

On page 9 of Exhibit B Draft Water Recycling Funding Program Guidelines (Draft Guidelines):

Section III.A.

3. Construction Funding

- a. Financing may provide up to 100 percent of the eligible construction funding. Financing for construction of water recycling projects is primarily provided from Proposition 1 and the CWSRF program. These Guidelines provide direction for projects financed using Proposition 1 funds. Water recycling projects financed through the CWSRF program should adhere to the latest amendment of the *Policy for Implementing the Clean Water State Revolving Fund (CWSRF Policy)*.
- b. Generally, the interest rate for Proposition 1 loans is one-half the most recent general obligation bond rate obtained by the State Treasurer's Office as of the date that the Division initiates preparation of the financing document for routing and signoff or the State Water Board approves the financing, whichever is first, rounded up to the nearest 0.1 percent.
- c. The repayment period for any Proposition 1 loan is up to 30 years.

On page 12 of the Draft Guidelines:

Section III.A.

9. Project Selection Criteria

Available funding will be distributed to projects that meet the requirements of these Guidelines and are ready to proceed with the execution of a funding agreement, and in accordance with the following selection criteria:

- a. Projects that provide benefit to and/or are submitted by an SDAC, and/or support the human right to water in California.
- b. Direct Potable Reuse (if such projects are authorized by the State Water Board): DPR projects satisfy water supply reliability improvements by directly providing an additional drinking water resource. ~~Those DPR projects offsetting state water project supplies or imported water provide ecosystem benefits to the Delta through decreased diversions from the Delta is a qualification for construction funding.~~ A DPR project that offsets state or imported water supplies, thereby reducing reliance on the Delta or in-stream flows, may qualify for construction funding.

**06/16/15 BD MEETING – ITEM #6
CHANGE SHEET #1 (CIRCULATED 6/16/15)**

- c. Indirect Potable Reuse (IPR): IPR projects satisfy water supply reliability improvements by indirectly supplementing drinking water supplies either through surface water augmentation or groundwater recharge. ~~Those IPR projects offsetting state water project supplies or imported water provide ecosystem benefits to the Delta through decreased diversions from the Delta is a qualification for construction funding.~~ An IPR project that offsets state or imported water supplies, thereby reducing reliance on the Delta or in-stream flows, may qualify for construction funding.