

Additions shown in **bold/underline** and deletions shown in ~~strikethrough~~

Modify Sections V.B, V.C, and V.D of the Combined Drinking Water Intended Use Plan (pages 20 through 24) as follows:

A. DWSRF and Prop 1 Financial Terms

~~Non-Disadvantaged Community~~ Standard DWSRF and Prop 1 Financing Terms

The State Water Board's interest rate for DWSRF and Prop 1 financing for PWSs that serve ~~non-disadvantaged communities~~ is fifty percent (50%) of California's average general obligation bond rate obtained by the State Treasurer the previous calendar year. ~~All loans or other repayable financing from the DWSRF and Prop 1 for PWSs that serve non-disadvantaged communities have a maximum~~ **The standard** repayment term **is a maximum** of 20 years ~~and that~~ shall not exceed the useful life of the financed project.

Disadvantaged Community Financing

1. Definitions

a. "Disadvantaged Community" or "DAC" means the entire service area of a community Water System (CWS) in which the median household income (MHI) is less than eighty percent (80%) of the statewide MHI.

b. "Non-transient Non-community Water System" of "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.

c. "Not-For-Profit Water Company" means a mutual benefit water company, homeowner's association, or cooperative, that is exempt from taxes under Section 501(c) of the United States Internal Revenue Code.

d. "Severely Disadvantaged Community" or "SDAC" means the entire service area of a CWS in which the MHI is less than sixty percent (60%) of the statewide MHI.

e. "Small Community Water System" **or "SCWS"** means a CWS that serves no more than 3,300 service connections or a yearlong population of no more than 10,000 persons.

f. "Small community" means a community with a population less than 10,000 people.

1. DWSRF and Prop 1 Interest Rate **Financing Terms** for PWSs Serving Disadvantaged Communities **DACs**

The State Water Board's interest rate for DWSRF and Prop 1 financing for PWSs that serve disadvantaged communities is fifty percent (50%) of California's average general obligation bond rate obtained by the State Treasurer the previous calendar year.

However, a PWS that serves a DAC with financial hardship **SCWSs serving a DAC with financial hardship, PWSs serving a small DAC with financial hardship, and specific non-transient non-community NTNC water systems (serving facilities such as a public school, a not-for profit private school, a daycare, a labor camp, an elder care facility, or a health care facility), which are owned by a public agency or a not-for-profit water company, may be** is eligible for **reduced interest rates as low as** zero percent (0%) interest rate financing under the DWSRF and Prop 1. Criteria for evaluating financial hardship and affordability criteria are outlined in Table 5. For the purposes of awarding zero percent (0%) interest rate financing, DFA determines financial hardship to mean those PWSs that meet each of the following criteria:

Classified as a small community water system, and

Whose average residential water rates meet or exceed the target consumer rate, as defined in this IUP.

Financing Repayment Term for PWSs Serving Disadvantaged Communities All loans or other repayable financing from the DWSRF and Prop 1 for **SCWSs serving a DAC with financial hardship, PWSs serving a small DAC with financial hardship, and specific non-transient non-community water systems (serving facilities such as a public school, a not-for profit private school, a daycare, a labor camp, an elder care facility, or a health care facility), which are owned by a public agency or a not-for-profit water company, and** PWSs that serve disadvantaged communities have a maximum repayment term of 30 years that shall not exceed the useful life of the financed project. **Criteria for evaluating financial hardship and ability to repay are outlined in Table 5 below.**

2. DWSRF and Prop 1 Affordability and Additional Subsidy for Disadvantaged Communities **Principal Forgiveness and Prop 1 Grants for DACs**

SCWSs serving a DAC with financial hardship, PWSs serving a small DAC with financial hardship, and specific non-transient non-community NTNC water systems (serving facilities such as a public school, a not-for profit private school, a daycare, a labor camp, an elder care facility, or a health care facility), which are owned by a public agency or a not-for-profit water company may be A PWS which is owned by a public agency or a not-for-profit water company and whose permitted service area is classified as a DAC may be eligible **eligible** to receive principal forgiveness from the DWSRF **or grants from Prop 1.** DWSRF principal forgiveness will only be offered if the PWS's average residential water rate as percentage of MHI (WMHI) exceeds the target consumer rate (1.5% of the PWS's MHI). The amount and limitations on the award of principal forgiveness under the DWSRF **or grants** to a PWS serving a DAC are defined in Table 5 below.

**08/04/15 BD MEETING – ITEM #7
CHANGE SHEET #1 (CIRCULATED 08/03/15)**

~~Under present state DWSRF statutes, a small community water system or non-transient non-community water system that is owned by a public agency or a private not-for-profit water company and serving a severely disadvantaged community has been deemed to have no ability to repay any DWSRF financing, and so DWSRF loans~~ **or repayable financing to SDACs are currently barred under state statutes. If pending legislation changes this eligibility bar during the term of this IUP, the Division may** ~~will not be issued to severely disadvantaged communities. If these statutes are repealed or modified during the term of this IUP such that severely disadvantaged communities do have some ability to repay a DWSRF loan, then that ability will be~~ **consider DWSRF loans or other repayable financing as part of an assistance package to** ~~evaluated and considered when determining what financial assistance~~ **an eligible SDAC** ~~severely disadvantaged community can afford and is eligible to receive. Otherwise eligible SDACs may also qualify for Prop 1 loans.~~

~~Prop 1 Affordability and Additional Subsidy for Disadvantaged Communities~~

~~A community water system or a PWS owned by a not-for-profit private school or public school district, and whose permitted service area is classified as a DAC, may be eligible to receive Prop 1 grant. Prop 1 grant will only be offered if the PWS's WMHI exceeds the target consumer rate (1.5% of the PWS's MHI). The amount and limitations on the award of grant under Prop 1 to a PWS that serves a DAC are defined in Table 5 below. Under present state DWSRF statutes, a small community water system SCWS or non-transient non-community NTNC water system that is owned by a public agency or a private non-profit water company and serving an SDAC severely disadvantaged community has been deemed to have no ability to repay any DWSRF financing. Prop 1 contains no such finding and the State Water Board will not apply that limitation in making repayable Prop 1 loans.~~

Table 5: ~~Maximum Additional Subsidy from~~ Criteria for DWSRF Principal Forgiveness and Prop 1 Grants for PWSs Serving Disadvantaged Communities

PWS-Affordability Criteria		Maximum Principal Forgiveness, Grant, or Combination thereof from the DWSRF, Prop 1, or combination thereof	
Type of Small Community Served by PWS ¹	Average Residential Water Rate as Percent of MHI ²	Percentage of Total Eligible Project Cost ^{3,4}	Maximum Amount ^{5,6} for (Planning/Construction)
DAC	WMHI < 1.5%	Proposed Financing Will Raise Rates to \geq 1.5%. Not eligible for reduced interest rates, extended financing terms, principal forgiveness, or principal forgiveness/grants for construction grants	
	1.5% \leq WMHI < 2%	up to 65%	\$500K/\$5 Million \$500K/\$5Mil \$500K/\$5Mil \$500K/\$5Mil
	2% \leq WMHI < 2.5%	up to 70%	
	WMHI \geq 2.5% ⁷	up to 80%	
SDAC ⁸	NA	up to 100%	

Notes:

1 PWSs applying for projects that will address a small (less than 10,000 people) community not currently served by a CWS may be considered to serve a small DAC or small SDAC, when that small community's MHI is less than eighty (80%) of the statewide MHI, or less than sixty percent (60%) of the statewide MHI, respectively. These projects, along with projects for PWSs owned by federally recognized Indian tribes and state Indian tribes listed on the Native American Heritage Commission's California Tribal Consultation list, or for as well as PWSs owned by for-profit private entities public utilities regulated by the California Public Utilities Commission are eligible for grant ~~only~~ under Prop 1 only, subject to all other requirements and limitations. Such projects, when serving a small DAC with financial hardship, may also be approved for reduced interest rates or extended financing terms under Prop 1 only, consistent with all other requirements and limitations.

2 Average Residential Water Rate as Percent of MHI (WMHI) = (PWS current average residential water rate*12 / PWS permitted service area's MHI) X100 For the purposes of calculating average residential water rate as percentage of MHI, service charges plus other costs specifically related to the drinking water system may be considered, including but not limited to, dedicated sales tax revenue, assessments, and fees.

3 The applicant may choose to fund the remainder of the total project cost (Local Cost Share) from other sources (e.g. repayable DWSRF/Prop 1 financing; grant funding from sources other than the State Water Board; or other sources). For funding applications with a completed financial review as of the date this plan is adopted, the Deputy Director of DFA has the discretion to approve funding consistent with the principal forgiveness amount and financing terms approved in the existing financial review, if the financing agreement is executed by December 4, 2015.

4 Regardless of water rates, projects addressing a small DAC may receive 100 percent (100%) of eligible planning costs, not to exceed a maximum of \$500,000 in The maximum amount of principal forgiveness, grant, or a combination thereof, under the DWSRF and Prop 1. ~~for a PWS's proportional share of a planning project~~ For a regional planning project, the Division may elect to approve more than \$500,000, but not to exceed \$500,000 per small DAC or small SDAC included in the regional planning effort shall not exceed \$500,000.

5 The maximum amount of principal forgiveness, grant, or a combination thereof, under the DWSRF and Prop 1 for a PWS's ~~small DAC's or small SDAC's~~ proportional share of a construction project shall not exceed \$25,000 per service connection without State Water Board approval, and up to a maximum of \$5 million. DFA reserves the right to deny principal forgiveness, grant, or combination thereof from the DWSRF or Prop 1 ~~to a PWS~~ if such principal forgiveness or grant is for a project that has already been funded in part by the DWSRF or Prop 1.

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6 Projects are considered to provide regional benefit if the project addresses a public health issue that is ranked in categories A to C; involves three or more participating ~~water systems~~ **communities**; and at least one of those participants is a **small** DAC. Regional benefit project may receive a combination of principal forgiveness and/or grant of not more than \$50,000 per service connection or, ~~subject to~~ **without** State Water Board approval, up to \$5 million per each participating **small** DAC and up to a total of \$20 million.

7 For PWSs serving a small DAC with **if water rates exceed 2.5% of the small DAC's MHI, and if the credit review shows inadequate revenues to afford repayment of the remaining project costs, the principal forgiveness/grant percentage may be increased to as high as 100 percent, as necessary to approve financing for the project. Even if 100 percent principal forgiveness/grant is approved, prior to construction financing approval, the PWS must document adequate revenues to operate and maintain the project.**

8 Small community water systems and **NTNC** transient non-community water systems **servicing facilities such as a public school, a not-for-profit private school, a daycare, a labor camp, an elder care facility, or a health care facility**, that are owned by a public agency or a not-for-profit water company and that serves a SDAC may be **determined to be a small SDAC with financial hardship and to be** eligible to receive up to one hundred percent (100%) principal forgiveness, grant, or a combination thereof under the DWSRF and Prop 1.

8A PWS owned by a public school district is determined to be a SDAC and has no ability to repay any financing under the DWSRF and Prop 1.

9 For Small CWS serving DAC with a WMHI of at least 2.5% of the PWS's MHI, if the credit review shows inadequate revenues to afford repayment of the remaining project costs, the principal forgiveness/grant percentage may be increased to as high as 100 percent, as necessary to approve financing for the project. Even if 100 percent principal forgiveness/grant is approved, Division staff will review projected revenues and expenses to confirm adequate revenues to operate and maintain the project.

C. Prop 1 Local Cost Share

The remainder of the total project cost that is not funded by Prop 1 grant is considered the Local Cost Share of the project. The Local Cost Share of a PWS receiving Prop 1 funding may be in the form of DWSRF repayable financing, Prop 1 loan, or other non-State Water Board funding. The minimum Local Cost Share for a PWS that serves a disadvantaged community and is receiving Prop 1 funding is detailed in Table 6 below.

Table 6: Minimum Local Cost Share for PWSs Serving Disadvantaged Communities

PWS Local Cost Share Criteria For Disadvantaged Communities Funded Under Prop 1*		
Type of Community Served by PWS ¹	Average Residential Water Rate as Percent of MHI ²	Minimum Local Cost Share (percentage of total eligible project cost)
DAC	WMHI < 1.5%	100%
	1.5% ≤ WMHI < 2%	35%
	2% ≤ WMHI < 2.5%	30%
	WMHI ≥ 2.5% ³	20%

*See Notes under Table 5.