

# ANNUAL REPORT

**State Fiscal Year 2020-21  
(July 1, 2020 through June 30, 2021)**

**The Drinking Water State Revolving Fund**

**and**

**The Water Quality, Supply, and Infrastructure  
Improvement Act of 2014  
(Proposition 1)**

**and**

**The California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor  
Access for All Act of 2018  
(Proposition 68)**

**California State Water Resources Control Board  
Division of Financial Assistance • 1001 I Street • Sacramento, CA 95814**

## OUR VISION

A sustainable California made possible by clean water and water availability for both human uses and environmental resource protection.

## OUR MISSION

To preserve, enhance, and restore the quality of California's water resources and drinking water for the protection of the environment, public health, and all beneficial uses, and to ensure proper water resource allocation and efficient use, for the benefit of present and future generations.



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## About the State and Regional Water Boards



The State Water Resources Control Board (State Water Board) was created in 1967. Its comprehensive authority over allocation, planning, and enforcement enables the State Water Board to protect California's water quality and drinking water.

The State Water Board consists of five full-time salaried members, each filling a different specialty position. Each Board member is appointed to a four-year term by the Governor and confirmed by the Senate. The State Water Board is also composed of six divisions that support its water quality missions, including the Division of Financial Assistance and the Division of Drinking Water.

There are also nine Regional Water Quality Control Boards (Regional Water Boards). The Regional Water Boards develop and enforce water quality objectives and implement plans that protect the beneficial uses of the state's waters, recognizing local differences in climate, topography, geology, and hydrology.

Each Regional Water Board has seven part-time members, also appointed by the Governor and confirmed by the Senate. Regional Water Boards develop "basin plans" for their hydrologic areas, issue waste discharge permits, take enforcement action against violators, and monitor water quality.

## State Water Resources Control Board – Members and Executive Director

	<p><b>E. Joaquin Esquivel</b> <b>BOARD CHAIR</b></p> <p>E. Joaquin Esquivel was appointed to the State Water Resources Control Board by Governor Jerry Brown in March 2017 and designated by Governor Gavin Newsom as Chair in February 2019. Previously, he served as Assistant Secretary for federal water policy at the California Natural Resources Agency in the Governor’s Washington, D.C. office, where he facilitated the development of policy priorities between the agency, the Governor’s Office, the California Congressional delegation, and federal stakeholder agencies.</p> <p>Prior to his position with the Natural Resources Agency, Mr. Esquivel worked for U.S. Senator Barbara Boxer of California, most recently as her legislative assistant covering the agriculture, Native American, water, oceans, and nutrition portfolios, in addition to being the Director of Information and Technology.</p> <p>Mr. Esquivel was born and raised in California’s Coachella Valley. He holds a Bachelor of Arts degree in English from the University of California, Santa Barbara.</p>
	<p><b>Dorene D'Adamo</b> <b>BOARD VICE CHAIR</b></p> <p>Dorene D'Adamo was appointed to the State Water Resources Control Board by Governor Brown in 2013 and reappointed in 2018. She serves as the Vice-Chair and as the agriculture member of the Board. Ms. D'Adamo is on the Board of the California Partnership for the San Joaquin Valley and on the Board of the Pacific Forest and Watershed Lands Stewardship Council, and she also served on the Governor’s Drought Task Force. She was a member of the California Air Resources Board from 1999-2013 where she was instrumental in the board's air quality and climate change programs and regulations.</p> <p>Ms. D'Adamo served in various capacities for Members of Congress from the San Joaquin Valley for over a 20-year period, working primarily on environmental, water and agricultural legislative policy.</p> <p>Ms. D'Adamo earned a Bachelor of Arts degree from the University of California, Davis and a Juris Doctor from the University of the Pacific, McGeorge School of Law.</p>



**Nichole Morgan**  
**BOARD MEMBER**

Nichole Morgan was appointed as the civil engineer to the State Water Resources Control Board by Governor Gavin Newsom in June 2021. Ms. Morgan most recently served as an Assistant Deputy Director in the State Water Resources Control Board's Division of Financial Assistance, where she worked on projects providing funding for drinking water, wastewater, storm water and groundwater infrastructure improvements. During this time Ms. Morgan also managed a variety of additional programs including the Lead in Child Care Centers, Fish Advisories, and Drinking Water and Wastewater Operator Certification programs.

From 1999 to 2009 Ms. Morgan worked for public agencies and engineering consulting firms. Her responsibilities included planning, designing, and overseeing the construction of drinking water, wastewater and recycled water treatment and conveyance facilities throughout California. Ms. Morgan joined the State Water Resources Control Board in 2009 where she worked as staff in the Division of Financial Assistance, Delta Water Master's Office, and the Division of Water Rights. Ms. Morgan worked as a manager at the Central Valley Regional Water Board from 2012 to 2018, where she managed the region's NPDES program. She returned to the State Water Board in 2018 as the head of the Office of Sustainable Water Solutions and was promoted in 2019 to an Assistant Deputy Director with the Division of Financial Assistance.

Ms. Morgan has a Bachelor of Science in Civil Engineering from California State University, Sacramento.



**Sean Maguire**  
**BOARD MEMBER**

Sean Maguire was appointed to the State Water Resources Control Board in December 2018 by Governor Brown and is a registered civil engineer. Mr. Maguire has had a diverse career both in both public service and as an engineering consultant; these provide valuable perspectives on the administrative challenges facing a government agency and the needs of a broad array of water interests.

From 2015-2018, Mr. Maguire worked for the State Water Resources Control Board as a manager of the Storm Water Grant Program in the Division of Financial Assistance, and later as a manager in the Division of Water Rights where he oversaw administration of water right change petitions, licensing, and cannabis cultivation permitting. Prior to joining the Board, from 2003-2015, he worked for an engineering consulting firm serving a variety of municipalities and water agencies throughout the state, focused on water resources planning, drinking water, and wastewater infrastructure projects. Much of his work involved developing integrated water management and long-term water supply solutions to meet the needs of both water users and the environment.

Mr. Maguire has a Bachelor of Science degree in Civil Engineering from California State University, Sacramento.

**Laurel Firestone**  
**BOARD MEMBER**

Laurel Firestone was appointed to the State Water Resources Control Board by Governor Gavin Newsom in February 2019. Prior to joining the Board, Ms. Firestone co-founded and co-directed, from 2006-2019, the Community Water Center, a statewide non-profit environmental justice organization based in California's Central Valley and Central Coast. Her career has focused on ensuring all Californians have access to safe, clean, and affordable drinking water, and building increased diversity, equity, and inclusivity into water decision-making.

Ms. Firestone has received a variety of awards and recognitions for her work, including the James Irvine Foundation's Leadership Award in 2018, and the Gary Bellow Public Service Award by the Harvard Law School in 2013.

Ms. Firestone served on the Tulare County Water Commission from 2007-2012, as well as a variety of state policy advisory committees. She has partnered with universities to develop research and clinical programs to further the human right to water, and written articles and publications related to drinking water and the environment.

Ms. Firestone earned a Juris Doctor degree and graduated with honors from Harvard Law School and holds a



Bachelor of Arts degree in Environmental Studies, Magna Cum Laude, from Brown University.

**Eileen Sobeck**  
**EXECUTIVE DIRECTOR**

Eileen Sobeck was selected as Executive Director by the Board in August 2017. Ms. Sobeck has nearly 40 years of government service, and more than two decades of executive and management experience leading professional staff in complex organizations. She has spent majority of her career in federal agencies that touch on many of the same science-based, public resource challenges the State Water Board faces.



Ms. Sobeck was the National Oceanic and Atmospheric Administration's (NOAA) Assistant Administrator for Fisheries at the U. S. Department of Commerce (2014-2017). Prior to her work at NOAA, she was the Department of Interior's Acting Assistant Secretary for Insular Affairs (2012-2014), and Deputy Assistant Secretary for Fish and Wildlife and Parks (2009-2012). Ms. Sobeck is a lawyer by training and spent 25 years at the U. S. Department of Justice, ultimately serving as Deputy Assistant Attorney General for Environment and Natural Resources (1999-2009).

While Ms. Sobeck has spent most of her professional career in Washington, D.C., she has many ties to California. Ms. Sobeck grew up in Davis, earned a Juris Doctor degree from Stanford Law School, a Bachelor of Arts degree in Political Science from Stanford University, and has strong family connections to California.

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## I. INTRODUCTION

The California State Water Resources Control Board (State Water Board) and Division of Financial Assistance (DFA) present the Drinking Water State Revolving Fund (DWSRF) annual report for State Fiscal Year (SFY) 2020-21. The State Water Board provided approximately \$259.2 million in new DWSRF financing for 22 planning and construction projects to address drinking water needs in California. This report describes how the State Water Board met the objectives for the DWSRF program identified in the [SFY 2020-21 DWSRF Intended Use Plan \(IUP\)](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/docs/dwsrf_iup_sfy2020_21_final.pdf) ([https://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/docs/dwsrf\\_iup\\_sfy2020\\_21\\_final.pdf](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/docs/dwsrf_iup_sfy2020_21_final.pdf)).

The federal Safe Drinking Water Act (SDWA), as amended in 1996, created the national DWSRF program to help public water systems (PWSs) achieve or maintain compliance with SDWA requirements and protect public health by funding drinking water infrastructure projects. Section 1452 of the SDWA authorizes the United States Environmental Protection Agency (USEPA) to award capitalization grants to state DWSRF programs. The federal capitalization grants are combined with state matching funds to create a permanent source of funding for drinking water infrastructure projects.

The State Water Board has promoted and protected the health and safety of Californians through the DWSRF since July 1, 2014. Previously, the California Department of Public Health and California's Health and Human Services Agency administered the DWSRF program. Since the beginning of the program, PWSs have received DWSRF funding for drinking water infrastructure improvements via below-market financing and additional subsidy (i.e., principal forgiveness). More information about the DWSRF program is located on the State Water Board's DWSRF website at [https://www.waterboards.ca.gov/drinking\\_water/services/funding/SRF.html](https://www.waterboards.ca.gov/drinking_water/services/funding/SRF.html).

DFA administers California's DWSRF program in coordination with the Division of Drinking Water (DDW). It provides planning and construction financing through the DWSRF and several complementary fund sources to eligible applicants, which include publicly and privately-owned community and non-profit, non-community water systems. DWSRF financing is generally prioritized for "ready-to-proceed" eligible projects based on their public health benefits. Projects addressing acute and chronic primary drinking water standards are generally prioritized over projects addressing secondary drinking water standards and aging infrastructure.

## II. FINANCIAL RESULTS

### A. Cumulative Financial Activity

To satisfy federal requirements and ensure the accuracy of the State Water Board's financial management of the DWSRF, audited financial statements for the year ending June 30, 2021, were completed April 4, 2022, and are included as Appendix E in this report. This section provides important financial highlights about the DWSRF as of June 30, 2021.

As of June 30, 2021:

- The cumulative DWSRF funds available for planning and construction financial assistance since inception was approximately \$3.35 billion.
- An additional \$333.94 million of cumulative DWSRF set-aside funds were available.
- The State Water Board, and preceding departments/agencies, had committed approximately 109 percent (109%) of available funds to planning and construction projects through binding commitments (executed financing agreements).
- The State Water Board, and preceding departments/agencies, had disbursed approximately 94 percent (94%) of available funds for planning and construction projects, as well as disbursed 93 percent (93%) of the available DWSRF set-aside funds.

Cumulative DWSRF program activity from inception through the end of SFY 2020-21 is further described in Table 1.

**Table 1: Cumulative Program Activity<sup>1</sup>**

<b>DWSRF Construction and Planning Funding</b>	
<b>Activity</b>	<b>Life of Program</b>
Number of Binding Commitments	526
Value of Binding Commitments	\$3,666 million
Disbursements and Expenditures	\$3,151 million <sup>2</sup>
Balance of Funding Agreements	\$515 million
<b>DWSRF Set-Aside Funding</b>	
DWSRF Set-Aside Amount	\$322.456 million

<sup>1</sup> Program activity includes all available DWSRF funds, including DWSRF set-aside funds and matching funds provided by funding recipients.

<sup>2</sup> Amount includes American Recovery and Reinvestment Act of 2009 (ARRA) funds and excludes set-aside funds (including Legal Entity Formation Assistance (LEFA) and a recent DWSRF set-aside grant to the American Water Association).

DWSRF Set-Aside Expenditures	\$299.018 million <sup>3</sup>
Balance of Set-Asides	\$23.438 million

The State Water Board funded a variety of planning and construction projects through the DWSRF in SFY 2020-21 to address a range of public water system (PWS) and public health issues. Specifically, the State Water Board funded projects from the DWSRF for the benefit of both small water systems (SWSs) (populations less than 10,000 people) and large water systems (populations over 10,000 people). Table 2 below displays the number of small and large water system as well as the amount of funding for planning and construction in each category. See Exhibit A for a list of projects that received funding in SFY 2020-21.

**Table 2: Water System Type**

Water System Type	Project Type	No. of Water Systems	Total Population	Total Funding
Small	Planning	4	92,224	\$1,002,000
	Construction	13		\$35,306,836
Large	Planning	0	406,581	\$0
	Construction	5		\$222,853,000
<b>Total</b>		<b>22</b>	<b>498,805</b>	<b>\$259,161,836</b>

A greater number of small water system (SWS) projects received funding because of their urgent public health needs, while a greater amount of funding was provided to large water systems because of the larger scope and cost of these projects.

A greater number of construction projects received funding in SFY 2020-21 than recent historical averages because planning projects were generally funded with other, complementary funding sources. This helped maximize the DWSRF and its complementary funding sources so that both were used efficiently and expeditiously.

## **B. Net Position**

Net assets of the DWSRF program are shown on the following page:

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<sup>3</sup> Amount includes LEFA and a recent DWSRF set-aside grant to the American Water Association.

**Table 3: DWSRF Statement of Net Position**  
(Dollars in Thousands)

	June 30, 2021	June 30, 2020
<b>Assets</b>		
Current Assets	\$291,123	\$373,134
Other Assets	\$1,751,504	\$1,593,859
<b>Total Assets</b>	<b>\$2,147,381</b>	<b>\$2,080,903</b>
<b>Liabilities</b>		
Current Liabilities	\$27,826	\$16,562
Non-Current Liabilities	\$80,107	\$87,737
<b>Total Liabilities</b>	<b>\$107,933</b>	<b>\$104,299</b>
<b>Net Position</b>		
Restricted	\$ 152,090	\$158,074
Unrestricted	\$1,887,358	\$1,818,530
<b>Total Net Position</b>	<b>\$2,039,448</b>	<b>\$1,976,604</b>

### C. Revenues and Contributions

The total revenue and contributions for SFY 2020-21 were \$105.3 million. Revenues for this period are further summarized in Table 4 below.

**Table 4: SFY 2020-21 DWSRF Revenues & Contributions**  
(Dollars in Thousands)

Loan Interest Income	\$25,340
Net Investment Income	\$1,117
Capitalization Grant Contributions	\$66,706
Capitalization Grants Contributions – Principal Forgiveness	\$7,177
State Match Revenue – Loans	\$2,465
State Match Revenue – Principal Forgiveness	\$2,513

### D. Disbursements and Expenses

Total disbursements are based on the Financial Statements and do not include matching funds provided by funding recipients. Disbursements for SFY 2020-21 totaled \$288.4 million and were as follows:

**Table 5: SFY 2020-21 DWSRF Disbursements and Expenses**  
(Dollars in Thousands)

<b>DISBURSEMENTS</b>	
Loan disbursements	\$245,928
Principal Forgiveness disbursements	\$18,904
<b>EXPENSES</b>	
Operating Expense - Personnel Services	\$13,179
Operating Expense - Other Expenses	\$8,639
Revenue Bond Interest Expense	\$1,740
Revenue Bond Issuance Cost	\$0

### **E. Credit Risk of the DWSRF**

Each funding recipient must pledge or dedicate one or more sources of revenue toward the payment of its DWSRF repayable financing. For publicly owned entities, dedicated sources of revenue are generally water rate revenues, but may also be any number of revenue sources, special tax pledges, or other pledgeable income. For privately owned entities, the dedicated source of repayment is generally a Uniform Commercial Code (UCC)-1 security interest by the State Water Board on all the entity’s revenues, fixtures, and equipment.

In SFY 2020-21, the State Water Board staff continued to closely monitor and work collaboratively with recipients for potential impacts from the COVID-19 pandemic and wildfires on their financial and operating conditions. The DWSRF program did not restructure any agreements.

In SFY 2020-21, there was no allowance for uncollectible accounts as all repayments remained current and all repayable financings were anticipated to be repaid in accordance with the financing terms. State Water Board staff continued to work diligently to ensure funding agreements were secure and that all payments were made on time and in full. Staff efforts included using a variety of analysis and monitoring measures to reduce the possibility of non-payment and continually evaluating additional steps to ensure full and timely payments.

## **1. Extended Term Financing and Reduced Interest Rate**

In accordance with federal rules, the State Water Board may provide 40-year loan repayment terms to eligible funding applicants that serve Disadvantaged Communities (DACs). (42 U.S.C. § 300j-12(f)(1)(C)(i); Health & Safety Code, § 116760.40(a)(3).). The State Water Board may provide Extended Term Financing (ETF) to publicly owned PWSs for construction projects in accordance with USEPA's policy on ETF. In SFY 2020-21, the State Water Board did not provide ETF to any recipients.

Prior to 2015, state law permitted zero percent (0%) interest rate loans from the DWSRF if the funding applicant served a Disadvantaged Community (DAC), regardless of the water system size. In 2015, the California Legislature directed the State Water Board to provide zero percent (0%) interest rate financing if the funding recipient served a DAC with financial hardship. The State Water Board's DWSRF Policy defines financial hardship to mean the funding applicant is a SWS that serves a DAC or Severely Disadvantaged Community (SDAC). In its IUPs beginning in SFY 2015-16, to ensure the long-term financial growth of the fund while considering the financial limitations of certain PWSs types, the State Water Board has provided zero percent (0%) interest rate financing to SWSs serving DACs and SDAC's, and has more recently included eligible Expanded Small Community Water Systems (ESCWSs) serving DACs/SDACs.

## **2. Arrearages Program**

The COVID-19 pandemic made it difficult for many Californians to pay their bills due to job loss and other hardships. As a result, systems that provide water services to customers have been financially impacted. Through \$985 million in federal funding allocated by the state legislature, the State Water Board created a new program to provide relief to community water and wastewater systems for unpaid bills related to the pandemic. The funding covered water debt from residential and commercial customers accrued between March 4, 2020 and June 15, 2021. The Program prioritized drinking water residential and commercial arrearages. Funding to community water systems was disbursed through January 31, 2022.

### III. PUBLIC HEALTH BENEFITS

The contributions of the DWSRF program to public health and drinking water quality are diverse. The program has the strength and versatility to address a wide range of drinking water issues. To the maximum extent possible, in SFY 2020-21, priority was given to projects that addressed the most serious risks to human health, were necessary to ensure compliance with SDWA requirements, and assisted water systems most in need on a per household basis. Projects were ranked by the categories below as defined in the DWSRF Policy, Section VI.B.2:

<b>Public Health Category</b>	<b>Description</b>
A	Immediate Health Risk
B	Untreated or At-Risk Sources
C	Compliance or Shortage Problems
D	Inadequate Reliability
E	Secondary Risks
F	Other Projects

Table 6 below shows the number of projects in each category.

**Table 6: Water System Improvements by Public Health Category**

<b>Public Health Category</b>	<b>Number of Projects Financed</b>	<b>Population</b>	<b>Financed Amount</b>	<b>Principal Forgiveness</b>
A	1	7,452	\$6,000,000	\$6,000,000
B	0	0	\$0	\$0
C	7	27,897	\$8,306,548	\$8,306,548
D	2	6,070	\$505,167	\$505,167
E	1	33,250	\$171,075	\$171,075
F	11	42,4136	\$244,179,046	\$50,000
<b>Total</b>	<b>22</b>	<b>498,805</b>	<b>\$259,161,836</b>	<b>\$15,032,790</b>

The information below summarizes the public health benefits from DWSRF projects funded. The data supporting this summary was reported to the USEPA through the DWSRF Project Benefits Reporting (PBR) database.



## A. Projects in SFY 2020-21 Will Help Achieve and Maintain SDWA Goals

1. There were 22 projects funded by the DWSRF program. Of these, 12 helped disadvantaged or severely disadvantaged communities least able to afford the cost of water on a per household basis.
2. An estimated 498,805 people are served by the projects funded.
3. An estimated \$15 million principal forgiveness was provided to these projects and an estimated \$59.7 million in interest savings were provided to projects.
4. Eight (8) projects assisted small water systems correct violations and return to compliance. Four (4) projects funded were planning projects to create plans to help water systems return to compliance.

## B. DWSRF Projects Achieve Multiple Benefits

DWSRF projects are multi-faceted, and each project typically provides multiple benefits to the water system completing the project. Table 7 below shows a breakdown of the many benefits provided by the DWSRF projects funded in SFY 2020-21. In particular, \$171,075 was provided to co-fund a consolidation project. Approximately 67 percent (67%) of the project costs, or \$174.3 million, was provided for drinking water distribution and storage projects.

**Table 7: Water System Improvements by Benefits**

<b>Benefits</b>	<b>Cost</b>	<b># of Projects/Benefit <sup>4</sup></b>
Planning and Design Only	\$1,002,000	4
Treatment	\$73,732,140	5
Transmission & Distribution	\$123,515,793	7
Source	\$8,223,719	4
Storage	\$50,791,063	6
Consolidation	\$171,075	1
Green Project Reserve	\$1,726,046	1
<b>Total</b>	<b>\$259,161,836</b>	<b>28</b>

<sup>4</sup> The total number of projects for all benefits is greater than the total number of projects funded because individual projects may benefit in multiple ways.

## **IV. PROGRAM HIGHLIGHTS AND UPDATES**

In SFY 2020-21, the State Water Board continued to fund drinking water projects to provide safe and affordable drinking water for all Californians and continued to pair DWSRF financing with other funds appropriated to the State Water Board to achieve its drinking water objectives.

### **A. Safe and Affordable Funding for Equity and Resilience Program**

Senate Bill (SB) 200 (Ch. 120, Stats. 2019) established the Safe and Affordable Drinking Water Fund (SADW Fund) to address funding gaps and provide solutions to water systems, especially those serving DACs, to address both their short and long-term drinking water needs. Expenditures from the SADW Fund will complement other funding sources as part of the broader Safe and Affordable Funding for Equity and Resilience (SAFER) Drinking Water Program (Program), which includes Proposition 1 (Prop 1) and Proposition 68 (Prop 68) Groundwater, Prop 68 Drinking Water, the State Water Pollution Cleanup and Abatement Account (CAA), General Fund appropriations, and the DWSRF, which offers repayable, low-interest financing and loans with partial or complete principal forgiveness. Additionally, the Budget Act of 2021 appropriated \$650 million towards drinking water projects. The SADW Fund, and these other complementary funding sources, constitute the larger SAFER Program.

The SAFER Program also encompasses regulatory efforts to protect drinking water, community engagement to identify needs and solutions, data collection and assessment to promote sound decision-making, and information management to provide transparency and accountability. The State Water Board administers the SAFER Program primarily through its Division of Drinking Water (DDW), DFA, and Office of Public Participation (OPP). The SAFER Program's goal is to provide safe and affordable drinking water in every California community, for every Californian.

#### **1. Small DAC SFY 2020-21 Committed Expenditures**

In SFY 2020-21, 35 small DAC projects were funded, 22 planning and 17 construction, for a total of \$106 million in grant or principal forgiveness. Exhibit B lists the Small Community Grant Drinking Water (SCG-DW; includes both Prop 1 and Prop 68) and SADW Fund projects for SFY 2020-21.

Of the \$130 million SADW Fund appropriation for SFY 2020-21, grant agreements were executed for one administrator, ten interim, one planning, eighteen construction, and seven technical assistance projects for SWSs serving DACs/SDACs, totaling \$85 million.

## **2. Funding Available for Small DAC Drinking Water Projects in SFY 2020-21**

The SADW Fund has an annual appropriation of \$130 million for ten years starting in SFY 2019-20 from the Greenhouse Gas Reduction Fund (GGRF). As of June 30, 2021, the anticipated amount available to go towards projects is \$127.7 million.

The Budget Act of 2021 also included \$650 million for drinking water infrastructure. These funds will go towards projects that have been under development and seeking funding from the State Water Board and that can meet applicable construction timelines. Funds will be prioritized for projects that benefit small communities and/or DACs, consolidations, and regional solutions.

The Budget Act of 2021 also included \$10 million in General Fund local assistance for emergency interim or permanent solutions to drinking water drought emergencies. Interim solutions may include hauled water, bottled water, vending machines, Point of Use (POU)/Point of Entry (POE) treatment, and emergency interties. Permanent solutions may include new wells, rehabilitating wells, and permanent connections to adjacent water systems.

Approximately \$47 million in principal forgiveness is expected to be available from the DWSRF capitalization grant that the USEPA is anticipated to provide to California during federal fiscal year 2021. As of June 30, 2021, the anticipated amount of principal forgiveness available from the DWSRF to go towards projects is \$126 million.

Prop 68, the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 allocated \$250 million for drinking water and clean water financial assistance for PWS infrastructure improvements and related actions to improve water quality or help provide clean, safe, and reliable drinking water. As of June 30, 2021, the anticipated amount available to go towards projects is \$128 million.

Prop 68 also included \$80 million for treatment and remediation activities that prevent or reduce the contamination of groundwater that serves as a source of drinking water (Prop 68 Groundwater). After completing two solicitations, the State Water Board has made remaining uncommitted funds available for DAC drinking water treatment projects that are consistent with Prop 68. The Prop 68 Groundwater Grant Program Guidelines are waived for these projects, which will instead be implemented consistent with this Plan. Agreements will include terms required by Prop 68, including monitoring and reporting requirements. Projects should incorporate efficient use and conservation of water where feasible. As of June 30, 2021, the anticipated amount available to go towards projects is \$28 million.

Prop 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Assembly Bill [AB] 1471, Rendon) allocated \$260 million for drinking water grants and loans for PWS infrastructure improvements and related actions to meet safe

drinking water standards, to ensure affordable drinking water, or both. The State Water Board's guidelines for the Prop 1 drinking water funds are updated annually, in conjunction with the applicable annual DWSRF IUP. As of June 30, 2021, the anticipated amount available to go towards projects is \$12 million.

Prop 1 also included \$720 million for the prevention and cleanup of contamination of groundwater that serves or has served as a source of drinking water (Prop 1 Groundwater Grant Program). The Prop 1 Groundwater Grant Program Guidelines identify drinking water treatment projects that benefit DACs or Economically Distressed Areas (EDAs)<sup>5</sup> as eligible projects. Subject to Prop 1 requirements, these projects are funded via the DWSRF process, and many of the requirements in the Prop 1 Groundwater Grant Program Guidelines are waived. As of June 30, 2021, the anticipated amount available to go towards projects is \$67 million.

SB 862 (Chapter 449, Stats 2018), AB 72 (Chapter 1, Stats 2018), and AB 74 (Chapter 23, Stats 2019) made appropriations from the General Fund to help provide drinking water systems, schools, and homeowners with funding to address numerous challenges to the provision of safe, reliable drinking water. These bills authorize the State Water Board to provide grants for administrators, urgent drinking water needs, water system emergencies, and various household needs including tanks and hauled water, well and septic system replacement, permanent connections to public systems, and point of use (POU)/point of entry (POE) treatment systems. The funds available and status of each program are detailed in Appendix B. As of June 30, 2021, the anticipated amount available from older appropriations of the General Fund to go towards projects is \$25.3 million.

## **B. Additional Supplemental Appropriations for Disaster Relief Act Funding**

The State Water Board adopted the Additional Supplemental Appropriations for Disaster Relief Act (ASADRA) Supplemental IUP in June 2020 and requested to transfer the CWSRF ASADRA allocation of \$183,000 to DWSRF ASADRA, thus resulting in the State Water Board receiving a total of \$42 million in DWSRF grants and loans allocation from the EPA for California. By the application due date of September 30, 2020, set by the State Water Board to the ASADRA program applicants, the State Water Board received applications from several water agencies, with some agencies requesting funding assistance to construct multiple projects.

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<sup>5</sup> "Economically Distressed Area" is defined in Water Code section 79702, subdivision (k) to mean a municipality with a population of 20,000 persons or less, a rural county, or a reasonably isolated and divisible segment of a larger municipality where the segment of the population is 20,000 persons or less, with an annual median household income that is less than 85% of the statewide median household income, and with one or more of the following conditions: (1) Financial hardship; (2) Unemployment rate at least 2% higher than the statewide average; (3) Low population density.

All of the applicants were impacted by natural disasters in the calendar year 2018. The water agencies that applied to the ASADRA program consisted of both large and small water systems, disadvantaged and non-disadvantaged water systems, as well as some that are small and severely disadvantaged. Some of the applicants would qualify for other grant programs, others are most likely only able to qualify for regular DWSRF loan funding. The types of projects submitted ranged from interties, seismic retrofits of reservoirs, rebuilding of distribution system destroyed by wildfire, and other DWSRF eligible projects.

In the remaining period of FY 2020-2021 after September 30, 2020, the State Water Board assigned staff to review the submitted application documents, work with applicants to complete their DWSRF ASADRA applications, and to better define the scope and costs of the projects.

### **C. Updated DWSRF Sustainable Leveraging Capacity**

The DWSRF's Municipal Advisor, in cooperation with DFA staff, updated the DWSRF's estimated lending capacity calculations for the SFY 2020-21 IUP. The Municipal Advisor's calculations showed that the DWSRF can operate at an estimated sustainable loan level of approximately \$308 million per year for the next 20 years. The estimate is below the previously estimated \$420 million loan capacity used in the 2018-19 and 2019-20 IUPs. Stakeholders expressed concern during public comment on the 2020-21 IUP about the lower estimate given the sizeable demand for DWSRF funds. DFA staff met with stakeholders to provide transparency on the capacity calculation process and to identify opportunities and actions that may increase the sustainable lending capacity of the program. Additional changes in policy or practice may be needed in the future to manage the program effectively and provide stakeholders and the State Water Board with the best possible results.

The DWSRF funding target for SFY 2020-21 was based on a 20-year capacity analysis in accordance with the Clean Water State Revolving Fund (CWSRF)/DWSRF Debt Management Policy to ensure that the DWSRF program does not become over-leveraged. The State Water Board last issued \$83.92 million in revenue bonds on April 24, 2019. Given the current Fundable List of DWSRF loan projects, additional capital may be needed in SFY 2021-22 through additional bonds. The timing and sizing of a future bond sale has not been determined yet.

### **D. Expanding Loan Operations**

Historically the DWSRF has committed loan funds under its sustainable lending capacity of approximately \$300 million per year. There was a significant rollover of loan projects for non-disadvantaged communities to the SFY 2020-21 Fundable List. DFA, however, continues to develop and review these applications for repayable financing. The SFY 2020-21 Fundable List included 39 applications requesting over \$2.2 billion in loan financing, and 11 of those project were financed with loan funds for approximately \$244 million. DFA staff will continue to work with these applicants to develop complete

applications that can be financed consistent with the priority system established in the DWSRF Policy and the State Water Board's Debt Management Policy for the SRF programs.

## **E. Comprehensive and Fundable Lists and Project Bypass**

The Comprehensive List identified projects potentially eligible for funding assistance from the DWSRF program. As DFA received applications, it assigned each project a category from the DWSRF Policy, then recommended that the Deputy Director of DFA either add the project to the Comprehensive List or update an existing project.

There were 39 projects identified on the Fundable List in the SFY 2020-21 IUP seeking Repayable financing. There were also 240 projects on the Comprehensive List from disadvantaged water systems that were automatically considered part of the Fundable List. The DWSRF program awarded funding to 4 planning projects and 18 construction projects. SCG-DW funds were awarded to 19 additional projects. The remaining projects' statuses are noted in Exhibit D. Several of the projects not funded in SFY 2020-21 are anticipated to be funded in SFY 2021-22.

## **F. COVID-19 Impacts**

The actions taken to address the COVID-19 pandemic have also affected SRF operations during the latter part of SFY 2019-20 and SFY 2020-21. Although the State Water Board has received one request for DWSRF loan forbearance or modification, no loans pledged to the repayment of SRF bonds have requested forbearance or modification of their terms or payment schedules. The State Water Board's staff continues to monitor the impacts of COVID-19 on the revenues and expenses of agencies with outstanding DWSRF debt. Recipients have cited COVID-19 as the cause of construction and reimbursement request delays and DFA has seen an increase in agreement extension requests.

## **G. Marketing Updates**

State Water Board staff continued to participate in the California Financing Coordinating Committee (CFCC) funding fairs during SFY 2020-21. The funding fairs provide members of the public and infrastructure development professionals current information on funding options available for different project types.

State Water Board staff did not participate in any conferences in SFY 2020-21 due to postponement as a result of COVID-19.

## **H. Technical Assistance**

The DWSRF program budgeted two percent (2%) of the FFY 2020 Capitalization Grant along with prior year capitalization grants for Small Water System Technical Assistance (SWSTA). The primary goals of SWSTA are to reduce the instances of non-compliance with drinking water standards and requirements, establish and assure safe and

dependable water supplies, improve operational capability, and establish or improve the technical, managerial, and financial (TMF) capacity of SWSs.

The SWSTA set-aside funded technical and administrative staff within DFA to provide technical assistance to SWSs. DFA staff helped SWSs identify drinking water problems and potential solutions, helped them prepare funding applications, reviewed TMF assessments, and evaluated potential funding eligibility. Staff also helped resolve ownership issues, right-of-way disputes, facilitated potential water interties and consolidation projects with adjacent water systems.

The SWSTA set-aside also provided partial funding for technical and administrative staff of the Proposition 84 (Prop 84) funding program. They prepared Prop 84 planning projects for SWSs that led to DWSRF construction funding.

The budget and expenditures of the SWSTA set-aside as of June 30, 2021, are shown in Exhibit D.

## **I. Consolidation Incentive Program**

The DWSRF continued to offer the consolidation incentive identified in the IUP but did not receive any requests for the incentives during SFY 2020-21. The State Water Board will continue, however, to offer the incentives to potential consolidation projects. With the advent of the SADWF program, there may be additional demand for consolidation financing. DFA will continue to evaluate the terms associated with the incentives, and may recommend changing the incentives, including on a case-by-case basis, to the State Water Board.

## **J. DWSRF Source Water Protection Program**

California established the DWSRF program with federal capitalization grants awarded by the USEPA). A portion of these funds was set-aside for source water protection (SWP) loans.

Funding for the SWP program provides loans to PWSs for the purchase of land or conservation easements. PWSs may only purchase land or a conservation easement from willing parties. The purchase must be for the purposes of protecting the system's source water and ensuring compliance with national drinking water regulations. The DWSRF program evaluated all projects using the priority system described in the IUP in effect at the time the SWP loans were awarded.

As of SFY 2020-21, the program had set aside a total of \$24,889,390 from the FFY 2000-2005 Capitalization Grants for this program, but, due to lack of demand from PWSs, subsequent federal grant amendments returned \$22,889,390 from the FFY 2000-2005 Capitalization Grants to the DWSRF infrastructure loan fund. As shown in Table 8 below, \$2,000,000 has been committed and expended for SWP loans.

**Table 8: Source Water Protection Loan Set-Asides**

<b>Funding Recipient</b>	<b>Project No.</b>	<b>Category</b>	<b>Population</b>	<b>Executed FA Date</b>	<b>Contract No.</b>	<b>Loan Amount</b>	<b>Grant Amount</b>	<b>Total Funding Assistance</b>
Contra Costa Water District	0710003-017	SWP	201,100	9/1/2003	2001SW P101	\$2,000,000	\$0	\$2,000,000



## **V. SET-ASIDES**

The State Water Board used a percentage of the FFY 2020 federal capitalization grant in SFY 2020-21 to fund the administration of the DWSRF program and other activities critical to the success of California's drinking water program. The set-asides that were used included DWSRF Administration, SWSTA, State Program Management, and Local Assistance Special Programs. These set-asides helped with administering the DWSRF program or providing funding and technical assistance to PWSs. The State Water Board budgeted 26 percent (26%) of the FFY 2020 Capitalization Grant for all four (4) set-asides, totaling \$25,254,840. As of June 30, 2021, the State Water Board had expended \$4,368,479 of the funds budgeted for set-aside activities from the FFY 2020 Capitalization Grant.

### **A. Administration Set-Aside**

The State Water Board budgeted four percent (4%) of the FFY 2020 Capitalization Grant, totaling \$3,885,360, along with prior years' DWSRF Administration set-aside funds in SFY 2020-21 for the management of the DWSRF program. The DWSRF Administration set-aside funded technical and administrative personnel within DFA who prepared construction and planning approvals and agreements, inspected, and evaluated projects, and processed claims for reimbursement, and funded personnel activities associated with project tracking and reporting required by USEPA as well as other state and federal agencies. The Administration set-aside also funded legal activities within the State Water Board's Office of Chief Counsel related to reviewing agreements and advising on a variety of programmatic issues including the IUP, anticipated revenue bond requirements, and implementation of various State and federal requirements. Finally, the DWSRF Administration set-aside funded a variety of support activities conducted by Division of Administrative Services (DAS) and DIT, including accounting, human resources, and budget office support as well as Information Technology support.

A portion of the Administration set-aside also funded state procurement contracts with other entities, such as the accounting firm CliftonLarsonAllen. CliftonLarsonAllen completed the federal single-audit of the DWSRF program for SFY 2020-21 on April 4, 2022 and produced audited financials for the DWSRF program, which are included as Appendix E.

The budgeting and expenditures of the DWSRF Administration set-aside, as of June 30, 2021, are shown in Exhibit D.

### **B. Small Water System Technical Assistance Set-Aside**

The State Water Board budgeted two percent (2%) of the FFY 2020 Capitalization Grant, totaling \$1,942,680, along with prior years' set-aside funds for SWSTA in SFY 2020-21. The SWSTA set-aside funded DFA staff to provide technical assistance to SWSs. The primary goal of DFA's SWSTA is to assist SWSs to become eligible for DWSRF financing to reduce the instances of non-compliance with drinking water

standards and requirements; establish and assure safe and dependable water supplies; improve operational capability and establish or improve their TMF capacities.

Assistance included helping SWSs identify drinking water problems and potential solutions, assisting in the preparation of funding applications, reviewing TMF assessments, and evaluating potential funding eligibility. Staff also helped resolve ownership issues, right-of-way disputes, as well as interceded and mediated with adjacent water systems regarding potential water interties and consolidation projects. The SWSTA also enabled DFA technical and administrative staff to assist third-party technical assistance providers and their suite of tasks further described below.

The budgeting and expenditures of the SWSTA Set-Aside as of June 30, 2021, are shown in Exhibit D.

### **C. Local Assistance Set-Aside**

The State Water Board budgeted ten percent (10%) of the FFY 2020 Capitalization Grant totaling \$9,713,400, along with prior years' capitalization grants in SFY 2020-21, for technical assistance to PWSs to support the State Water Board's TMF Capacity Development Strategy. A majority of the Local Assistance set-aside funds were expended for third-party technical assistance contracts with California Rural Water Association (CRWA), Rural Community Assistance Corporation (RCAC), and Self-Help Enterprises (SHE). CRWA, RCAC and SHE provided technical assistance to 155 PWSs, including income surveys, water rate studies, and DWSRF application development. They also provided or participated in a variety of online workshops, symposiums, and fairs, which benefited over 1873 PWSs in SFY 2020-21. All onsite workshops, symposiums, and fairs were conducted virtually during the pandemic to maintain proper social distancing.

CRWA, RCAC, and SHE also provided TMF assistance in SFY 2020-21, including mutual water company board training, PWS operation training, and water system ownership research. The California-Nevada chapter of American Water Works Association helped validate water audits for urban water suppliers in support of the State Water Board's Capacity Development Strategy.

In addition, RCAC developed and conducted statewide online training workshops that focused on building the TMF capacity of PWSs. In SFY 2020-21, RCAC held two California Technical Assistance Provider (CaTAP) funding fairs. The fairs provided information on free services and materials available to the water systems and included two water symposia that focused on treatment certification and distribution. The CaTAP fairs averaged 105 attendees and the symposia averaged 69 attendees. In addition to the funding fairs, RCAC held 109 online workshops. Board members, water system staff, and operators from more than 1873 individual water systems participated in the training events. RCAC utilized feedback from training and workshop attendees to improve its organizations' effectiveness in communicating with the public and ability to provide helpful information.

The remaining expenditures of Local Assistance set-aside in SFY 2020-21 were for DFA and DDW technical and administrative staff costs associated with providing assistance to PWSs in support of the State Water Board's TMF Capacity Development Strategy. DFA staff oversaw and engaged third-party technical assistance contractors on the activities described above, as well as assisted funding applicants with achieving the TMF capacity necessary to be eligible for DWSRF funding; advised and reviewed proposed water system consolidations and interties; assisted and mediated in legal entity formation and water system ownership issues; and reviewed water rate studies. The Local Assistance set-aside also supported DDW's implementation of the Capacity Development Strategy by funding staff costs associated with SWS TMF assistance performed during their permitting, inspections, compliance and monitoring (PICM) activities.

The budgeting and expenditures of the DWSRF Local Assistance set-aside, as of June 30, 2021, are shown in Exhibit D.

#### **D. State Program Management Set-Aside**

The State Water Board budgeted ten percent (10%) of the FFY 2020 Capitalization Grant totaling \$9,713,400, along with prior years' Capitalization Grants, for the State Program Management set-aside in SFY 2020-21. This set-aside funded a portion of DDW's Public Water System Supervision (PWSS) regulatory program. In SFY 2020-21, the State Program Management set-aside subsidized a pro-rated portion of DDW's PICM activities as well as the general administration activities of DDW with the PWSS grant and California's safe drinking water cost-recovery account.

In general, DDW staff conducted inspections and surveys of both large and SWSs; evaluated treatment and infrastructure improvement needs; reviewed plans and specifications in relation to, and for conformance with, treatment requirements; and assisted PWSs with state and federal drinking water compliance issues. The State Program Management set-aside funds were used to enhance emergency preparedness and terrorism/disaster response preparedness of the PWSS program as well as California's PWSs. The DWSRF program also utilized this set-aside to enhance and manage its data reporting mechanisms, including the Safe Drinking Water Information System. The TMF capacity development activities inherent within the PICM activities of DDW were partially funded by the set-aside as well.

The budgeting and expenditures of the State Program Management set-aside as of June 30, 2021, are shown in Exhibit D.

## VI. ACRONYMS

AIS	American Iron and Steel
ARRA	American Recovery and Reinvestment Act of 2009
ASADRA	Additional Supplemental Appropriations for Disaster Relief
ASAP	Automated Standard Application of Payments
CalTap	California Technical Assistance Provider
CFCC	California Financing Coordinating Committee
CRWA	California Rural Water Association
CWSRF	Clean Water State Revolving Fund
DAC	Disadvantaged Community
DACs	Disadvantaged Communities
DAS	Division of Administrative Services
DBE	Disadvantaged Business Enterprise
DDW	Division of Drinking Water
DFA	Division of Financial Assistance
DIT	Division of Information Technology
DWSRF	Drinking Water State Revolving Fund
ETF	Extended Term Financing
ESCWSs	Expanded Small Community Water Systems
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
FI\$Cal	Financial Information System for California
FSRS	Federal Funding Accountability and Transparency Act Subaward Reporting System
IUP	Intended Use Plan
LEFA	Legal Entity Formation Assistance
MCL	Maximum Contaminant Levels
MBE	Minority Owned Business Enterprise
OMB	Office of Management and Budget
OPP	Office of Public Participation
OSWS	Office of Sustainable Water Solutions
PICM	Permitting, Inspection, Compliance, Monitoring
PWS	Public Water System
PWSs	Public Water Systems
PWSS	Public Water System Supervision
RCAC	Rural Community Assistance Corporation
SADW Fund	Safe and Affordable Drinking Water Fund
SAFER	Safe and Affordable Funding for Equity and Resilience
SCG-DW	Small Community Grant Drinking Water

SCO	State Controller's Office
SDAC	Severely Disadvantaged Community
SDACs	Severely Disadvantaged Communities
SDWA	Safe Drinking Water Act
SERP	State Environmental Review Process
SFY	State Fiscal Year
SHE	Self-Help Enterprises
SWP	Source Water Protection
SWS	Small Water System
SWSs	Small Water Systems
SWSTA	Small Water System Technical Assistance
TMF	Technical, Managerial, Financial
ULO	Unliquidated Obligation
USEPA	United States Environmental Protection Agency
WBE	Women Owned Business Enterprise

## VII. EXHIBITS

Exhibit A	SFY 2020-21 DWSRF Project Funding List
Exhibit B	SFY 2020-21 Small Community Grant Drinking and SADW Project Funding List
Exhibit C	SFY 2020-21 Non-Funded Projects
Exhibit D	Cumulative DWSRF Set-Aside Expenditures
Exhibit E	Disadvantaged Business Enterprise Report
Exhibit F	SFY 2020-21 DWSRF FFATA Projects

## EXHIBIT A: SFY 2020-21 DWSRF Project Funding List

Project Number	Funding Recipient	Project Name	Category	Population	Connections	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Green Project Reserve	Status
0105008-002C	Alameda, County of	Castlewood Redwood Tank Replacement	F	499	190	\$0	\$3,000,000	\$3,000,000	\$0	Non Disadvantaged
0710001-002C	Antioch, City of	Antioch Brackish Water Desalination Project	F	100,945	31,058	\$0	\$55,000,000	\$55,000,000	\$0	Non Disadvantaged
1610002-002C	Avenal, City of	Avenal 18" Water Transmission Line Replacement Project	C	16,737	1,936	\$5,000,000	\$0	\$5,000,000	\$0	Severely Disadvantaged
3610008-012C	Big Bear City CSD	Well 8 Replacement	F	12,500	6,356	\$0	\$2,500,000	\$2,500,000	\$0	Non Disadvantaged
4210009-001C	Cuyama Community Services District	Well No. 4 Drilling and Equipping Project	D	820	253	\$32,267	\$0	\$32,267	\$0	Disadvantaged
0707574-001C	Diablo Water District	Santiago Island Village Consolidation Project	E	33,250	9,907	\$171,075	\$0	\$171,075	\$0	Severely Disadvantaged
2410002-003C	Dos Palos City of	Water Treatment Plant Replacement Project	A	7,452	2,521	\$6,000,000	\$0	\$6,000,000	\$0	Severely Disadvantaged
4710002-001C	Dunsmuir, City of	Downtown Tank Replacement Project	C	1,923	1,285	\$266,802	\$0	\$266,802	\$0	Severely Disadvantaged
0910013-006C	Georgetown Divide Public Utility District	Automated Meter Reading and Meter Replacement Project	F	9,021	3,589	\$0	\$1,726,046	\$1,726,046	\$1,726,046	Non Disadvantaged

Project Number	Funding Recipient	Project Name	Category	Population	Connections	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Green Project Reserve	Status
2110001-001C	Inverness Public Utility District	Tenney Tank Replacement	F	702	501	\$0	\$800,000	\$800,000	\$0	Non Disadvantaged
4710013-001P	Lake Shastina Community Services District	Lake Shastina Drinking Water Rehabilitation and Upgrade Project	F	1,923	1,285	\$50,000	\$0	\$50,000	\$0	Disadvantaged
1910185-001C	Los Angeles County Waterworks District 36	Del Valle Road Water Main Replacement	F	4,660	1,320	\$0	\$3,750,000	\$3,750,000	\$0	Non Disadvantaged
2010010-001P	Madera Valley Mutual Water Company	Madera Valley Water Company Water Quality Improvement Project	C	4,625	1,850	\$474,000	\$0	\$474,000	\$0	Disadvantaged
4710008-001C	Mt. Shasta, City of	City of Mt. Shasta Tank 1 & Roseburg Water System Improvements	C	3,642	1,675	\$55,936	\$0	\$55,936	\$0	Severely Disadvantaged
1510054-001C	Pinon Pines Estates Mutual Water Company	Pinon Pines Fluoride Mitigation Project	C	740	242	\$2,031,810	\$0	\$2,031,810	\$0	Disadvantaged
4410010-001C	Santa Cruz, City of	Graham Hill Water Treatment Plant Concrete Tanks Replacement Project	F	90,000	24,228	\$0	\$45,900,000	\$45,900,000	\$0	Non Disadvantaged
4410010-002C	Santa Cruz, City of	Newell Creek Dam Inlet-Outlet Replacement Project	F	90,000	24,228	\$0	\$103,453,000	\$103,453,000	\$0	Non Disadvantaged
5200562-001P	Sky View County Water District	Water System Improvements	C	120	98	\$48,000	\$0	\$48,000	\$0	Severely Disadvantaged



Project Number	Funding Recipient	Project Name	Category	Population	Connections	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Green Project Reserve	Status
3110011-005C	Tahoe City Public Utility District	West Lake Tahoe Regional Water Treatment Plant	F	750	453	\$0	\$12,000,000	\$12,000,000	\$0	Non Disadvantaged
1910213-010C	Torrance, City of	Van Ness Avenue Wellfield	F	113,136	26,461	\$0	\$16,000,000	\$16,000,000	\$0	Non Disadvantaged
0610004-001C	Williams, City of	Williams Water System Improvements Project	D	5250	1,324	\$472,900	\$0	\$472,900	\$0	Severely Disadvantaged
2000527-001P	Yosemite Forks Estates Mutual Water Company	Arsenic MCL mitigation project	C	110	99	\$430,000	\$0	\$430,000	\$0	Severely Disadvantaged
						\$15,032,790	\$244,129,046	\$259,161,836	\$1,726,046	

\* Indicates small water system.

## EXHIBIT B: SFY 2020-21 Small Community Grant and SADWF Project Funding List

Funding Recipient	Project Number	Project Description	Category	SADWF Grant	SCG-DW Grant	SRF PF	SRF Loan	Total Funding
American Valley Community Services District	321000 4-004P	Water System Improvement Project	F	\$0.00	\$493,000.00	\$0.00	\$0.00	\$493,000.00
Caruthers Community Services District	101003 9-003C	New Well No. 7	C	\$0.00	\$2,922,000.00	\$0.00	\$0.00	\$2,922,000.00
Cuyama Community Services District	421000 9-001C	Well No. 4 Drilling and Equipping Project	D	\$0.00	942,733	32,267	\$0.00	\$975,000.00
Del Oro Water Co., Inc.	540066 6-004P	Grandview Gardens & East Plano Consolidation with Porterville	A	\$100,000.00	\$157,475.00	\$0.00	\$0.00	\$257,475.00
Dos Palos City of	241000 2-003C	Water Treatment Plant Replacement Project	A	\$0.00	\$5,000,000.00	6,000,000	\$0.00	\$11,000,000.00
Dunsmuir, City of	471000 2-001C	Downtown Tank Replacement Project	C	\$0.00	4,421,198	266,802	\$0.00	\$4,688,000.00
Etna, City of	471000 4-001P	City of Etna Surface Water Treatment Compliance Planning	B	0	500,000	0.00	\$0.00	500,000
Gonzales, City of	271000 7-001P	Water Extension to Alpine Court Planning	A	\$300,000.00	\$75,000.00	\$0.00	\$0.00	\$375,000.00
Jubilee Mutual Water Company	360013 9-001C	Gordon Acres Consolidation Project	A	\$0.00	7,900,000	\$0.00	\$0.00	7,900,000

Funding Recipient	Project Number	Project Description	Category	SADWF Grant	SCG-DW Grant	SRF PF	SRF Loan	Total Funding
Lake Shastina Community Services District	471001 3-001P	Lake Shastina Drinking Water Rehabilitation and Upgrade Project	F	\$450,000.00	\$0.00	\$50,000.00	\$0.00	\$500,000.00
Lamont Public Utility District	151001 2-008C	El Adobe Property Owners Association and Lamont PUD Consolidation Project	C	\$0.00	\$1,649,698.00	\$0.00	\$0.00	\$1,649,698.00
Madera, County of (MD28 - Ripperdan Self Help)	200055 3-001P	MD-28 Ripperdan Water System Improvements	C	\$0.00	400,000	\$0.00	\$0.00	\$400,000.00
Madera, County of (MD85 - Valeta)	200051 1-001P	MD85 Valeta - Valeta Water System Improvements Project	C	\$0.00	400,000	\$0.00	\$0.00	400,000
Manteca, City of	391000 5-001C	Nile Garden School - Well 30 Water Supply Project	C	4,663,845	\$0.00	\$0.00	\$0.00	4,663,845
Manzanita Elementary School District	040006 3-001P	Manzanita Well Replacement	C	0	495,000	\$0.00	\$0.00	495,000
Mountain Empire Unified School District	370001 8-001C	Campo Elementary School Water Facility Reconstruction	A	0	902,487	\$0.00	\$0.00	902,487
Mt. Shasta, City of	471000 8-001C	City of Mt. Shasta Tank 1 & Roseburg Water System Improvements	C	0	4,944,064	55,936	\$0.00	5,000,000
Planada Community Services District	241000 7-001P	Planada Community Services District Water Supply Project	F	0	500,000	0	\$0.00	500,000

Funding Recipient	Project Number	Project Description	Category	SADWF Grant	SCG-DW Grant	SRF PF	SRF Loan	Total Funding
Rand Communities Water District Water Supply Project	1510016-005C	Rand Communities Water District Water Supply Project	C	2,896,200	1,040,188	\$0.00	\$0.00	\$3,936,388.00
Rosamond Community Services District	1510018-016C	RCSD Arsenic Regional Consolidation Project	C	8,400,000	1,313,700	\$0.00	\$0.00	\$9,713,700.00
San Diego, City of	8556-110	Proposition 68 - Pure Water Project	C	\$0.00	30,000,000	\$0.00	\$0.00	30,000,000
Sanger, City of	1010029-001C	Tombstone Territory Water Connection Project	C	\$0.00	2,999,900	\$0.00	\$0.00	2,999,900
Sky View County Water District	5200562-001P	Water System Improvements	C	\$425,000.00	\$25,000.00	\$50,000.00	\$0.00	\$500,000.00
Tulelake, City of	4710010-003P	Waterline and Meter Replacement, and Backflow Protection	F	\$0.00	123,000	\$0.00	\$0.00	\$123,000.00
Twain Harte Community Services District	5510005-001P	Twain Harte CSD Water System Evaluation and Modernization Project	D	\$0.00	499,053	\$0.00	\$0.00	499,053
Waukena Joint Union Elementary School District	5400795-001C	Waukena Elementary Water System Improvements	A	\$0.00	1,919,700	\$0.00	\$0.00	1,919,700
Williams, City of	0610004-001C	Williams Water System Improvements Project	D	\$0.00	4,256,100	472,900	\$0.00	4,729,000
				<b>\$17,235,045.00</b>	<b>\$73,879,296.00</b>	<b>\$6,927,905.00</b>	<b>\$0.00</b>	<b>\$98,042,246.00</b>

## EXHIBIT C: SFY 2020-21 Non-Funded Projects

Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Description	Population	Service Connections	Comment/ Reason not funded in SFY 2020-21
California American Water Company	F	7844-110	Construction	Monterey	\$279,200,000	Monterey Peninsula Water Supply Project	98,500	37,850	Incomplete application
Livingston, City of	C	2410004-004C	Construction	Merced	\$12,000,000	Livingston 1,2,3-TCP Removal Treatment System Project	13,795	2,948	Incomplete application
Los Angeles, City of Acting by and through the Department of Water & Power	F	1910067-055C	Construction	Metropolitan	\$524,700,000	Fairmont Sedimentation Plant	4,071,873	680,607	Incomplete application- Construction postponed
Los Angeles, City of Acting by and through the Department of Water & Power	F	1910067-056C	Construction	Metropolitan	\$46,840,000	Century Trunk Line Unit 2	4,071,873	680,607	Application being processed
Los Angeles, City of Acting by and through the Department of Water & Power	F	1910067-057C	Construction	Metropolitan	\$9,000,000	Manhattan Wellfield On-site Hypochlorite Generation Station	4,071,873	680,607	Application being processed
Los Angeles, City of Acting by and through the Department of Water & Power	F	1910067-058C	Construction	Metropolitan	\$62,468,400	City Trunk Line North Unit 2	4,071,873	680,607	Application being processed
Patterson, City of	F	5010017-001C	Construction	Stockton	\$4,000,000	Metering System Replacement Project	23,764	6,506	Application being processed
San Diego, City of	F	3710020-079C	Construction	San Diego	\$86,800,000	Alvarado 2nd Pipeline Extension	1,266,731	271,962	Incomplete Application
San Diego, City of	F	3710020-080C	Construction	San Diego	\$19,420,000	Otay 2nd Pipeline Steel Replacement Phase 3	1,266,731	271,962	Incomplete Application

Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Description	Population	Service Connections	Comment/ Reason not funded in SFY 2020-21
San Diego, City of	F	3710020-077C	Construction	San Diego	\$38,180,000	Morena Pipeline	1,266,731	271,962	Incomplete Application
San Diego, City of	F	8419-110	Construction	San Diego	\$359,245,400	Pure Water North City Morena Blvd Pump Station & Pipeline (Wastewater Portion)	1,266,731	271,962	Pending Funding Agreement-will be funded by CWSRF
San Diego, City of	F	8419-210	Construction	San Diego	\$244,557,601	Pure Water North City Water Reclamation Plant Expansion	1,266,731	271,962	Pending Funding Agreement
San Diego, City of	F	8419-310	Construction	San Diego	\$7,424,262	Pure Water North City Metropolitan BioSolids Center Improvements	1,266,731	271,962	Pending Funding Agreement-will be funded by CWSRF
San Diego, City of	F	8419-410	Construction	San Diego	\$45,652,900	Pure Water North City Water Reclamation Plant Expansion and Influent Conveyance	1,266,731	271,962	Pending Funding Agreement-will be funded by CWSRF
San Diego, City of	F	8419-510	Construction	San Diego	\$21,224,438	Pure Water North City Pure Water Pump Station	1,266,731	271,962	Pending Funding Agreement-will be funded by CWSRF
San Diego, City of	F	8419-610	Construction	San Diego	\$142,312,108	Pure Water North City Pure Water Pipeline	1,266,731	271,962	Pending Funding Agreement-will be funded by CWSRF
San Diego, City of	F	8419-710	Construction	San Diego	\$579,596,282	Pure Water North City Pure Water Facility	1,266,731	271,962	Pending Funding Agreement-will be funded by CWSRF
San Diego, City of	F	8419-810	Construction	San Diego	\$59,592,510	Pure Water North City Morena Blvd Pump Station & Pipeline (Water Portion)	1,266,731	271,962	Pending Funding Agreement-will be funded by CWSRF

Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Description	Population	Service Connections	Comment/ Reason not funded in SFY 2020-21
San Francisco, Public Utilities Commission of the City and County of	F	3810001-001C	Construction	San Francisco	\$238,220,000	Mountain Tunnel Improvement Project	2,700,000	175,000	Application being processed
San Juan Water District	F	3410021-001C	Construction	Sacramento	\$14,720,000	Hinkle Reservoir Rehabilitation Project	33,792	10,240	Pending Funding Agreement
Santa Ana, City of	F	3010038-002C	Construction	Santa Ana	\$16,000,000	Automated Meter Infrastructure	353,428	44,610	Incomplete Application
Santa Ana, City of	F	3010038-003C	Construction	Santa Ana	\$5,290,000	Well 32 Nitrate Treatment & Rehabilitation	353,428	44,610	Incomplete Application
South Coast Water District	F	3010055-001C	Construction	Santa Ana	\$102,056,000	Doheny Ocean Desalination	20,500	5,619	Incomplete Application
South Tahoe Public Utility District	F	0910002-028C	Construction	Sacramento	\$5,504,500	Keller Heavenly Water System Improvements Project	45,000	13,635	Pending Funding Agreement
Stanislaus Regional Water Authority	F	5010043-001C	Construction	Stockton	\$230,000,000	Stanislaus Regional Water Authority Surface Water Supply	118,032	30,332	Pending Funding Agreement
Yolo, County of	C	5700788-003C	Construction	Sacramento	\$8,250,000	North Davis Meadows Water Consolidation Project	110	95	Application is on hold due to litigation

## EXHIBIT D: Cumulative DWSRF Set-Aside Expenditures

### DWSRF Administrative Set-Aside

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance
1997	\$75,565,707	\$3,027,304	\$0	\$3,027,304	\$0
1998	\$77,108,200	\$3,084,328	\$0	\$3,084,328	\$0
1999	\$80,816,700	\$3,232,668	\$0	\$3,232,668	\$0
2000	\$83,993,100	\$0	\$0	\$0	\$0
2001	\$84,340,000	\$3,373,600	\$0	\$3,373,600	\$0
2002	\$82,460,900	\$3,298,436	\$68,553	\$3,229,883	\$0
2003	\$81,966,200	\$3,278,648	\$0	\$3,278,648	\$0
2004	\$85,027,600	\$6,679,752	\$70,000	\$6,609,752	\$0
2005	\$84,847,500	\$2,781,076	\$0	\$2,781,076	\$0
2006	\$67,153,678	\$2,684,166	\$30,000	\$2,654,166	\$0
2007	\$67,105,000	\$2,684,200	\$0	\$2,684,200	\$0
ARRA 2009	\$159,008,000	\$5,364,472	\$0	\$5,364,472	\$0
2008	\$66,424,000	\$2,656,960	\$0	\$2,656,960	\$0
2009	\$66,424,000	\$2,656,960	\$0	\$2,656,960	\$0
2010	\$126,958,000	\$5,078,320	\$0	\$5,078,320	\$0
2011	\$86,698,000	\$3,467,920	\$0	\$3,467,920	\$0
2012	\$85,358,000	\$3,414,320	\$300,000	\$3,114,320	\$0
2013	\$78,770,000	\$3,150,800	\$426,867	\$2,723,933	\$0
2014	\$83,221,000	\$3,328,840	\$0	\$3,328,840	\$0
2015	\$82,674,000	\$3,306,960	\$395,000	\$2,911,960	\$0
2016	\$78,215,000	\$3,128,600	\$75,000	\$3,053,600	\$0
2017	\$77,545,000	\$3,101,800	\$0	\$3,101,800	\$0



<b>FFY</b>	<b>Final Cap Grant Amount (incl. In-Kind)</b>	<b>Budget Amount</b>	<b>In-Kind Amount</b>	<b>Expenditure Amount</b>	<b>Balance</b>
2018	\$97,991,000	\$3,919,640	\$0	\$3,919,640	\$0
2019	\$97,072,000	\$3,882,880	\$0	\$3,776,926	\$105,954
2020	\$97,134,000	\$3,885,360	\$0	\$1,667,550	\$2,217,809
<b>Total</b>	<b>\$2,153,876,585</b>	<b>\$84,468,010</b>	<b>\$1,365,420</b>	<b>\$80,778,827</b>	<b>\$2,323,763</b>

### Small Water Technical Assistance Set-Aside

<b>FFY</b>	<b>Final Cap Grant Amount (incl. In-Kind)</b>	<b>Budget Amount</b>	<b>In-Kind Amount</b>	<b>Expenditure Amount</b>	<b>Balance</b>
1997	\$75,565,707	\$68,245	\$0	\$68,245	\$0
1998	\$77,108,200	\$1,542,164	\$0	\$1,542,164	\$0
1999	\$80,816,700	\$1,616,334	\$0	\$1,616,334	\$0
2000	\$83,993,100	\$0	\$0	\$0	\$0
2001	\$84,340,000	\$1,686,800	\$0	\$1,686,800	\$0
2002	\$82,460,900	\$1,649,218	\$0	\$1,649,218	\$0
2003	\$81,966,200	\$1,639,324	\$0	\$1,639,324	\$0
2004	\$85,027,600	\$3,339,876	\$0	\$3,339,876	\$0
2005	\$84,847,500	\$1,390,538	\$0	\$1,390,538	\$0
2006	\$67,153,678	\$1,342,083	\$0	\$1,342,083	\$0
2007	\$67,105,000	\$1,342,100	\$0	\$1,342,100	\$0
ARRA 2009	\$159,008,000	\$2,787,147	\$0	\$2,787,147	\$0
2008	\$66,424,000	\$1,328,480	\$0	\$1,328,480	\$0
2009	\$66,424,000	\$1,328,480	\$0	\$1,328,480	\$0
2010	\$126,958,000	\$2,539,160	\$0	\$2,539,160	\$0
2011	\$86,698,000	\$1,733,960	\$0	\$1,733,960	\$0
2012	\$85,358,000	\$1,707,160	\$0	\$1,707,160	\$0

<b>FFY</b>	<b>Final Cap Grant Amount (incl. In-Kind)</b>	<b>Budget Amount</b>	<b>In-Kind Amount</b>	<b>Expenditure Amount</b>	<b>Balance</b>
2013	\$78,770,000	\$1,575,400	\$0	\$1,575,400	\$0
2014	\$83,221,000	\$1,664,420	\$0	\$1,664,420	\$0
2015	\$82,674,000	\$1,653,480	\$0	\$1,653,480	\$0
2016	\$78,215,000	\$1,564,300	\$0	\$1,564,300	\$0
2017	\$77,545,000	\$1,550,900	\$0	\$1,550,990	\$0
2018	\$97,991,000	\$1,959,820	\$0	\$1,350,120	\$609,700
2019	\$97,072,000	\$1,941,440	\$0	\$0	\$1,941,440
2020	\$97,134,000	\$1,942,680	\$0	\$0	\$1,942,680
<b>Total</b>	<b>\$2,153,876,585</b>	<b>\$40,893,509</b>	<b>\$0</b>	<b>\$36,399,779</b>	<b>\$4,493,820</b>

### State Program Management Set-Aside

<b>FFY</b>	<b>Final Cap Grant Amount (in-kind included)</b>	<b>Budget Amount</b>	<b>In-Kind Amount</b>	<b>Expenditure Amount</b>	<b>Balance</b>
1997	\$75,565,707	\$4,157	\$0	\$4,157	\$0
1998	\$77,108,200	\$308,433	\$0	\$308,433	\$0
1999	\$80,816,700	\$323,267	\$0	\$323,267	\$0
2000	\$83,993,100	\$0	\$0	\$0	\$0
2001	\$84,340,000	\$2,000,000	\$0	\$2,000,000	\$0
2002	\$82,460,900	\$2,000,000	\$0	\$2,000,000	\$0
2003	\$81,966,200	\$2,000,000	\$0	\$2,000,000	\$0
2004	\$85,027,600	\$2,400,000	\$0	\$2,400,000	\$0
2005	\$84,847,500	\$4,077,000	\$0	\$4,077,000	\$0
2006	\$67,153,678	\$4,704,000	\$0	\$4,704,000	\$0
2007	\$67,105,000	\$4,934,400	\$0	\$4,934,400	\$0
ARRA 2009	\$159,008,000	\$0	\$0	\$0	\$0

<b>FFY</b>	<b>Final Cap Grant Amount (incl. In-Kind)</b>	<b>Budget Amount</b>	<b>In-Kind Amount</b>	<b>Expenditure Amount</b>	<b>Balance</b>
2008	\$66,424,000	\$4,882,164	\$0	\$4,882,164	\$0
2009	\$66,424,000	\$4,882,164	\$0	\$4,882,164	\$0
2010	\$126,958,000	\$9,318,717	\$0	\$9,318,717	\$0
2011	\$86,698,000	\$8,669,800	\$0	\$8,669,800	\$0
2012	\$85,358,000	\$8,535,800	\$0	\$8,535,800	\$0
2013	\$78,770,000	\$7,089,300	\$0	\$7,089,300	\$0
2014	\$83,221,000	\$8,322,100	\$300,000	\$8,022,100	\$0
2015	\$82,674,000	\$8,267,400	\$0	\$8,267,400	\$0
2016	\$78,215,000	\$7,821,500	\$0	\$7,821,500	\$0
2017	\$77,545,000	\$7,754,500	\$0	\$7,754,500	\$0
2018	\$97,991,000	\$9,799,100	\$0	\$9,799,100	\$0
2019	\$97,072,000	\$9,707,200	\$0	\$9,700,400	\$6,800
2020	\$97,134,000	\$9,713,400	\$0	\$1,401,067	\$8,312,332
<b>Total</b>	<b>\$2,153,876,585</b>	<b>\$127,514,402</b>	<b>\$300,000</b>	<b>\$118,895,270</b>	<b>\$8,319,132</b>

### Local Assistance Set-Aside

<b>FFY</b>	<b>Final Cap Grant Amount (in-kind included)</b>	<b>Budget Amount</b>	<b>In-Kind Amount</b>	<b>Expenditure Amount</b>	<b>Balance</b>
1997	\$75,565,707	\$6,831,577	\$0	\$6,831,577	\$0
1998	\$77,108,200	\$0	\$0	\$0	\$0
1999	\$80,816,700	\$0	\$0	\$0	\$0
2000	\$83,993,100	\$2,000,000	\$0	\$2,000,000	\$0
2001	\$84,340,000	\$0	\$0	\$0	\$0
2002	\$82,460,900	\$0	\$0	\$0	\$0
2003	\$81,966,200	\$0	\$0	\$0	\$0

<b>FFY</b>	<b>Final Cap Grant Amount (incl. In-Kind)</b>	<b>Budget Amount</b>	<b>In-Kind Amount</b>	<b>Expenditure Amount</b>	<b>Balance</b>
2004	\$85,027,600	\$0	\$0	\$0	\$0
2005	\$84,847,500	\$0	\$0	\$0	\$0
2006	\$67,153,678	\$0	\$0	\$0	\$0
2007	\$67,105,000	\$0	\$0	\$0	\$0
ARRA 2009	\$159,008,000	\$0	\$0	\$0	\$0
2008	\$66,424,000	\$0	\$0	\$0	\$0
2009	\$66,424,000	\$0	\$0	\$0	\$0
2010	\$126,958,000	\$0	\$0	\$0	\$0
2011	\$86,698,000	\$2,600,940	\$0	\$2,600,940	\$0
2012	\$85,358,000	\$4,267,900	\$0	\$4,267,900	\$0
2013	\$78,770,000	\$2,507,007	\$0	\$2,507,007	\$0
2014	\$83,221,000	\$4,993,260	\$0	\$4,993,260	\$0
2015	\$82,674,000	\$8,267,400	\$0	\$8,267,400	\$0
2016	\$78,215,000	\$7,821,500	\$0	\$7,821,500	\$0
2017	\$77,545,000	\$5,428,150	\$0	\$5,428,150	\$0
2018	\$97,991,000	\$9,799,100	\$0	\$9,799,100	\$0
2019	\$97,072,000	\$9,707,200	\$0	\$9,093,390	\$613,810
2020	\$97,134,000	\$9,713,400	\$0	\$1,285,192	\$8,428,208
<b>Total</b>	<b>\$2,153,876,585</b>	<b>\$73,937,434</b>	<b>\$0</b>	<b>\$64,895,417</b>	<b>\$9,042,017</b>

## EXHIBIT E: Disadvantaged Business Enterprise Report

	<b>MBE</b>	<b>WBE</b>	<b>TOTAL</b>
<b>Annual Disbursements by Category</b>	\$7,121,791	\$2,187,327	\$9,309,118
<b>Total Disbursements</b>			\$276,191,665.02
<b>Percentage to Total Disbursements</b>	<b>2.58%</b>	<b>0.79%</b>	<b>3.37%</b>

Note: Percentage of DBE participation is determined by taking the funds disbursed to MBE and WBE compared to the total disbursements for the period October 1, 2019 through September 30, 2020. DBE reports are collected annually based on the FFY.

## EXHIBIT F: SFY 2020-21 DWSRF FFATA Projects

Funding Recipient	Project Number	Agreement Date	FFATA Reporting Due	Actual Date Reported	FFATA Reporting Amount
Antioch, City of	0710001-002C	4/19/2021	5/31/2021	8/6/2021	\$55,000,000
Santa Cruz, City of	4410010-001C	4/19/2021	5/31/2021	8/6/2021	\$45,900,000
				<b>Total:</b>	<b>\$100,900,000</b>

Note: For FFY 2020 Capitalization Grant of \$97,134,000.

## VII. APPENDICES

Appendix A	Short-Term Goals
Appendix B	Long-Term Goals
Appendix C	Operating Agreement and Capitalization Grant Conditions
Appendix D	Performance Evaluation Report
Appendix E	Audited Financial Statements

## APPENDIX A: Short-Term Goals

This section describes the State Water Board’s efforts to meet the following short-term goals established in the SFY 2020-21 DWSRF IUP. These goals provided the framework for the State Water Board’s decision-making, maximization, and prioritization of staff and funding sources.

	<b>Short-Term Goal</b>	<b>Comments</b>
1	Identify public health issues and evaluate solutions for SWSs, including technical assistance and consolidation where feasible.	<ul style="list-style-type: none"> <li>• DFA coordinated with DDW and Local Primacy Agencies to ensure that available drinking water funding sources are targeted to expeditiously address the most significant public health and compliance issues. The State Water Board maintains a list of systems in violation of their water permits and staff regularly meet to determine if there are additional steps that can be taken to assist these systems with returning to compliance. DFA prioritizes financing for TA, planning and construction that address public health issues.</li>   <li>• In September 2019, the DDW entered into a service contract with the University of California, Los Angeles (UCLA) and multiple subcontractors to do the following:               <ul style="list-style-type: none"> <li>• Identify Public Water Systems in Violation or At-Risk of failure focused primarily on developing and evaluating risk indicators for drinking water community water systems up to 3,300 connections and non-transient non-community water systems;</li> <li>• Develop a cost analysis for interim and long-term solutions to estimate costs related to both necessary interim and/or emergency measures and longer-term solutions to bring systems into compliance and address the challenges faced by At-Risk systems; and</li> <li>• Develop an interactive financial capacity tool for small water systems between 500 – 3,300 connections.</li> <li>• The contractor completed the project on schedule and submitted all deliverables by March 31, 2021.</li> </ul> </li> </ul>



2	<p>Reduce instances of noncompliance with drinking water standards by providing technical and consolidation assistance to SWSs with significant SDWA violations, including those PWSs that are violating the arsenic maximum contaminant level (MCL).</p>	<ul style="list-style-type: none"> <li>• The State Water Board continued to provide a suite of technical assistance in SFY 2020-21 to SWSs, especially those with significant SDWA violations. Specifically, the DWSRF set-asides funded third-party contractors that provided a variety of TMF capacity development assistance to SWSs. See Section IV.I for more information on DWSRF technical assistance.</li> <li>• DFA also continued to fund technical assistance for a variety of projects using Prop 1.</li> <li>• DFA and DDW provided direct technical assistance to SWSs with significant SDWA violations. Examples of direct technical assistance included: (a) meeting with DDW Consolidation Specialists and applicants to discuss project concepts before applications were submitted; (b) reviewing applications with minimal material submitted and guiding applicants to complete additional application packages; and (c) helping funding recipients properly prepare and submit reimbursement claims.</li> </ul>
3	<p>Continue marketing and outreach efforts to PWSs, including application status reports, Spanish translation services, newsletters, and social media to advertise the availability of technical assistance to assist small, and disadvantaged communities as well as large PWSs.</p>	<ul style="list-style-type: none"> <li>• DFA continued to participate in various PWS marketing and outreach efforts in SFY 2020-21. Specifically, DFA marketed the DWSRF program at seven (7) California Financing Coordinating Committee events, two CalTAP fairs, two symposia (treatment certification and distribution) that focused on treatment certification and distribution, as well as 104 other online and onsite workshops and outreach events.</li> </ul>
4	<p>Continue regular staff level finance/audit coordination meetings to ensure the immediate and long-term financial</p>	<ul style="list-style-type: none"> <li>• DFA and DAS staff conducted regular finance/audit coordination meetings on July 9, 2020, October 23, 2020, January 14, 2021, and April 9, 2021 to ensure oversight of the DWSRF's finances. Standing topics at finance/audit coordination meetings included (a) reviewing cash flow of projects under contract, short and long-term cash flow projections, and cash flow needs for upcoming projects; (b) comparing actual performance</li> </ul>

	health of the DWSRF.	with target performance measures; and (c) reviewing audit issues, program control issues, tax compliance issues, and planning for upcoming audits.
5	Continue to maximize all available DWSRF state match sources, including DWSRF Local Match financing options.	<ul style="list-style-type: none"> <li>DFA continued to employ Prop 1 Drinking Water funds as State Match for DWSRF and has additional Prop 1 Drinking Water Funds for future State Match needs. In SFY 19-20, DFA again elected not to use Prop 68 Drinking Water Funds as State Match for the DWSRF so that they could be used as additional complementary grants. However, DFA continued to investigate and plan for future General Obligation bond State Match options as well as short-term State Match bonds once the bank of Prop 1 Drinking Water State Match funds is exhausted,</li> </ul>
6	Apply for and accept the FFY 2020 Capitalization Grant; commit the FFY 2020 Capitalization Grant, including the associated state match, by June 30, 2020, so that federal funds are used efficiently and timely in accordance with 40 CFR §35.3550(c).	<ul style="list-style-type: none"> <li>The State Water Board finalized its FFY 2020 Capitalization Grant application June 5, 2020. USEPA awarded the FFY 2020 Grant on September 10, 2020, in the amount of \$97,134,000. The State Water Board will provide \$19,426,800 in matching funds through Prop 1 Drinking Water funds to satisfy the state match requirement.</li> <li>With a total commitment of approximately \$259.16 million in SFY 2020-21 to a combination of planning and construction projects, DFA obligated the FFY 2020 Capitalization Grant, with the exception of set-aside funds, before June 30, 2021. The commitment, along with previous commitments, has enabled the State Water Board to liquidate all federal funds from the 2017 and earlier Capitalization Grants during SFY 2020-21. The FFY 2018 and 2019 Capitalization Grants have been fully liquidated with the exception of set-aside funds. SFY 2020 Capitalization Grant loan funds are anticipated to be fully disbursed during SFY 2021-22.</li> </ul>
7	Liquidate DWSRF capitalization grants within 2 to 3 years of their award.	<ul style="list-style-type: none"> <li>The State Water Board maintained a DWSRF federal ULO balance in SFY 2020-21 less than the sum of the two most recent Capitalization Grants consistent with USEPA's DWSRF ULO Reductions Strategy. Specifically, California's DWSRF federal ULO was \$99.35 million as of June 30, 2021, \$95.65 million less than the maximum \$195 million.</li> </ul>

8	Review cash forecasts of existing and potential commitments to ensure that DWSRF can satisfy its obligations timely and to also evaluate the need for leveraging or other actions to regulate cash outflows.	<ul style="list-style-type: none"><li>• State Water Board staff regularly reviewed the DWSRF's cash balances to ensure that sufficient cash would be available to meet all disbursement requests.</li><li>• Staff evaluated the cash flow impact of each new project during the financing approval process.</li></ul>
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## APPENDIX B: Long-Term Goals

	<b>Long-Term Goal</b>	<b>Comments</b>
1	Address Significant Risks to Public Health	<ul style="list-style-type: none"> <li>• The State Water Board helped PWSs address significant public health risks in SFY 2020-21 by funding construction and planning as well as technical assistance.</li> <li>• More than 50 percent (50%) of the projects funded by the DWSRF and its complementary funding sources addressed primary drinking water standards. This result was attributable to close coordination between DFA and DDW. OSWS staff met regularly with DDW District staff and management to prioritize funding for small DACs and the technical assistance needed by PWSs to obtain DWSRF and complementary funding.</li> <li>• DFA also updated DDW staff monthly on the status of applications for projects to address arsenic violations, including outstanding application items; the progress of technical assistance; recently executed funding agreements; and anticipated compliance dates.</li> </ul>
2	Promote SDWA Compliance	<ul style="list-style-type: none"> <li>• DFA continued to coordinate with DDW to prioritize DWSRF and complementary funding for projects that reestablish compliance or prevent non-compliance.</li> <li>• DFA staff continued to make technical assistance available to help SWSs apply for planning and construction funding.</li> <li>• DDW also continued its permitting, inspection, monitoring and enforcement activities for compliance with the SDWA.</li> </ul>
3	Improve Affordability and Sustainability	<ul style="list-style-type: none"> <li>• The State Water Board continued to provide below market financing and principal forgiveness in SFY 2020-21 to make funding affordable for communities throughout California. The average interest rate for SFY 2020-21 was one and three tenths of one percent (1.3%), below market rates. DWSRF principal forgiveness was combined with other drinking water grant funding in certain cases to further reduce costs for California's small DACs.</li> <li>• Approximately \$15 million in DWSRF principal forgiveness and grant funds were awarded to small DACs in SFY 2020-21.</li> </ul>

4	Use revenue and capital effectively	<ul style="list-style-type: none"> <li>• DFA continued to monitor cash and financing forecasts to determine whether additional capital would be needed. DFA determined that additional capital was not needed during SFY 2020-21 for the DWSRF program, and the State Water Board did not issue revenue bonds or other debt in SFY 2020-21.</li> </ul>
5	Maintain financial integrity	<ul style="list-style-type: none"> <li>• State Water Board staff analyzed the creditworthiness of all applicants to ensure DWSRF loans are repaid on time and in full and imposed special conditions where appropriate on applicants to lower the credit risk.</li> <li>• Approvals and transactions associated with individual DWSRF projects were documented in each project's file. In general, a hard-copy file was established and maintained for each project, and duplicate electronic records were also maintained for each project in the "Loans and Grants Tracking System," the DWSRF's data management system.</li> <li>• Each approval and transaction in SFY 2020-21 required multiple reviews and signoffs from staff and management to ensure accuracy and validity. Written internal procedures for the DWSRF program were also maintained.</li> <li>• State Water Board staff also surveilled financing recipients with outstanding obligations. Recipients are generally required to provide ongoing financial information after loan closing or to complete public outreach if there was significant public disapproval during their rate setting process.</li> <li>• DFA staff maintained its "watch list" of financing recipients and potential applicants that show signs of financial weakness. Financial weakness was assessed using the financing recipients' annual financial statements, a variety of news outlets, and periodic interactions with applicants, the DDW District Offices, and the public.</li> <li>• DFA staff monitored payments of all outstanding agreements in SFY 2020-21 to identify late payments and prevent delinquent payments, that is payments greater than 10 days past the payment due date, especially payments on agreements that have been pledged to repay DWSRF revenue bonds.</li> <li>• State Water Board staff prepared financial statements for the DWSRF, and the financial statements were audited by an independent auditor in accordance with Government Auditing Standards. A copy of the audited</li> </ul>

		<p>financial statements is included in this report (Appendix E) and is posted on the State Water Board’s DWSRF website.</p> <ul style="list-style-type: none"> <li>• Designated State Water Board supervisors and managers were required to file an annual “Statement of Economic Interest” with the California Fair Political Practices Commission. In addition, State Water Board supervisors and managers completed conflict of interest training and are required to complete ethics training biennially.</li> </ul>
6	Provide good customer service with a special emphasis on assisting SDACs and DACs.	<ul style="list-style-type: none"> <li>• The OSWS continued to focus its efforts on small SDACs and small DACs, and to provide grant funds to those communities in SFY 2020-21 for safe and affordable drinking water projects.</li> </ul>
7	Ensure the timely commitment and disbursement of DWSRF funds.	<ul style="list-style-type: none"> <li>• The State Water Board prioritized staff and financial resources to the maximum extent possible to ensure that it can quickly and fully disburse DWSRF funds to existing obligations.</li> <li>• The State Water Board redirected DWSRF Program staff to complete the FISCAL transition. Although the FISCAL transition affected the commitment and disbursement of DWSRF funds, the latter half of SRF 2021 began to see normalized commitments and disbursements.</li> <li>• The State Water Board also managed its staff to ensure that new obligations will be made to eligible projects so that future commitments and disbursements are timely.</li> </ul>
8	Maximize cash flow and the disbursement of funds	<ul style="list-style-type: none"> <li>• The State Water Board continued to commit DWSRF funds based on its cash-flow model. Commitments were made based on future disbursements being made with future repayments, Capitalization Grants, or other sources, including bonds or loans secured with future revenues.</li> <li>• DFA also focused on recipients that were “ready to proceed” to both a funding agreement and construction. Because the State Water Board focused on “ready-to-proceed” projects that addressed public health priorities, the State Water Board successfully managed the DWSRF’s finances to ensure compliance with USEPA’s ULO reduction strategy.</li> <li>• The DWSRF set-asides were also employed in SFY 2020-21 for the administration of the DWSRF and the State Water Board’s PWSS program managed by DDW, as well as provide for TMF and SWS technical assistance.</li> </ul>

## **APPENDIX C: Operating Agreement and Capitalization Grant Conditions**

The State Water Board agreed to meet a number of conditions described in the DWSRF Operating Agreement and Federal capitalization grant agreements. These conditions were met as described below.

### **1. Assistance Activities**

The State Water Board continued to provide DWSRF funding to eligible PWSs in SFY 2020-21 for projects needed to achieve or maintain compliance with safe drinking water standards. All activities funded were eligible under Section 35.3520 of Title 40 of Code of Federal Regulations. A total of \$259.2 million in new DWSRF funding was awarded to twenty-two (22) projects in SFY 2020-21. DWSRF funds were provided to eligible recipients to enhance drinking water treatment, distribution, storage, installation of meters, as well as ensure water system reliability through the installation of interties and the consolidation of PWSs. Water quality issues such as arsenic and nitrate contamination, as well as groundwater under direct influence, and disinfection by-product formation continued to be addressed in SFY 2020-21. Eligible recipients included privately and publicly owned community and non-profit non-community PWSs. The projects and PWSs funded in SFY 2020-21 are further detailed in Exhibit A.

The SFY 2020-21 DWSRF IUP Comprehensive List, consisting of three hundred and fourteen (314) projects, included projects that might be funded by the DWSRF or from other complementary funding sources. The SFY 2020-21 DWSRF IUP Fundable List included thirty-nine (39) non-disadvantaged or large PWSs and all small DACs were considered automatically part of the Fundable List. However, many projects listed in the SFY 2020-21 DWSRF Fundable List were not funded by the DWSRF during the SFY 2020-21 for various reasons as noted in Exhibit C, including options for other funding. The high demand for drinking water improvement funding in California required the State Water Board to prioritize projects based upon their public health benefits as well as the recipient's readiness to proceed to a funding agreement.

### **2. Eligible Categories of Projects and Financing Terms**

The State Water Board continued to provide below-market financing and additional subsidy in SFY 2020-21 for projects ranked in Categories A-F of the DWSRF public health prioritization scheme. The State Water Board also generally prioritized higher ranked public health categories and projects benefiting small DACs in SFY 2020-21. Types of assistance included loans and installment sale agreements for the planning, design, and construction of drinking water infrastructure projects.

Principal forgiveness was provided to SWSs that served DACs and SDACs and was available to eligible ESCWSs serving SDACs. SWSs serving DACs and eligible ESCWSs serving SDACs generally received zero percent (0%) interest rates on DWSRF repayable financing. The standard interest rate for all other repayable financing averaged one and three tenths of one percent (1.3%), which was one-half the state's average general obligation rate in the previous year. Standard repayable financing for construction projects for publicly and privately owned PWSs and PWSs serving DACs was amortized over a 30 or 40 year period.

### **3. Provide a State Match**

The State Water Board demonstrated the source of its twenty percent (20%) state match requirement (\$19.4 million) for the FFY 2020 Capitalization Grant (\$97.134 million) in SFY 2020-21 through appropriations provided under Chapter 5, Section 79724 of Prop 1 Drinking Water. As of June 30, 2021, approximately \$115 million of Prop 1 Drinking Water funds had been appropriated and encumbered as State Match. In total, as of June 30, 2021, California had disbursed approximately \$423.397 million in cumulative state match funds to the DWSRF program through a combination of state general fund and general obligation bond proceeds/appropriation, local match, and short-term financings with the IBank.

### **4. Binding Commitments Within One Year**

The State Water Board continued to commit DWSRF funding to projects in an amount equal to or greater than one hundred and twenty percent (120%) of each federal payment within one year of receipt of that payment. As of June 30, 2021, executed funding agreements totaled approximately \$3.67 billion, or 200 percent (200%) of the approximately \$1.831 billion in federal payments received for DWSRF loans.

### **5. Expeditious and Timely Expenditure**

The State Water Board continued to make timely and expeditious use of DWSRF funds, especially federal capitalization grant funds in accordance with USEPA's ULO reduction strategy. USEPA's ULO reduction strategy generally requires that no more than two federal capitalization grants remain undisbursed at any one time. As of June 30, 2021, the State Water Board had only \$99.348 million in undisbursed FFY 2018, FFY 2019, FFY 2020 Capitalization Grant funds, of which approximately 41 percent (41%) were predominantly set-aside funds already allocated for eligible uses.

This timely and expeditious use of federal capitalization grant funds was substantially achieved through cash-flow modeling and the over-commitment of DWSRF funds in SFY 2020-21 and prior fiscal years. In SFY 2020-21, there was no minimum funding agreement amount to ensure optimal use of DWSRF funds



without leveraging. Therefore, the State Water Board exceeded the minimum commitment amount by awarding approximately \$259.2 million in DWSRF funds by June 30, 2021. As described in the SFY 2020-21 IUP, the minimum commitment amount depended upon projected funding disbursements relative to existing fund balances and projected future revenues such that the DWSRF fund balance did not substantially decrease below \$100 million.

In an effort to support the timely and expeditious use of DWSRF funds, DFA implemented a goal of processing requests for disbursement within 45 days from date of acceptable to warrant issuance. Although, DFA continues to meet adequate timely and expeditious use of funds requirements, the disbursement processing goal was not substantially met due to a number of factors, primarily related to process changes and workload demands related to Fi\$Cal. These process changes and workload demands affected DFA, DAS, and the State Controller's Office (SCO), respectively. DFA is planning to re-evaluate this goal to ensure it represents expectations that can be reasonably achieved given the process changes. Furthermore, DFA is evaluating processes, workflow and LGTS, aside of Fi\$Cal, in an attempt to identify opportunities to reduce processing times.

The State Water Board continued to draw federal funds in SFY 2020-21 from the United States Treasury via the Automated Standard Application for Payments (ASAP) system as warrants are issued by SCO. ASAP is a request and delivery system of federal funds developed by the Financial Management Service of the United States Treasury and the Federal Reserve Bank. By using ASAP, the State Water Board draws funds from USEPA for expenditures incurred by the DWSRF program in an expeditious and timely manner. Draw requests are made within one week of an issued warrant. Requested funds are also deposited electronically the next business day to account(s) specified by the State Water Board. For the DWSRF set-aside accounts, federal draws are typically requested through ASAP monthly for the prior month's costs.

#### **6. Disadvantaged Business Enterprise (DBE) Participation, Davis-Bacon, American Iron and Steel (AIS), and Other Federal Cross-Cutting Requirements**

Effective October 1, 2019, USEPA approved a temporary exception to suspend the fair share objective requirement for the DWSRF program. Additional information regarding the temporary exception can be found at <https://www.epa.gov/grants/rain-2019-g10>. For FFY 2021, funding recipients reported participation as 2.58 percent for Minority Owned Business Enterprises (MBE) and 0.79 percent for Women Owned Business Enterprises (WBE). The overall DBE participation was 3.37 percent. Exhibit E provides a detailed analysis

of DBE participation. The State Water Board will continue to monitor participation to ensure that the “positive effort process” is followed by funding recipients.

All DWSRF funded projects were required to comply with Davis-Bacon prevailing wage requirements in SFY 2020-21. Each funding agreement included provisions requiring applicants to follow Davis-Bacon requirements. DFA conducted a variety of surveillance activities throughout SFY 2020-21 to ensure each recipient’s compliance with Davis-Bacon requirements. Such surveillance activities included (1) reviewing recipient and sub-recipient reports and compliance certifications; (2) tracking compliance with federal annual monitoring requirements; and (3) annually reviewing quarterly site inspection reports to verify the adequacy of site inspections and other control activities.

DWSRF funding recipients were also required to use American-made iron and steel products in SFY 2020-21 pursuant to [USEPA guidelines for projects involving the construction, alteration, maintenance, or repair of a PWS or public treatment works](#). DWSRF funding recipients were only exempt from this AIS requirement if the project qualified under a national or project-specific AIS waiver from USEPA. To ensure compliance with AIS requirements, the AIS provisions were included in DWSRF financing agreements and DFA examined recipient records for AIS certifications and/or any AIS waivers.

Finally, all DWSRF funding recipients were required to comply with a list of other cross-cutting federal authorities, including but not limited to non-discrimination requirements, USEPA general terms and conditions, the requirement to use generally accepted accounting principles, the requirement for disclosure of conflicts of interest, the prohibition on the use of disqualified contractors, and a number of other requirements specified by USEPA.

## **7. Additional Subsidy and Green Requirements**

The State Water Board continued to provide the maximum amount of available additional subsidy in the form of principal forgiveness in SFY 2020-21 for the benefit of SWSs serving DACs as well as ESCWSs serving SDACs. Federal law allowed for up to thirty five percent (35%) of a capitalization grant to be provided as additional subsidy (i.e., principal forgiveness) to DACs, regardless of the size of the PWS. In 2020, Congress added a fourteen percent (14%) additional subsidy allotment, separate from the thirty percent (35%) additional subsidy allocation for DACs.

The State Water Board’s SFY 2020-21 IUP directed that the maximum amount of additional subsidy allowed under federal rules and regulations be awarded to SWSs serving DACs and ESCWSs serving SDACs in the form of principal forgiveness. Table 9 shows the amounts necessary for compliance with rules governing the allotment and use of DWSRF principal forgiveness. Exhibit A identifies 12 additional subsidy projects funded in SFY 2020-21.

Besides additional subsidy, the State Water Board may also allocate a portion of a capitalization grant to projects with “green” benefits (Green Project Reserve). In SFY 2020-21, Green Project Reserve funding was not awarded to any projects using the FFY 2020 Cap Grant. Table 10 shows the amount of DWSRF funding assigned to current and prior year capitalization grants to satisfy the optional DWSRF Green Project Reserve.

**Table 9: Additional Subsidization Funding**

FFY Grant	SFY	Grant Award Amount	Minimum Subsidy Amount by FFY Grant <sup>6</sup>	Maximum Subsidy by FFY Grant	Committed Subsidy Amount by FFY Grant Assignment <sup>7</sup>	Uncommitted Subsidy Amount by FFY Grant Assignment <sup>8</sup>	Disbursed Subsidy Amount by SFY <sup>9</sup>	Undisbursed Subsidy Amount by SFY <sup>10</sup>
2010	10-11	\$126,958,000	\$38,087,400	\$38,087,400	\$38,087,400	\$0	\$475,501	\$0
2011	11-12	\$86,698,000	\$26,009,400	\$26,009,400	\$26,009,400	\$0	\$6,383,940	\$0
2012	12-13	\$85,358,000	\$17,071,600	\$25,607,400	\$25,607,400	\$0	\$9,295,930	\$0
2013	13-14	\$78,770,000	\$15,754,000	\$23,631,000	\$23,631,000	\$0	\$12,441,320	\$0
2014	14-15	\$83,521,000	\$16,704,200	\$24,966,300	\$24,966,300	\$0	\$16,150,458	\$0
2015	15-16	\$83,674,000	\$16,534,800	\$24,802,200	\$24,802,200	\$0	\$29,333,158	\$0
2016	16-17	\$78,215,000	\$15,643,000	\$39,107,500	\$39,107,500	\$0	\$31,400,655	\$0
2017	17-18	\$77,545,000	\$15,509,000	\$38,772,500	\$38,772,500	\$0	\$26,179,834	\$0
2018	18-19	\$97,991,000	\$19,598,200	\$48,995,500	\$22,838,304	\$26,157,196	\$20,452,322	\$0
2019	19-20	\$97,072,000	\$19,414,400	\$48,536,000	\$14,906,926	\$33,629,074	\$31,476,031	\$0
2020	20-21	\$97,134,000	\$19,426,800	\$47,595,660	\$0	\$47,595,660	\$17,485,084	\$185,036,727
Totals		\$992,936,000	\$219,752,800	\$386,110,860	\$278,729,029	\$107,381,930	\$201,074,233	\$185,036,727

<sup>6</sup> USEPA, California Department of Public Health (CDPH) and the State Water Board have authorized a minimum amount of a DWSRF capitalization grant be awarded to recipients as “additional subsidy” (i.e., principal forgiveness) per governing State and federal rules.

<sup>7</sup> In accordance with USEPA procedures, these amounts represent the additional subsidy committed to eligible DWSRF projects and assigned under the additional subsidy authority of the respective DWSRF capitalization grant as of 6/30/2021.

<sup>8</sup> In accordance with USEPA procedures, these amounts represent the additional subsidy balances under the maximum authority of the respective DWSRF capitalization grant that have not been committed to eligible DWSRF projects as of 6/30/2021.

<sup>9</sup> These amounts represent the additional subsidy disbursements of the assigned projects per SFY. In accordance with USEPA Policy, the additional subsidy is encumbered and expended from any available funding sources within the DWSRF (i.e., federal capitalization grants, state match, repayment funds).

<sup>10</sup> This amount represents the total encumbering balance as well as the additional subsidy authority not yet encumbered as of 6/30/2021.

**Table 10: Green Project Reserve Funding**

<b>FFY Grant</b>	<b>SFY</b>	<b>Grant Award Amount</b>	<b>Minimum Green Project Reserve Amount by FFY Grant<sup>11</sup></b>	<b>Committed Green Project Reserve Amount Per FFY Grant Assignment<sup>12</sup></b>	<b>Disbursed Green Project Reserve Amount by SFY<sup>13</sup></b>	<b>Undisbursed Green Project Reserve Amount by SFY<sup>14</sup></b>
2010	10-11	\$126,958,000	\$25,391,600	\$25,391,600	\$0	\$0
2011	11-12	\$86,698,000	\$17,339,600	\$26,013,832	\$12,457,278	\$0
2012	12-13	\$85,358,000	\$0	\$7,231,611	\$31,910,690	\$0
2013	13-14	\$78,770,000	\$0	\$1,193,050	\$7,037,464	\$0
2014	14-15	\$83,221,000	\$0	\$0	\$2,242,734	\$0
2015	15-16	\$83,674,000	\$0	\$476,717	\$2,715,139	\$0
2016	16-17	\$78,215,000	\$0	\$1,098,593	\$2,203,628	\$0
2017	17-18	\$77,545,000	\$0	\$31,042,366	\$5,940,768	\$0
2018	18-19	\$97,991,000	\$0	\$0	\$14,729,081	\$0
2019	19-20	\$97,072,000	\$0	\$1,830,133	\$12,715,988	\$0
2020	20-21	\$97,134,000	\$0	\$0	\$1,489,022	\$836,110
<b>Totals</b>		<b>\$992,636,000</b>	<b>\$42,731,200</b>	<b>\$94,277,902</b>	<b>\$93,441,792</b>	<b>\$836,110</b>

<sup>11</sup> USEPA requires the State Water Board to commit and expend a minimum amount of DWSRF capitalization grant to projects that qualify under the rules and requirements of USEPA’s “Green Project Reserve.”

<sup>12</sup> In accordance with USEPA procedures, these amounts represent the DWSRF project amounts committed and assigned under the Green Project Reserve authority of the respective DWSRF capitalization grant as of 6/30/2021.

<sup>13</sup> These amounts represent the Green Project Reserve disbursements for each respective SFY. Per USEPA policy, the Green Project Reserve funding is not necessarily encumbered and liquidated from DWSRF capitalization grants.

<sup>14</sup> This amount represents the total encumbering balance of Green Project Reserve funding as well as the minimum Green Project Reserve Authority not yet encumbered as of 6/30/2021.

## **8. Federal Funding Accountability and Transparency Act**

The State Water Board reported two (2) projects totaling \$100.9 million into the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) in SFY 2020-21 to satisfy the FFATA reporting requirements for the FFY 2020 Capitalization Grant. The FFATA, along with associated Office of Management and Budget (OMB) directives, and interpretive guidance from USEPA, requires the State Water Board to report sub-recipient information on the use of capitalization grants awarded after October 1, 2010. The DWSRF program began reporting FFATA data in FFY 2011 on an equivalency basis, by choosing loans that equaled the total DWSRF grant amount received from the USEPA. The DWSRF program continues to report FFATA loan data on an equivalency basis to the FSRS (Exhibit F).

## **9. Environmental Federal Cross-Cutters**

The State Water Board Staff updated the [State Environmental Review Process \(SERP\)](#), and the USEPA Region 9 Administrator approved it on July 24, 2020. The State Water Board Staff reviewed DWSRF projects consistent with the approved SERP. While the SERP generally follows the requirements of the California Environmental Quality Act, each applicant was also required to complete and submit an [Evaluation Form for Federal Environmental Coordination](#) (Evaluation Form) along with relevant supporting federal environmental cross-cutters documents. The State Water Board Staff reviewed the completed Evaluation Form and the supporting federal environmental cross-cutters documents to assure compliance with the federal environmental cross-cutters requirements. Staff coordinated with the USEPA, Region 9 to initiate consultations with relevant federal agencies on projects with known (or suspected) effects under federal environmental regulations, consistent with the SERP approved by the USEPA.

## **10. Single Audit Act**

The State Water Board continued to require recipients receiving an executed agreement in SFY 2020-21 to comply with applicable provisions of the federal Single Audit Act of 1984, and 2 CFR Part 200, subpart F, and updates or revisions, thereto. The State Water Board included the applicable Single Audit Act requirements in all DWSRF financial assistance agreements executed in SFY 2020-21 and required reporting by funding recipients if the recipient received more than \$750,000 in combined federal funds for a given fiscal year. DAS also issued to DWSRF recipients in the Summer of 2020 a summary of federal funds disbursed to those recipients in SFY 2019-20. DFA and DAS assisted the State Treasurer's Office in securing any required SFY 2019-20 Single Audit Act reports from DWSRF funding recipients by the deadline of March 2021. DFA and DAS also coordinated with DWSRF funding recipients and the State Treasurer's Office on any compliance concerns with the use of DWSRF federal funds disclosed in a Single Audit Act report. Additionally, a Single Audit is conducted by an independent auditor as part of the DWSRF financial audit each year.

## **APPENDIX D: Performance Evaluation Report**

In December 2021, the USEPA sent the State Water Board a combined PER for the CWSRF and DWSRF programs for SFY 2019-20. The PER addressed California's performance and compliance with the requirements of the program listed below. USEPA identified one recommended follow-up action relative to Item 2(i), specific to the CWSRF program; the State Water Board's comments regarding the recommended follow-up action are given below as well.

1. Required Program Elements
  - (a) Annual/Biennial Report
  - (b) Funding Eligibility
  - (c) Compliance with DBE Requirements
  - (d) Compliance with Federal Requirements and Grant Conditions: i.e., Cross-Cutting Authorities, American Iron and Steel, Davis Bacon, Additional Subsidy, and Green Projects Reporting
  - (e) Compliance with Environmental Review Requirements
  - (f) Operating Agreement
  - (g) Staff Capacity
2. Required Financial Elements
  - (a) State Match
  - (b) Binding Commitment Requirements
  - (c) Rules of Cash Draw (including improper payments)
  - (d) Timely and Expeditious Use of Funds
  - (e) Compliance with Audit Requirements
  - (f) Assistance Terms
  - (g) Use of Fees
  - (h) Assessment of Financial Capability and Loan Security
  - (i) Financial Management
  - (j) Other Program and/or Financial Elements

### **Program Management**

#### **CW and DWSRF Annual Reports**

The Annual Reports should be provided to EPA within 90 days from the close of the state fiscal year, i.e., SFY 2019-20 Annual Reports provided to EPA by October 1, 2020. The SWRCB final CW and DW SRF Annual Reports were submitted to EPA in June and November 2021, 8 and 13 months from the expected date. EPA recognizes the unusual and unanticipated circumstances surrounding the delays in submitting the reports including the work environment disruptions caused by COVID-19 and the challenges with the implementation of California's new financial information system for California, Fi\$Cal. Considering this unique sequence of events, the SWRCB carried out

a proactive and concentrated effort to provide EPA with draft Annual Reports along with project and cash transaction information for EPA's review.

**Recommended Follow-up:** EPA appreciates the SWRCB's efforts during these unprecedented times and asks that you strive to meet the SRF program reporting requirements in the next state fiscal year reporting cycle. EPA asks that if delays are anticipated in submitting the annual reports that the SWRCB submit a request in writing requesting an extension.

**Program Response:** On November 19, 2021, DFA requested an extension on the submittal of both the CW & DWSRF Annual Reports, citing that the Division of Administrative Service's (DAS), Accounting Branch is in the state contract process with regard to securing the services of an independent auditing firm to conduct the annual single audits of both SRF programs, PWSS grant; stating that DFA anticipates the process of procurement of these services, as well as accounting reconciliation activities as they relate to Fi\$Cal, will result in the delay of obtaining the SRF Audited Financials, timely.

**EPA Response:** "EPA acknowledges and agrees to your request for an extension in the submission of the FY 2021 California Annual Reports for the CW and DW SRF programs."

#### **CWSRF & DWSRF Staff Capacity**

Historically the SWRCB has actively and successfully managed staff resources to meet workload demands. One case in point was the establishment of a Revenue Bond Unit in the Division of Financial Assistance to absorb and support the increased workload related to the issuances of revenue bonds for the SRF programs. EPA applauds the SWRCB for their initiative in managing staff resources to support the SRF programs. However, EPA is concerned that as SRF related work increases with the addition of new supplemental funding programs the SWRCB staff will be unable to satisfactorily support the administrative needs of the two SRF programs.

**Recommended Follow-up:** With the potential increase in SRF related funding, EPA strongly encourages the SWRCB to reassess staffing levels and hire appropriately. In doing so, sufficient staff will be available to accommodate anticipated administrative and technical level workloads associated with processing a lot more funds through the SRFs.

**Program activity:** The Fiscal Year 2022-2023 State Budget allocated 25 additional personnel years (PYs) to the State Water Board to support both administrative and technical workload demands of the Division.

#### **Financial Management**

**CWSRF & DWSRF Timely and Expedient Use of Funds** - A state must agree to commit and expend all funds as efficiently as possible and in an expeditious and timely



manner. Timely and expeditious use of the funds is critical to maximize the effectiveness of SRF assets and in meeting the public health needs of the state per 40 CFR § 35.3550(l). Both of California's SRF programs have done an exceptional job in forecasting and monitoring the SRFs' cash balances and predicting and planning for the funds' ability to commit to new projects. In doing so the SWRCB can reliably commit over 100% of its available DW and CW funds to projects through binding commitments and executed funding agreement. To ensure the timely and expeditious use of the funds from the federal capitalization grant, EPA SRF program policy encourages states to limit the number of open CW and DWSRF grants to two for each SRF. In California's case, there are four grants open in each of the SRFs. The resulting open federal capitalization grants is in part a factor of how the SWRCB encumbers funds. California state statute prohibits state SRF funds and repayments to be used or encumbered to recipients as principal forgiveness.

**Recommended Follow-up:** EPA understands the dilemma faced by the California SRF programs but is concerned that the limitations presented by the State statute adversely impact its ability to expend funds in an expeditious and timely manner. EPA encourages the SWRCB to explore ways to resolve this problem, which impedes the draw downs of the federal capitalization grant. With anticipated new and increased SRF federal grant funding, it is important that multiple open grants or the appearance of idle grant funds be reduced to avoid scrutiny.

**Program Activity:** State Assembly Bill No. 203, enrolled on June 29, 2022, enables the State Water Board to expend CWSRF principal forgiveness from all eligible CWSRF funding sources, allowing program to better meet the federal policy on the timely and expeditious use/expenditure of federal funds.

## **Financial Indicators and Performance – NIMS [National Information Management System]**

**Cumulative Disbursement as a Percent of Executed Loans:** While the fund utilization indicator reflects how quickly the California CWSRF commits funds to projects by signing assistance agreements, the disbursement rate reflects how quickly the California CWSRF disburses the committed funds (i.e., federal cap grants, state match, and repayments) to systems.

Full fund utilization coupled with timely disbursement indicates a well-functioning SRF program. These taken together maximize environmental benefits and protect public health.

The California CWSRF disbursements to executed loans has historically been below the national average. This indicates that when loans are signed the SWRCB processes and disburses claims in an untimely fashion. During EPA's review of sample projects, it was noted that there were instances where the review and approval of disbursements took over two months to complete. Additionally, a couple of weeks followed before the final payment for the reimbursement of project costs was issued to the assistance recipient.

<b>CWSRF Cumulative Disbursements as a Percent of Executed Loans (SFY) (NIMS Line 311)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
National (%)	88	88	88	89	90
California (%)	78	73	74	79	80

**Recommended Follow-up:** We are encouraged by the SWRCB’s recent decision to engage the Environmental Finance Center (EFC) in conjunction with the California State University, Fullerton to study ways to identify potential efficiencies, improvements, or enhancement that would facilitate timely review, processing, and execution of loan agreements, as well as make disbursement request more efficient and improve timeliness of payments. We also would like to remind the SWRCB that they have access to an existing state contract with Northbridge Environmental Consultants. Given Northbridge’s history and knowledge of the workings of the California SRFs, they could provide a narrowly focused exploration for analyzing and solving the workflow structure of the programs.

We look forward to the results of the EFC study and how the SRF programs might reach a goal of approving, processing, and issuing loans and payments in a timely manner.

**Program Activity:** DFA is continuing its engagement with Environmental Finance Center (EFC) on the SRF Management Study, as well as, developing process improvements to process disbursement requests more efficiently.

In EPA’s recommendation, it is mentioned that the State Water Board has access to an existing state contract with Northbridge Environmental Consultants. This state contract is strictly for the maintenance of DFA’s Loans and Grants Tracking System (LGTS) and prohibits work considered as upgrades.

In the past DFA has had access to budget SRF in-kind funding (CA cap grant funding which is retained by EPA and allocated to Northbridge through a federal contract) to have consulting services or LGTS upgrades, performed. Unfortunately, EPA has not been able to allow states to budget or request in-kind services since around 2017/18.

DFA has requested of EPA Region IX and EPA HQ to reinstate access to in-kind funding, citing the limitations of the state contract and the need to upgrade LGTS in an effort to integrate and automate a number of processes which include contract activities, disbursement intake and analysis, and financial management, to improve operational efficiency. EPA has acknowledged the request and stated that they hope to restore access to in-kind funding in the future.

**APPENDIX E: SFY 2020-21 Audited Financial Statement**