and in compliance with program requirements, a Facilities Plan Approval will be issued. If it is determined that a proposed project does not meet the applicable criteria and/or requirements, a written explanation will be sent to the applicant.

After Facilities Plan Approval, SWRCB staff will present the project to the Chief of the Division for a preliminary funding commitment. In order to assure the proposed project is implemented in a timely manner, the preliminary funding commitment will contain a deadline by which specified project milestone must be met. The milestone will be either:

- submittal of final construction P&S, or
- issuance of a “Notice-to-Proceed” to construction.

The preliminary funding commitment will allow SWRCB staff to approve up to a 90-day extension of the milestone deadline for good cause. If the deadline is not met or if an extension is granted and the extended deadline is not met, the preliminary funding commitment will expire and the committed funds will become available to other projects.

G. Plans and Specifications Approval

The Final P&S submittal package must include the following items:

- One set of biddable construction P&S, stamped and signed by a registered civil engineer;
- A detailed, itemized engineer's cost estimate, listing eligible and ineligible items in separate columns;

- An updated construction financing plan; and
- Recycled water market assurances supporting the capacity of the proposed facilities.

The primary focus of the SWRCB staff's review of the final P&S package is to:

- Confirm that the project design is consistent with the facilities described in the Facilities Plan Approval letter.
- Determine that the facilities are eligible for funding.
- Confirm that the construction contract documents are in compliance with applicable State contracting laws and program requirements.
- Develop and reach agreement with the applicant on project performance standards.

During P&S review, the applicant and SWRCB staff will mutually agree on specific project performance standards for the SWRCB funded facilities. The project performance standards will focus on the quality of the recycled water needed to meet public health and customer requirements as addressed in the approved facilities plan, and the expected recycled water deliveries during the first year of operation based on the minimum usage requirements specified in Section III.M. At the end of a one-year project performance certification period, following Initiation of Operation of newly constructed facilities, actual operating and recycled water delivery data must be submitted for comparison with the project performance standards.

The applicant must agree with the eligibility determinations and project performance certification standards prior to issuance of a Final P&S approval. SWRCB staff will issue a combined Final P&S Approval and Approval-to-Advertise the construction contract.

H. Funding Agreement and/or Contract

The applicant must notify SWRCB staff once a construction contract has been awarded. The notification must be accompanied by a bid submittal package that contains the items listed in Table 4 below.

Table 4 - Bid Submittal Package Requirements

1. A tabulation of bids received
2. Completed Initiation-of-Operation and Completion-of-Construction forms
3. The most recent engineer's estimate of project cost
4. A copy of the lowest acceptable bid proposal
5. Description of any bid protest received together with a description of how the protest was resolved
6. A list of project changes or addenda issued since Approval-to-Advertise was issued, if applicable
7. A copy of the signed construction contract(s)
8. If the applicant has awarded to a contractor other than the lowest bidder, a justification for not awarding the construction contract to the lowest bidder
9. A legal description of the site on which the project is to be constructed and an opinion signed by competent title counsel describing the interest the applicant has in the site, including information as to any easements and rights-of-way, and certifying that the estate or interest is legal and valid.
10. A copy of the applicant's authorization to award the construction contract
11. A copy of the notice-to-proceed issued to the construction contractor, and
12. A copy of the construction plans (in half-size reduction, if available)

After SWRCB staff's review of the bid submittal package, an Agreement of Award letter will be issued to the applicant confirming the exact amount of the grant agreement and/or loan contract, including funding allowances.

A grant agreement and/or loan contract will be executed after the Agreement of Award letter is sent.

I. Eligibility Criteria**1. Eligible Costs**

The following items are eligible for funding:

- a. Construction cost of recycled water treatment, storage, pump stations, and distribution pipeline systems, provided that:

- Facilities are located as appropriate to serve best the function of the funded recycled water system, including on a use site.
 - Facilities remain in public ownership. For privately owned water utilities receiving grant funds from Proposition 50, funded facilities must remain in the ownership of the utility contracted to receive the state funds. Transfer of ownership to an entity other than the recipient of the state funds must be to a public agency as authorized by the State Water Board.
 - Facilities are located on land with adequate rights-of-way for the useful life of the project.
- b. Recycled water distribution pipeline systems, from the source of supply to the reuse sites. Eligibility of a pipeline system on the user's property is limited to:
- Recycled water service line up to and including the water meter if the meter is located in the proximity of the property line.
 - Recycled water service line to the main storage facilities serving the user on the reuse site or, to the initial division of the recycled water flow on the use site to multiple use areas.
- c. Recycled water distribution pipeline with a terminal point serving a user that is committed by mandatory use ordinance or by user contract to take recycled water. If only a portion of a pipeline serves users secured by a firm commitment, then eligibility extends to the most downstream user secured by a commitment.
- d. The capacity of a project used within ten years of completion of construction. Pump station wet wells and pipelines may have an eligible capacity of up to 20 years when documented by a market assessment showing the 20-year service area, and corresponding uses, and flows.
- e. Reasonable costs to provide an emergency backup water supply for the recycled water system.

Eligible capacities are measured in terms of annual recycled water deliveries determined by recycled water market assurances. At least 50 percent of the eligible project capacity must serve users that will exist by the time of completion of construction. ("Existing user" is defined in Appendix H.)

Eligible sizes of facilities components are based on reasonable design criteria to serve these annual deliveries. Eligible costs for partially eligible capacity will be determined on an incremental cost rather than pro rata cost basis.

Applicants constructing pipelines or treatment facility capacity, in excess of that which can be utilized within five years of completion of construction, must demonstrate that adequate recycled water supply and demand will be available to support that future capacity.

2. Ineligible Costs

The following costs are not eligible for construction funding:

- Costs of planning for a project;
- Costs of applying for funding;
- Costs of on-site retrofit facilities, that is, facilities to convert to recycled water use;
- Costs of on-site irrigation facilities;
- Costs of land, easements, and rights of way;
- Costs for operation and maintenance of project facilities;
- Legal and court costs resulting from violation of state and federal laws or as a result of the CEQA process, excluding the cost of capital facilities required to be built as a condition or result of a legal or court settlement;
- Indirect costs of construction performed by the funding recipient's work force¹.

3. Miscellaneous

- a. Multiple-purpose projects are eligible in proportion to the costs allocated to water recycling. Projects utilizing supplemental sources of water are partially eligible based on the costs allocated to the recycled water. (An example of a multiple-purpose project would be a ground water recharge project that percolates both stormwater runoff and treated wastewater.) For projects using multiple sources of water, costs will be allocated to each source on a pro rata basis.
- b. The maximum grant amount will be fixed in accordance with the SWRCB's preliminary funding commitment. All project changes during construction that result in cost increases above the maximum funding amounts are the responsibility of the applicant.
- c. Project changes are permitted after funding commitment approval of the project, but prior to construction, provided that there is no change in the scope of the project. If there is a change in scope of a project, a new funding commitment will be required. The scope of a project is considered to have changed if any of the following occurs:
 - A decrease in the recycled water deliveries projected for the ten years following completion of construction by more than 15 percent.
 - A change required in the environmental documents prepared in accordance to CEQA such that the SWRCB is required to reconsider the environmental documents.
 - An increase in requested funding that exceeds the preliminary funding commitment amount by more than 50 percent.

J. Funding Allowances

A fixed amount of funds will be provided to the recipient for design, legal tasks, construction management, and engineering during construction. The allowance amount will be 15 percent of the eligible construction grant or loan amount. For SRF loan funded projects, the eligible allowances will be calculated in accordance with the SRF policy using the total construction contract bid amount. The SRF allowance shall

¹ A more detailed discussion of force account cost eligibility may be found in Appendix C "Guidelines on Force Account Eligible Costs."

be reduced by the amount of allowances disbursed from other funding programs for the same tasks. The recipient may request a payment of this allowance upon execution of the corresponding funding agreement/contract.

K. Construction

- a. Pre-construction Conference: The recipient should notify the SWRCB as soon as a pre-construction conference with the selected construction contractor is scheduled. SWRCB staff may choose to attend.
- b. Interim Construction Inspections: The SWRCB may conduct interim inspections during construction.
- c. Completion of Construction Date: The completion of construction date will be established for the purpose of determining an SRF loan repayment schedule, when applicable. The date will be established by mutual agreement between the SWRCB and the recipient and shall be included in the executed loan or grant agreement.
- d. Construction Status Reports: Recipients must submit reports on the status of construction activities at least quarterly starting with the agency's issuance of the Notice-to-Proceed to the contractor. At minimum, the status report will contain the following information:
 - A summary of progress to date including a description of progress since the last report, percent construction complete, percent contractor invoiced, and percent schedule elapsed.
 - A listing of change orders including amount, description of work, and change in contract amount and schedule.
 - Any problems encountered, proposed resolution, schedule for resolution and status of the previous problem resolutions.
- e. SWRCB staff will conduct a final project inspection within eight months of Initiation-of Operation for all grant and loan funded projects to verify compliance with loan/grant agreement requirements.

L. Operation Reporting Requirements

Recipients must submit annual reports to the SWRCB for five years after completion of construction. The report must include:

- The amount of recycled water delivered; the corresponding amount of fresh/potable water usage replaced;
- The operation and maintenance costs of the recycled water facilities;
- Direct and indirect benefits to the state/local water supply and economy; and,
- Other benefits and challenges resulting from the project.

The annual report is due February 28th of each year following completion of construction.

M. Minimum Use Requirements

Projects are expected to reach certain minimum usage levels during the operating life of the project. These minimum usage levels are:

- a. All existing water users that are included in the eligible project capacity are expected to be connected to the recycled water distribution system upon initial project operation. During the first year of project operation, the applicant is expected to deliver recycled water to all existing users. Proposals to phase the connection and delivery of recycled water to existing users after initial project operation must be justified and approved as part of the Final P&S Approval. However, in all cases the applicant is expected to deliver at least 25 percent of the eligible project capacity in the first year of operation.
- b. The applicant is expected to deliver the total project capacity in accordance with the schedule of project usage approved in the Facilities Plan Approval.

Water Recycling Funding Program Guidelines

Appendices

- A. Water Recycling Facilities Planning Grant Application
- B. Recommended Planning Outline for Water Recycling Projects
- C. Guidelines on Force Account Eligible Costs
- D. Water Recycling Competitive Project List
- E. Financial Assistance Application
- F. Sample Authorized Representative Resolution
- G. Market Assurances
- H. Definitions

State Water Resources Control Board
Division of Financial Assistance
Office of Water Recycling

Water Recycling Facilities Planning Grant Application

A. Applicant Information
Agency Name:
Street Address:
Mailing Address:
Authorized Representative (Name/Title/Phone):
Contact Person (Name/Title/Phone):
B. Facilities Planning Study Information
1. Study Title:
2. Regional Water Quality Control Board:
3. Estimated Project Schedule:
a. Study starting date:
b. Submittal of draft facilities plan:
c. Submittal of final facilities plan:
4. Plan of Study: Please submit a plan of study prepared according to the directions in the Water Recycling Funding Guidelines. (Label this as Attachment 1.)
C. Study Budget
1. Total Study Cost:
2. Requested Grant Amount:
(The maximum grant is 50 percent of the total eligible study cost up to a maximum grant of \$75,000.)
3. Funds for Cash Flow: The grant applicant is expected to have funds available to handle cash flow for the entire study cost, pending receipt of grant disbursements. Does the Agency have local funds on hand to cover the entire estimated study cost? ☐ Yes ☐ No
4. Other Financial Assistance: Describe any other loans, grants, or other financial assistance being provided to the grant applicant to assist in this study.
D. Authorization
Submit a certified copy of a resolution adopted by the governing body authorizing the application and acceptance of a grant from the Water Recycling Facilities Planning Grant Program. A model resolution is provided for your reference. (Label this as Attachment 2.)
E. Certification and Signature of Authorized Representative
I certify that the information in this application, including all attachments, is true and correct to the best of my knowledge and belief. I understand that updated information will be required to be submitted later.
Signature:
Date:
Printed Name:
Agency's Federal I.D. No.:

RECOMMENDED PLANNING OUTLINE FOR WATER RECYCLING PROJECTS

This facilities planning report outline emphasizes the information relevant to water recycling and its application for water supply purposes. The outline is inclusive and not all items may be applicable to every project.

Facilities Plan/Project Report

A. Maps and Diagrams

1. Vicinity Map.
2. Detailed map of study area boundaries.
3. Topographic map.
4. City boundaries.
5. Wholesale and retail water supply entity boundaries within study area and adjacent to study area.
6. Wastewater agency boundaries within and adjacent to study area.
7. Existing recycled water distribution pipelines, storage, and customers.
8. Ground water basin boundaries, major streams, streams receiving waste discharges.
9. Present and projected land use.
10. Each recycled water facilities alternative (including recommended project), showing locations of potential customers and approximate pipeline routes.
11. Wastewater treatment schematic--existing and proposed.

B. Study Area Characteristics

1. Hydrologic features.
2. Ground water basins, including quantities extracted by all users, natural and artificial recharge, losses by evapotranspiration, inflow and outflow of basins, and safe yield or overdraft.
3. Water quality - ground water and surface water.
4. Land use and land use trends.
5. Population projections of study area.
6. Beneficial uses of receiving waters and degree of use, portion of flow that is effluent.

C. Water Supply Characteristics and Facilities

1. Description of all wholesale and retail entities.
2. All sources of water for study area and major facilities, their costs, (costs should be broken down into fixed and variable), subsidies, and customer prices.
3. Capacities of present facilities, existing flows, estimated years when capacities to be reached for major components (water treatment plants, major transmission and storage facilities).
4. Ground water management and recharge, overdraft problems.
5. Water use trends and future demands, prices and costs.
6. Quality of water supplies.

7. Sources for additional water and plans for new facilities (for both the local entity and the wholesalers).

D. Wastewater Characteristics and Facilities

1. Description of entities.
2. Description of major facilities, including capacities, present flows, plans for new facilities, description of treatment processes, design criteria.
3. Water quality of effluent and any seasonal variation.
4. Additional facilities needed to comply with waste discharge requirements.
5. Sources of industrial or other problem constituents and control measures.
6. Existing recycling, including users, quantities, contractual and pricing arrangements.
7. Existing rights to use of treated effluent after discharge.
8. Wastewater flow variations - hourly and seasonal.

E. Treatment Requirements for Discharge and Reuse

1. Required water qualities for potential uses.
2. Required health-related water qualities or treatment requirements for potential uses, operational and on-site requirements (such as backflow prevention, buffer zones).
3. Wastewater discharge requirements, anticipated changes in requirements.
4. Water quality-related requirements of the RWQCB to protect surface or ground water from problems resulting from recycled water use.

F. Recycled Water Market

1. Description of market assessment procedures.
2. Descriptions of all users or categories of potential users, including type of use, expected annual recycled water use, peak use, estimated internal capital investment required (on-site conversion costs), needed water cost savings, desire to use recycled water, date of possible initial use of recycled water, present and future source of water and quantity of use, quality and reliability needs, and wastewater disposal methods.
3. Summary tables of potential users and related data.
4. Definition of logical service area based on results of market assessment.

G. Project Alternative Analysis

1. Planning and design assumptions:
 - a. Delivery and system pressure criteria.
 - b. Peak delivery criteria.
 - c. Storage criteria.
 - d. Cost basis: cost index, discount rate, useful lives, etc.
 - e. Planning period.
2. Water Recycling Alternatives to be Evaluated
 - a. Treatment alternatives:

- i. Alternative levels of treatment.
 - ii. Alternative unit processes to achieve a given level of treatment.
 - b. Pipeline route alternatives.
 - c. Alternative markets:
 - i. Based on different levels of treatment.
 - ii. Geographical areas.
 - d. Alternative storage locations.
 - e. Sub alternatives of selected alternative:
 - i. Marginal analysis for selected alternative for certain categories of users or certain geographic areas.
 - ii. Varying storage, pump rates, and pipeline diameters.
 - iii. Use of water blending during peak irrigation months.
 2. Non-recycled water alternatives.
 - a. Discussion of other potentially viable new sources of water.
 - b. Provide economic costs.
 3. Water conservation/reduction analysis.
 - a. Analysis.
 - b. Impact on recycling, if any.
 - c. Recommendation.
 - d. Implementation.
 4. Pollution control alternatives (if applicable) needed to comply with waste discharge requirements, and possible allocation of costs between recycling and pollution control.
 5. No project alternative.
 6. Information supplied for each alternative to include, but not be limited to:
 - a. Cost tables for each alternative with breakdown of costs by total capital (without grants), O&M, unit processes, and with equivalent annual cost and per acre-foot cost.
 - b. Lists of potential users assumed for each alternative.
 - c. Economic analysis.
 - d. Energy analysis for each alternative, including direct and construction energy.
 - e. Water quality impacts:
 - i. Effect on receiving water by removing or reducing discharge of effluent, including effect on beneficial uses resulting from reduced flow.
 - ii. Ground water impacts.
 7. Comparison of above alternatives and recommendation of specific alternative.
- H. Recommended Facilities Project Plan
1. Description of all proposed facilities and basis for selection.
 2. Preliminary design criteria and refined pipeline routes.
 3. Cost estimate based on time of construction.
 4. List of all potential users, quantity of recycled water use, peak demand, and commitments obtained.
 5. Reliability of facilities as compared to user requirements.
 6. Implementation plan:
 - a. Coordination with water suppliers, determination of recycled water supplier and needed agreements or ordinances.

- b. Ability and timing of users to join system and make on-site investments.
- c. Tentative water recycling requirements of RWQCB.
- d. Commitments from potential users.
- e. Water rights impact.
- f. Permits, right-of-way, design, construction.
- g. Detailed schedule.
- 7. Operational plan - responsible people, equipment, monitoring, irrigation scheduling, etc.

I. Construction Financing Plan and Revenue Program

- 1. Sources and timing of funds for design and construction.
- 2. Pricing policy for recycled water.
- 3. Costs that can be allocated to water pollution control.
- 4. Annual projection of:
 - a. Water prices for each user or category of users.
 - b. Recycled water used by each user.
 - c. Annual costs (required revenue) of recycling project.
 - d. Allocation of costs to users.
 - e. Unit costs to serve each user or category of users.
 - f. Unit price of recycled water for each user or category of users.
 - g. Sensitivity analysis assuming portion of potential users fail to use recycled water.
- 5. Sunk costs and indebtedness.

J. Appendices

- 1. Tables of all abbreviations.
- 2. Copies of letters of interest or intent from recycled water users, or other documentation of support from potential users.
- 3. Draft of recycled water mandatory use ordinance or model user contract.
- 4. Drafts of necessary agreements, such as wholesale-retail agreement, joint powers agreement.

GUIDELINES ON FORCE ACCOUNT ELIGIBLE COSTS

"Force Account" as used in the Water Recycling Construction Program and Water Recycling Facilities Planning Grant Program, means the use of the Agency's own employees for the planning, design, construction, or construction-related activities on a Study or Project and the direct purchase by the Agency of materials or equipment for the Project. Costs for directly identifiable Study or Project activities are eligible for state funding. However, a general policy is that there should be no payments for Agency costs that would be incurred even if the Agency were not working on the state-funded study or project. Indirect costs of the Agency are not an eligible cost.

The following discussion should assist in determining loan or grant eligibility. Any Study or Project cost that is otherwise eligible shall also be reviewed by the State Board Study or Project Manager to ensure that the costs were incurred, were reasonable in amount, and were necessary for completion of the work.

Direct Costs. Direct costs incurred by the Agency are generally eligible and are defined as those costs that can be identified specifically with the eligible Study or Project or that can be directly assigned to the Study or Project with a high degree of accuracy. Typical direct costs are: compensation of employees for performance of work under the state contract, the costs of materials consumed or expended in the performance of such work, costs of project equipment and other approved capital expenditures, and other items of expense incurred for the Study or Project, including extraordinary utility consumption.

All personnel services costs will be treated as a direct labor salary cost. Included in this cost are payroll taxes, workers compensation, holidays, vacation, sick leave, and other fringe benefits applicable to direct labor. Similarly, incidental costs related to rental or pool equipment, such as automobiles, will be considered a direct cost.

Indirect Costs. Indirect costs are those incurred for a common or joint purpose benefiting more than one cost objective and are not readily identifiable to the cost objectives of the specific Study or Project. These costs include telephone, rent, consumable supplies, indirect salaries, interest, repairs, insurance, taxes, depreciation, etc.

Management Costs. Management costs will be considered as part of the ordinary operating expenses of the Agency and/or an indirect cost and, therefore, will not normally be an eligible Study or Project cost. However, management employees may be required to expend their time incidentally but directly related to the study or project to resolve difficult problems that cannot be handled by non-management Agency staff. Such costs may be considered eligible costs. The State Board Study or Project Manager will determine eligibility for each specific request.

WATER RECYCLING COMPETITIVE PROJECT LIST (CPL)

What is the Water Recycling Competitive Project List?

The State SWRCB's Water Recycling Construction Program provides financial assistance for water recycling projects proposed to provide water supply benefits. The Water Recycling Competitive Project List, also referred to as the CPL, is a list of water recycling construction projects being considered and the corresponding cost and benefit information.

State bond funds appropriated to the State SWRCB must be administered in accordance with associated legislative objectives. Therefore, the primary purpose of the CPL is to categorize projects, according to benefits, that will address funding program objectives.

How Does An Applicant Get a Project Placed on the CPL?

A CPL will be developed through SWRCB staff's solicitation of proposed water recycling projects, ready to proceed into construction within the following three years. In order to have a proposed project added to the current list, an applicant must submit a completed Project Information Questionnaire as instructed on the State SWRCB website. The current CPL and Project Information Questionnaire can be found on the SWRCB's website at <http://www.waterboards.ca.gov/recycling/recyfund/index.html>.

SWRCB staff performs a technical review of all Project Information Questionnaires submitted. Based on the technical review, proposed projects are placed in the appropriate category on the CPL and presented to the SWRCB for adoption. If a proposed project is not listed on the adopted CPL and SWRCB staff determines that the project meets the WRCB funding requirements, SWRCB staff may present the proposed project to the SWRCB for inclusion on the CPL.

If an applicant does not agree with the placement of their proposed project on the CPL, the agency must submit a letter, requesting a re-evaluation of the project's placement on the list, to:

State Water Resources Control Board
Division of Financial Assistance
Water Recycling Funding Program
P. O. Box 944212
Sacramento, California 94244-2120

Does Placement on the CPL Guarantee Project Funding?

No, project placement on the CPL does not guarantee State SWRCB funding.

Application for funding from the Water Recycling Funding Program takes place on a "continuous application" basis. To be considered for funding, an applicant must:

- Submit a completed financial assistance application package, in accordance with SWRCB-adopted Guidelines, and

- Have the project proposed placed on the current CPL in a fundable category for the State bond funding available.

Which Categories of Projects On The CPL Are Eligible For Funding?

In order to meet the objectives of various funding sources, CPL categories are described by the benefits that funded projects are expected to achieve. Only projects that are ready to proceed into design and construction will be considered for Water Recycling Construction Program funding.

Proposition 50 water recycling funds are appropriated to the State SWRCB through Chapter 7, Section 79550(g) of the 2002 Bond Law. Projects that meet the requirements of Category I are eligible to compete for proposition 50 grant funds.

Projects in Categories I-IV of the CPL may also be considered for funding that becomes available from other funding sources such as the 2000 Bond Law, the SRF Loan Program, and/or the 1984 Loan Program.

What is the description of the CPL Categories?

Category I – State Water Supply and the Delta:

Projects within Category I:

- provide for treatment and delivery of municipal wastewater or groundwater contaminated due to human activity, for uses (including groundwater recharge) that will offset State water supplies; and
- provide benefits to the Delta by:
 - increasing the average water flow into the Delta, or
 - reducing water pumping from the Delta.

Category II – State Water Supply:

Projects within Category II provide for treatment and delivery of municipal wastewater or groundwater contaminated due to human activity, for uses (including groundwater recharge) that replace the use of the State water supply with recycled water, but do not provide benefits to the Delta.

Category III - Local Water Supply:

Projects within Category III provide for treatment and delivery of municipal wastewater to users that replace the use of local water supply with recycled water.

Category IV – Local Groundwater Reclamation:

Projects within Category IV:

- provide treatment and reuse of groundwater contaminated due to human activity; and
- provide local water supply benefits.

Projects within the following two categories, Category V and VI, may only be considered for funding by the SRF Loan Program for the objective of pollution control, if applicable.

Category V – Pollution Control:

Projects within Category V provide for the treatment and disposal of municipal wastewater to meet waste discharge requirements imposed for water pollution control.

Category VI – Miscellaneous:

Projects within Category VI are projects that do not have identifiable benefits to the State or local water supply.

How Do I Get Further Assistance?

State SWRCB Staff is available to assist applicants with the placement of their project on the CPL. For further assistance, call the Water Recycling Funding Program manager at (916) 341-5700.

State Water Resources Control Board
Division of Financial Assistance
Financial Assistance Application

Appendix E

Type of Assistance Requested

- ☐ A. State Revolving Fund Loan Program (SRF) ☐ B. Water Recycling Construction Program (WRCP) ☐ C. Small Community Wastewater Treatment Program

Amount of Assistance Requested: \$ _____

State Assigned Project No.: _____

I. Applicant Information

Agency Name: _____
Street Address: _____
Mailing Address: _____
e-mail: _____ County: _____ Federal ID Number: _____

Authorized Representative, Title: _____ Phone: _____
Contact Person, Title: _____ Phone: _____

II. Project Information

1. Project Description: (Attach a brief description. Label as Attachment 1) _____
2. Project Name: _____
3. Regional Water Quality Control Board (RWQCB): _____ 4. Est. Construction Start Date: _____
5. Current Project Status: ☐ Planning Underway ☐ Planning Complete ☐ Other _____

6. Estimated Project Capital Costs and Funding Summary:

Cost Classification	SWRCB Program Share, \$	Applicant's Share, \$	Other Loans or Grants, etc., \$	Total, \$
A. Facilities Construction				
B. Facilities Planning (a, c)				
C. Facilities Design (a)				
D. Legal (a)				
E. Land and Right-of-Way (b)				
F. Prime Engineering (a, c)				
G. Contingencies				
H. Relocation Payments (a, c)				
I. Engineering Services During Const. (a)				
J. Administration and Other Costs (Explain)				
K. Total Capital Costs				
L. Additional Cash Flow Needs (d)	Not Fundable			
M. Total Funding Requirements				

- (a) An allowance may be provided for planning, design, legal tasks, engineering during construction, and relocation payments. For details, please refer to the Guidelines of the corresponding program.
(b) WRCP Program only.
(c) SRF Loan Program only.
(d) This is the amount in excess of the total capital costs needed to cover cash flow requirements during construction. This amount is obtained from the cash flow analysis in the Construction Financing Plan.

All costs in Item 6 above are adjusted to the following date: _____ by using the following rate of inflation _____ % annually, or cost index: (name) _____, (index value) _____

7. Sources of Funds for Capital Costs:

Source	(e)	Amount, \$
A. Loan Requested		
B. Grant Requested		
C. Cash Reserves Now on Deposit		
D. Bonds	(f)	
E. Tax Levies	(g)	
F. Non-cash	(h)	
G. Short Term Loans or Notes	(h)	
H. Other State Loans or Grants	(i)	
I. Other Federal Grants of Loans	(h)	
J. Other		
K. Total	(j)	

(e) Use attachments if necessary (label as Attachment 2).

(f) Specify type of bonds, provide date of voter approval, total amount of authorized issue, and effective interest rate.

(g) Specify type of tax and provide the amount to be received by the date of the expected state loan award.

(h) Provide details of legal authorization, cite appropriate code or other legal reference, specific source of funds, time of expected receipt and, in the case of liabilities, the security provided by the Applicant.

(i) Provide name of program and law authorizing program, whether grant or loan, date of approval, schedule of payments, and effective interest rate for loan.

(j) This total should equal the Total in item 6.M. above.

III. Authorization and Other Approvals

1. **Legal Authority:** Submit a legal opinion, including legal citations, addressing the following issues (label as Attachment 3):

- The legal authority to enter into a loan or grant contract with the State Water Resources Control Board (SWRCB)
- Any requirements that the applicant hold an election before entering into a loan or grant contract with the SWRCB. If an election is required, state the date held or the date scheduled: _____

2. **Applicant Authorization:** Submit a certified copy of a resolution adopted by the governing body (label as Attachment 4). A model resolution is attached for your reference.

3. **Water Rights:** To comply with Sections 1210 through 1212 of the Water Code, a Petition for Change may be required to be filed and approved by the Division of Water Rights (DWR), SWRCB.

Have you filed a petition with the DWR? ☐ Yes ☐ No

If no, explain: _____

You should contact DWR, Petition Unit, at (916) 341-5356 for further information.

4. **Project Report or Facilities Planning Document:** Submit a completed facilities planning document and any supplementary documents that contain the required facilities planning information described in each of the program Guidelines (label as Attachment 5).

5. **Environmental Review:** Refer to the Division of Financial Assistance *Environmental Review Process Guidelines for State Loan and Small Community Grant Applicants* for details on meeting state environmental review requirements and for additional SRF Federal requirements. Submit all available environmental documents for your project (label as Attachment 6). Indicate below those documents submitted:

☐ Negative Declaration ☐ Draft EIR ☐ Final EIR ☐ Notice of Determination

State Clearinghouse Number: _____

6. **Draft Revenue Program:** Submit a draft revenue program (label as Attachment 7). For more information, please refer to the respective program Guidelines. Water reclamation projects funded by the SRF need to submit a draft revenue program satisfying Water Recycling Funding Guidelines only.

7. **Project Schedule:** Submit a project schedule showing project milestone dates (label as Attachment 8). This schedule should be updated periodically as more information becomes available.

8. **RWQCB Requirements:** Submit adopted or tentative Waste Discharge Requirements, Water Reclamation Requirements, and/or NPDES Permit which the RWQCB has adopted or proposed for the project (label as Attachment 9).
9. **Real Property Acquisitions:** Has all necessary land or right-of-way been acquired? ☐ Yes ☐ No
If no, submit status of acquisitions (label as Attachment 10A).
10. **Agreements with Other Parties:** Please list all agreements and approvals needed for implementation of the project. Submit and explain status of said agreements and approvals (label as Attachment 10B).
11. **Tax Questionnaire:** Please complete and submit the Tax Questionnaire with the application (label as Attachment 10C).

IV. Other Submittals

A - SRF Loan Program

1. **Water Conservation Plan:** Prior to approval of the project by the SWRCB, specific Water Conservation requirements must be achieved. In fulfillment of these requirements, please indicate below what pertinent information you are submitting (label as Attachment 11).
- ☐ Proof of signed Memorandum of Understanding with the California Urban Water Conservation Council.
- ☐ Copy of the developed Water Conservation Program for approval by the SWRCB.
- ☐ None at this time. Please explain: _____
2. **Dedicated Source of Revenue:** A "Dedicated Source of Revenue" is required to repay the loan. See revenue program requirements included in the *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities*, as amended. Please attach appropriate resolution or ordinance or indicate schedule to provide dedicated source of revenue (label as Attachment 12). A Dedicated Source of Revenue must be approved before a loan contract can be issued.
3. **Certification of Compliance with Federal Laws and Authorities:** (Attachment 13)
4. **Preaward Compliance Report:** (Attachment 14)

B - Water Recycling Projects (SRF or WRCP)

This section applies to water recycling projects for the purpose of providing water supply rather than water pollution control or wastewater disposal. For water recycling projects funded by the SRF, the documents required under section IV.A. must also be submitted.

1. **Estimated Annual Costs:**

Cost Classification	Annual Costs, \$	
	First Year	Fifth Year
Debt Service		
Fixed Operation and Maintenance Cost		
Variable Operation and Maintenance Cost		
Other (explain)		
Total Annual Costs		

Assumed Date of Costs for:

First Year of Operation: _____

Fifth Year of Operation: _____

Assumed Cost Index or Rate of Inflation: Index Name: _____ Index Value: _____ or
Inflation Rate: _____ % per yr.

2. **Annual Deliveries:**

Year of Operation	1	2	3	4	5
No. of Sites					
Amount, Ac-ft/yr					

3. **Recycled Water User Assurances:** Please indicate method of providing user assurances.

- ☐ User Agreements ☐ Mandatory Use Ordinance

Refer to Water Recycling Funding Guidelines for latest requirements and timing of submittals (label as Attachment 15).

V. Notes or Explanations:

VI. Certification and Signature of Authorized Representative

I certify that the information in this application, including all attachments, is true and correct to the best of my knowledge and belief. I understand that updated information will be required to be submitted later.

Signature: _____

Date: _____

Printed Name: _____

SAMPLE AUTHORIZED REPRESENTATIVE RESOLUTION

BE IT RESOLVED, by the _____ (*Governing Board of the Agency*) that the _____ (*Title of Authorized Representatives (multiple names OK)*) hereby authorized and directed to sign and file, for and on behalf of the _____ (*Agency/Applicant Name*), A Financial Assistance Application for a loan/grant from the State Water Resources Control Board in the amount not to exceed _____ (*Amount*), for the design and construction of _____ (*Project Title or Description*), and

BE IT RESOLVED, that the _____ (*Agency/Applicant Name*) hereby agrees and further does authorize the aforementioned representative or his/her designee to certify that the Agency has and will comply with all applicable state and federal statutory and regulatory requirements related to any federal and state loan/grants received, and

BE IT FURTHER RESOLVED, that the _____ (*Authorized Representatives*) or his/her designee of the _____ (*Agency/Applicant Name*) is hereby authorized to negotiate and execute a loan/grant contract and any amendments or change orders thereto, and to certify loan/grant disbursement on behalf of the _____ (*Agency Name*).

CERTIFICATION

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the _____ (*Governing Board of The Agency/Applicant*)
_____ held on _____ (*Date*) .

(Seal)

(*Clerk or Authorized Record Keeper of the Governing Board of the Agency/Applicant*)

MARKET ASSURANCES

1. Mandatory Use Ordinances

A mandatory use ordinance is a local law adopted by a retail water purveyor requiring the use of recycled water in place of another source of water. For the ordinance to be acceptable, it should contain the following:

- Specification of the types of use of water for which recycled water must be used;
- Specification of the conditions under which recycled water must be used or new development must be plumbed for future recycled water use;
- Procedures for determining the water users required to either convert to recycled water service or be plumbed to accept recycled water upon new water service;
- Procedure to provide notice to potential users that they are subject to the ordinance and specification that the notice include information about the project, the responsibilities of the users under the ordinance, the price of the recycled water, and description of the on-site retrofit facilities requirements.
- Procedures for request by the users for a waiver.
- A penalty for noncompliance with the ordinance. Acceptable penalties are discontinuance of fresh/potable water service, a fresh/potable water rate surcharge of at least 50 percent of the freshwater rate, or an equally effective penalty.

If the applicant implementing the recycled water project does not have the legal authority to enforce a mandatory use ordinance (for example, a sewerage agency), the mandatory use ordinance may be implemented by the retail water purveyor.

2. User Contracts

A user contract is a binding agreement between recycled water purveyors and users, signed by both parties. An acceptable contract must contain the following provisions:

- A commitment to use the recycled water for a minimum period of 10 years or for the duration of the loan contract, if applicable;
- The annual amount of recycled water the user agrees to use;
- The sites and the types of recycled water uses;
- Specification of the conditions and water quality of recycled water use;
- The price of the recycled water;
- Description of the regulatory and water purveyor requirements for on-site retrofit facilities needed to convert from freshwater to recycled water.
- Date when recycled water use will commence.

User contracts are required from sufficient users such that in aggregate they represent most of the recycled water deliveries for water users that will exist by the time of completion of construction.

3. Documentation of Future Connections

If the applicant proposes to connect users after initial project operation, market assurances should include a description and schedule of the future connection of users to the eligible project facilities. Anticipated delay in connection of existing users after initial project operation should be supported by adequate reasons for the delay in connection and a firm schedule for the construction of facilities to make the connections. The plan for use of the full eligible project capacity or pipeline capacities should be submitted with the funding application and updated, if necessary, with the submittal of final P&S. An approved schedule of deliveries to reach the eligible project capacity will be included in the Facilities Plan Approval.

DEFINITIONS

Award of Construction Contract: The formal approval of selection of a construction contractor by the governing board of the agency.

Completion of Construction: The date, as determined by the Division of Financial Assistance after consultation with the loan recipient, that the construction of the project is substantially complete.

Construction Financing Plan: The demonstration of the financial capability to design and construct a project.

Cost-Effectiveness Analysis: An analysis to determine which project alternative will result in the minimum total resources cost (opportunity cost) over time to meet the project objectives, including local, state and federal requirements.

Disadvantaged Community: A municipality, including, but not limited to a city, town or county, or a reasonably isolated and divisible segment of a larger municipality, that has an average median household income that is less than 80 percent of the statewide annual median household income.

Economic Analysis: The procedure to determine the total monetary costs and benefits of all the resources committed to a project regardless of who in the society contributes them or who in the society receives the benefits.

Eligible Water Recycling Project: A water recycling project that is cost-effective based on the project objective when compared to the appropriate alternatives to achieve the objective. The project shall comply with applicable water quality standards, policies, and plans.

Existing user: An entity that currently exists or will exist before the completion of project construction and is using or would be expected to use water if recycled water were not made available.

Financial Analysis: The procedure to determine financial feasibility through the determination of expenditures and incomes of or other financial impacts on the agency implementing the project, recycled water users, or others affected by the project.

Future user: An entity that currently does not exist and will not exist before the completion of project construction.

Local Public Agency: Any city, county, district, joint powers authority, or any other local public body or political subdivision of the state created by or pursuant to state law and involved with water or wastewater management. State agencies are not included in this term.

Municipality: Municipality shall have the same meaning as in the federal Clean Water Act (33 U.S.C. Sec. 1251 et. seq.) and shall also include the state or any agency, department, or political subdivision thereof.

Appendix H - Definitions

Planning Period: The period over which a water development project is evaluated for cost-effectiveness. This period is not necessarily the same as the useful lives of the facilities under consideration. The planning period begins with the system's initial operations and is defined to be 20 years for the Water Recycling Loan Program.

Preliminary Funding (Grant or Loan) Commitment: A formal action by the SWRCB approving and reserving funds for a study or project.

Public Agency: Public agency shall have the same meaning as municipality.

Recycled Water: Water which, as a result of treatment of waste, is suitable for a direct beneficial use or a controlled use that would not otherwise occur. This term is synonymous with "reclaimed water" (based on California Water Code, Section 13050.n)

Revenue Program: The demonstration of the financial feasibility of a project for the period after operation has begun.

Water Recycling: The process of treating wastewater to produce water for beneficial use, the storage and distribution of recycled water to the place of use, and the actual use of recycled water.