

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
JUNE 21, 2016**

ITEM 3

SUBJECT

CONSIDERATION OF A RESOLUTION TO ADOPT THE STATE FISCAL YEAR (SFY) 2016-17 DRINKING WATER STATE REVOLVING FUND (DWSRF) INTENDED USE PLAN (IUP) AND REVISED FINAL PROPOSITION 1, CHAPTER 5, SECTION 79724 (PROP 1 DRINKING WATER) FUNDING GUIDELINES

DISCUSSION

Federal law and regulations require the State Water Resources Control Board (State Water Board) to submit an IUP at least annually to the United States Environmental Protection Agency (U.S. EPA). A current IUP is also required as part of the State Water Board's application to U.S. EPA for each DWSRF federal Capitalization Grant. Once the SFY 2016-17 DWSRF IUP is approved by the State Water Board, staff will submit it to U.S. EPA as part of the Federal Fiscal Year 2016 DWSRF Capitalization Grant application.

This DWSRF IUP is also the State Water Board's business plan for administering the DWSRF for SFY 2016-17. Specifically, it explains how the Division of Financial Assistance (Division) intends to implement the DWSRF Program when considering the availability of all DWSRF funds relative to the completeness of applications received. The DWSRF IUP also conveys various federal and state requirements as well as the public health prioritization scheme for DWSRF funding. The DWSRF IUP discusses the Division's general funding approach, including applicable loan and principal forgiveness/grant terms, small water system funding targets as well as disadvantaged community funding priorities under the DWSRF. Additionally, the DWSRF IUP explains the budgeting and planned use of the DWSRF set-asides, including DWSRF set-aside funds allocated for Division of Drinking Water's (DDW) public water system supervision activities. Finally, the DWSRF IUP includes activities planned for SFY 2016-17 and ways to monitor the Division's performance in administering DWSRF and Prop 1 Drinking Water funds.

The DWSRF IUP also describes how the Division will manage DWSRF funds in coordination with other available financial and programmatic resources, including the resources provided by Prop 1 Drinking Water. Proposition 1 (Assembly Bill 1471, Rendon), a ballot measure on the November 4, 2014 statewide election, authorized \$7.545 billion in general obligation bonds for water projects. Section 79724 of the Water Code (WC) allocates \$260 million in loans and grants for public water system infrastructure improvements and related actions to meet safe drinking water standards, to ensure affordable drinking water, or both. The DWSRF IUP describes how Prop 1 Drinking Water Funds are administered consistent with the DWSRF IUP and the DWSRF Policy such that the DWSRF IUP incorporates the guidelines for implementing Section 79724 of the WC. Administering these funds as a part of the DWSRF Program allows Prop 1 Drinking Water loans and grants to be easily combined with the low-interest debt financing available through the DWSRF Program.

Staff has provided stakeholders and interested parties an opportunity to comment on the draft SFY 2016-17 DWSRF IUP and Revised Final Prop 1 Drinking Water Funding Guidelines. The draft SFY 2016-17 DWSRF IUP and Revised Final Prop 1 Drinking Water Funding Guidelines were posted on the Internet at least 30 days prior to State Water Board meeting to consider public comments.

POLICY ISSUES

Should the State Water Board adopt the SFY 2016-17 DWSRF IUP with revised final guidelines for administering funds from Prop 1 Drinking Water?

DIVISION OF DRINKING WATER IMPACT

Approving the SFY 2016-17 DWSRF IUP and revised final Prop 1 Drinking Water funding guidelines will help public water systems finance projects and comply with State and federal safe drinking water standards, which are enforced by the DDW and its Local Primacy Agencies.

FISCAL IMPACT

In the DWSRF IUP, "Section V. DWSRF and Prop 1 Financial Management", a complete analysis of the DWSRF's financial and programmatic resources is provided, including Prop 1 Drinking Water funding, for SFY 2016-17.

STAFF RECOMMENDATION

The State Water Board should adopt the SFY 2016-17 DWSRF IUP with revised final guidelines for administering Prop 1 Drinking Water funds.

State Water Board action on this item will assist the State Water Board in achieving the policy set forth in section 106.3 of the WC. Specifically, subdivision(a) of that section declares it is the established policy of the State that "every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes." State Water Board action on this item will also be in support of the State Water Board's public water system capacity development strategy and the goal of providing DWSRF funding to support Public Water Systems' technical, managerial and financial capacity.

Finally, State Water Board action on this item will assist the Water Boards in reaching Goals 4 and 5 of the Strategic Plan Update: 2008-2012 to comprehensively address water quality protection and restoration, and the relationship between water supply and water quality, and describe the connections between water quality, water quantity, and climate change, throughout California's water planning processes; and improve transparency and accountability by ensuring that Water Board goals and actions are clear and accessible, by demonstrating and explaining results achieved with respect to the goals and resources available, by enhancing and improving accessibility of data and information, and by encouraging the creating of organizations or cooperative agreements that advance this goal, such as establishment of a statewide water data institute.

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STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2016-

ADOPTION OF THE STATE FISCAL YEAR 2016-17 DRINKING WATER STATE REVOLVING FUND (DWSRF) INTENDED USE PLAN (IUP) AND REVISED FINAL GUIDELINES FOR SECTION 79724 OF PROPOSITION 1

WHEREAS:

1. The Division of Financial Assistance (Division) prepared a draft State Fiscal Year (SFY) 2016-17 DWSRF IUP in compliance with federal rules and solicited public comment on the document;
2. States must submit a DWSRF IUP to the United States Environmental Protection Agency annually, and a current copy of the DWSRF IUP must be included in each year's Capitalization Grant application;
3. The State Water Resources Control Board (State Water Board) intends to submit the SFY 2016-17 DWSRF IUP in its application for the Federal Fiscal Year (FFY) 2016 DWSRF Capitalization Grant;
4. Section 79724 of the Water Code (WC) allocates \$260 million for drinking water grants and loans for public water system infrastructure improvements and related actions to meet safe drinking water standards and/or ensure affordable drinking water;
5. Section 79706(b) of the WC requires the creation of funding guidelines through a transparent and public process, and such process has been completed by Division staff; and
6. The SFY 2016-17 DWSRF IUP incorporates information regarding implementation of Section 79724 of the WC and comments received during public review period of the draft SFY 2016-17 IUP.

THEREFORE BE IT RESOLVED THAT:

The State Water Board adopts the [SFY 2016-17 DWSRF IUP](#) with revised final guidelines for administering funds from Prop 1 Drinking Water.

CERTIFICATION

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Board held on June 21, 2016

Jeanine Townsend
Clerk to the Board