



State Water  
Resources  
Control Board

# Annual Report

State Fiscal Year 2022-23

# Drinking Water

State Revolving Fund



Prepared by:

THE DIVISION OF FINANCIAL ASSISTANCE  
STATE WATER RESOURCES CONTROL BOARD  
STATE OF CALIFORNIA



# MISSION | VISION

## Statements

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.

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



# About the State and Regional Water Boards

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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

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### E. Joaquin Esquivel, Chair



E. Joaquin Esquivel was appointed to the State Water Resources Control Board by Governor Jerry Brown in March 2017, designated by Governor Gavin Newsom as Chair in February 2019, and reappointed to the board by Governor Newsom in 2021. 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.

For more than eight years prior to that, Joaquin 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.

He was born and raised in California's Coachella Valley. He holds a BA from the University of California, Santa Barbara in English.

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### Dorene D'Adamo, Vice Chair



Dorene D'Adamo was appointed to the State Water Resources Control Board in 2013 and reappointed by Governor Newsom in 2022. She serves as Vice-Chair and as a member with experience in the field of water supply and water quality relating to irrigated agriculture. Ms. D'Adamo is on the Board of the California Partnership for the San Joaquin Valley and previously served on the Valley Coalition for UC Merced's Medical School and on the Governor's Drought Task Force. She was a member of the California Air Resources Board from 1999-2013 under the Brown, Schwarzenegger and Davis Administrations, where she was instrumental in the board's air quality and climate change programs and regulations.

Ms. D'Adamo served in various capacities for Members of Congress from the San Joaquin Valley over a 20-year period, working primarily on environmental, water and agricultural legislative policy.

Ms. D'Adamo earned a Bachelor of Arts degree from the University of California at Davis and a Juris Doctor from the University of the Pacific, McGeorge School of Law.

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### Sean Maguire



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 public service and as an engineering consultant, which provides a valuable perspective of 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 revolved around integrated water management and developing long term water supply solutions to meet the needs of both water users and the environment.

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

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### Laurel Firestone



Laurel Firestone was appointed to the State Water Resources Control Board in 2019 and reappointed by Governor Newsom in February 2023. Prior to joining the Board, Laurel 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.

Laurel 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.

Laurel 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.

Laurel graduated with honors from Harvard Law School and holds B.A. magna cum laude in Environmental Studies from Brown University.

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### **Nichole Morgan**



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 Childcare 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 Assistant Deputy Director with the Division of Financial Assistance.

Ms. Morgan has a bachelor's in science in Civil Engineering from California State University, Sacramento.

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### **Eric Oppenheimer, Executive Director**



Eric Oppenheimer was appointed as Executive Director of the State Water Board in January 2024, where he is responsible for overall leadership and management of the agency. From 2016 to 2024 he served as a Chief Deputy Director where his responsibilities included water rights, Bay-Delta planning, groundwater management, water conservation, and administration. An environmental scientist by training, Oppenheimer's career began with water quality protection roles in planning and regulatory programs with the Lahontan and Central Valley regional water boards, interspersed with positions at the Department of Water Resources and the California Coastal Commission. He holds a Bachelor of Arts in Economics from Keene State College and a Bachelor of Science in Environmental Science and Ecology from Sierra Nevada College

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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) 2022-23. The State Water Board provided approximately \$74.2 million in new DWSRF financing for 14 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 2022-23 DWSRF Intended Use Plan \(IUP\)](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/docs/2022/dwsrf-iup-sfy2022-23-final.pdf) ([https://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/docs/2022/dwsrf-iup-sfy2022-23-final.pdf](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/docs/2022/dwsrf-iup-sfy2022-23-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.

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## II. PROGRAMMATIC RESULTS

### A. Programmatic Outcome Highlights

The State Water Board actively administered the DWSRF in FY 2022-2023 to provide subsidized financing for a variety of small and large public water systems, which served both disadvantaged and non-disadvantaged communities, throughout California. This below-market financing enabled a variety of drinking water projects to address a variety of public health priorities in accordance with State and federal DWSRF requirements. Tables 1 and 2 and Figure 1 below show a variety of DWSRF funding outcomes for FY 2022-2023.

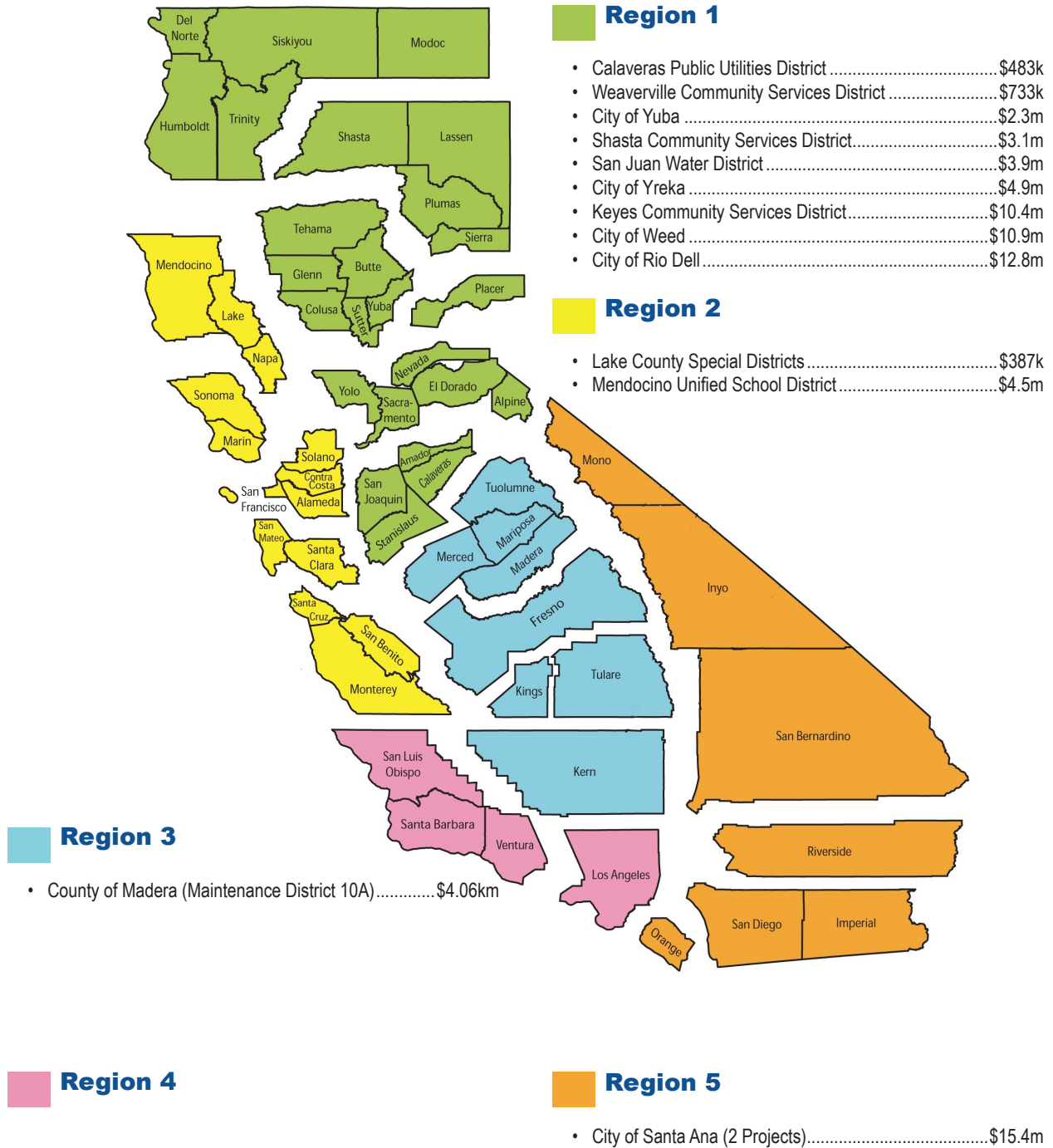
**Table 1: FY 22-23 DWSRF Summary Outcomes**

Outcome	Amount
Total Number of Agreements	14
Total Funding	\$74,248,157
Total Loan	\$19,402,365
Total Principal Forgiveness	\$54,845,792
Total Green Project Reserve Projects	0
Total Subsidized Interest Savings from Loan Funding	\$8,135,249

**Table 2: SFY 2022-2023 Disadvantaged and Non-Disadvantaged Community**

Degree of Disadvantaged	No. of Projects	Population	Total Funding
SDAC	7	22,956	\$46,809,989
DAC	3	8,096	\$3,975,003
Non-DAC	4	742,903	\$23,463,165
Total	14	773,955	\$74,248,157

**Figure 1: Number of Projects Funded by DWSRF in SFY 2022-23**



14 Total Projects Funded: \$74 million  
 NOTE: There are no Projects in Region 4

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1. Project Highlights for FY 2022-2023

Below are two case studies highlighting DWSRF projects that completed construction within FY 2022-2023. Both projects provide a variety of water quality benefits within their respective communities. Both of these projects competed in this fiscal year.

**Applicant Name:** San Juan Water District

**Project Name:** Hinkle Reservoir Rehabilitation Project

**Funding Amount:** \$23,120,621

**Construction Complete:** 7/2023

**Population:** 154,781

**Community Size:** Large Non-DAC

**Project Description:** Hinkle Reservoir is a 62-million-gallon earthen reservoir that is Hypalon (a flexible membrane material used to protect water from contamination) covered. The reservoir serves as the clearwell for treated water production from the District's Water Treatment Plant (WTP) as well as facility for system storage. The cover and liner were installed in 1981 with an estimated 25-year life that was extended 15 years through regular maintenance. In May of 2016, an expert membrane consultant inspected and tested the cover and liner material and reported that both would need to be replaced within 2-5 years. Failure of the reservoir cover and liner would jeopardize providing adequate and safe potable water to approximately 265,000 people in Sacramento region. The Hinkle Reservoir Rehabilitation Project will rehabilitate the inlet and outlet structures, repair ancillaries as needed, and replace the approximately 11 acres of cover, liner, and interior baffle wall material. This project was substantially complete in July 2023.



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**Applicant Name:** County of Alameda  
**Project Name:** Castlewood Redwood Tank Replacement  
**Funding Amount:** \$3,000,000  
**Construction Complete:** 6/2023  
**Population:** 524  
**Community Size:** Small Non-DAC  
**Project Description:** This project addressed storage capacity deficiencies and replaced existing infrastructure at the end of its useful life, while complying with modern seismic requirements. Deficiencies attributable to the water system that address present or prevent future violations of health-based standards.

Seen below are photos of the project of the tanks and a seismic valve control box.

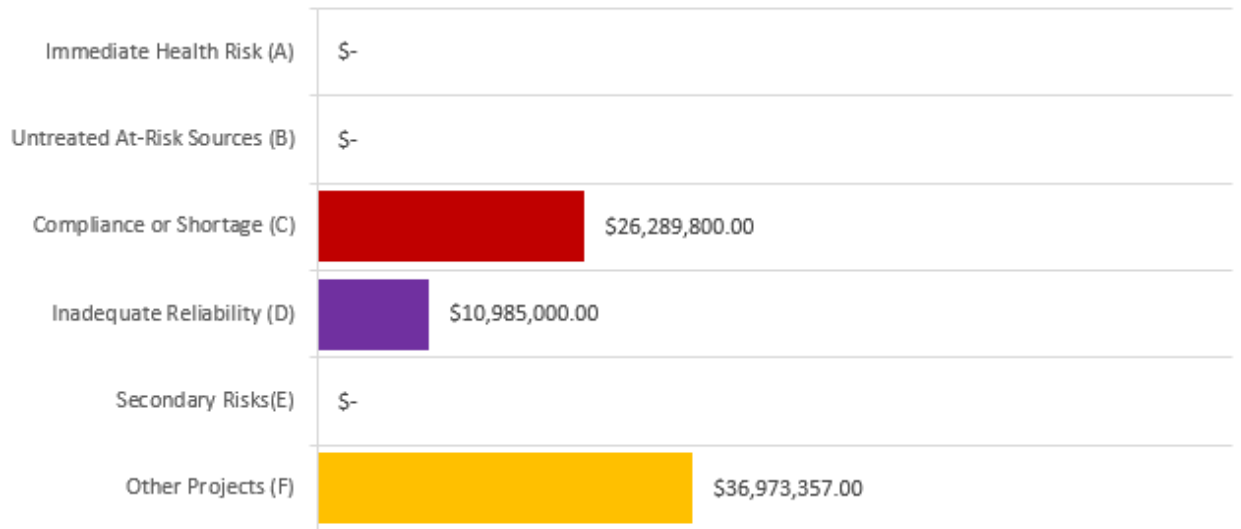


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## B. Drinking Water Public Health Benefits and Outcomes

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 2022-23, 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: The information below summarizes the drinking water benefits derived from the DWSRF projects funded during SFY 2022-23. The data supporting this summary has been reported to the USEPA through the DWSRF Project Benefits Reporting (PBR) database.

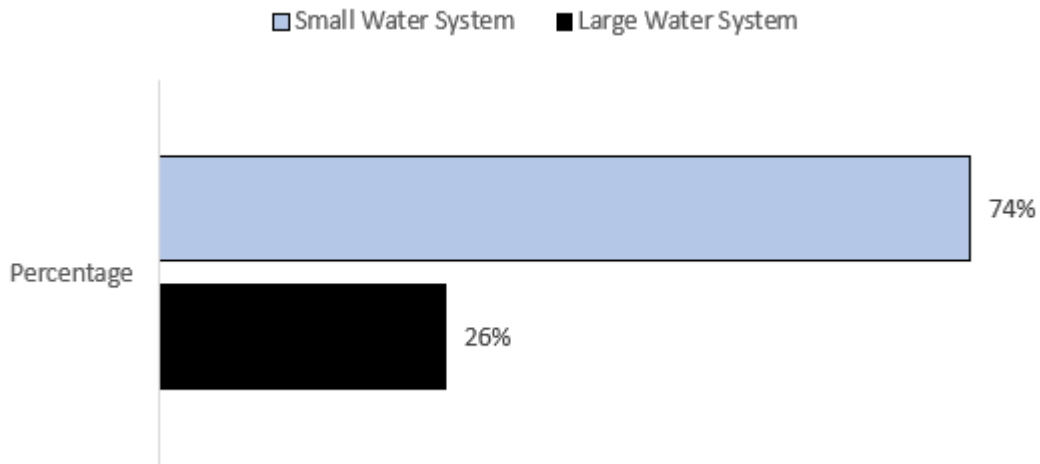
**Figure 2: FY 2022-2023 DWSRF Funding by Public Health Objective**



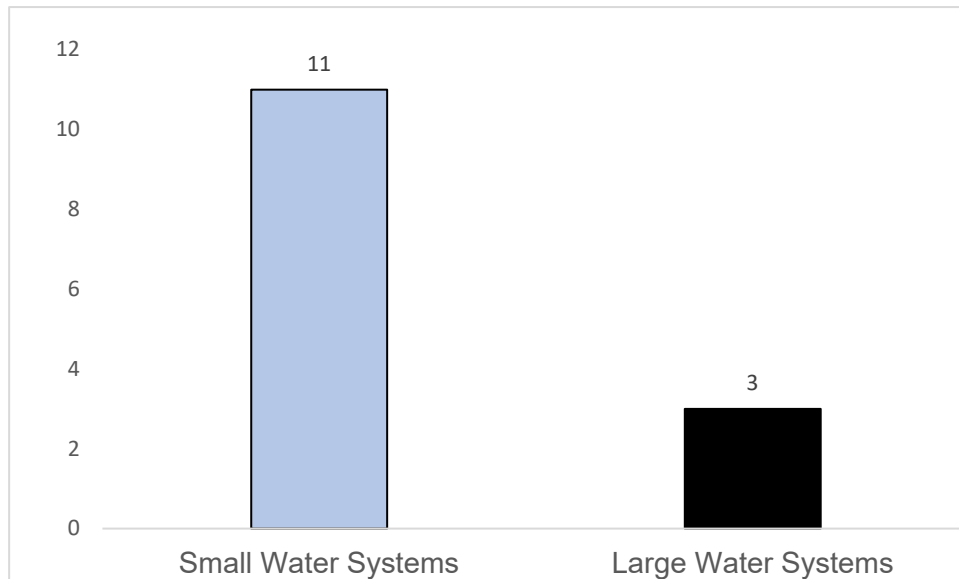
**Figure 3: FY 2022-2023 DWSRF Projects by Public Health Objective**



**Figure 4: FY 2022-2023 DWSRF Funding for Small and Large Water Systems**



**Figure 5: FY 2022-2023 DWSRF Projects for Small and Large Water Systems**



### C. Drinking Water Project Need Outcomes

DWSRF funded projects are multi-faceted and generally address drinking water infrastructure needs via planning and construction financing. Table 3 below shows a breakdown of the many project types funded through the DWSRF in FY 2022-23. In particular, \$5,491,039 was provided to fund 3 Treatment projects. Approximately 41 percent (41%) of the project costs, or \$30 million, was provided for drinking water transmission and distribution projects..



**Table 3: FY 2022-2023 DWSRF Infrastructure Funding by Need**

Need	Cost	Number of Projects/Benefit/Need <sup>1</sup>
Planning and Design Only	\$1,603,003	3
Treatment	\$5,491,039	3
Transmission & Distribution	\$43,486,457	7
Source	\$6,324,000	2
Storage	\$17,343,658	5
Consolidation	\$0	0
<b>Total</b>	<b>\$74,248,157</b>	<b>20</b>

The State Water Board funded a variety of planning and construction projects through the DWSRF in SFY 2022-23 to address a range of public health issues for public water systems. 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).<sup>2</sup> Table 4 below displays the number of small and large water systems as well as the amount of funding for planning and construction financing in each category. See also Exhibit A for a list of projects that received funding in SFY 2022-23.

**Table 4: FY 2022-2023 DWSRF Construction & Planning Financing Summary**

System/ Community Type	Project Type	No. of Projects	Total Funding	Total Population
Small	Planning	3	\$1,603,003	33,307
	Construction	8	\$53,242,789	
Large	Planning	0	\$0	740,648
	Construction	3	\$19,402,365	
<b>Total</b>		<b>14</b>	<b>\$74,248,157</b>	<b>773,955</b>

#### D. Community Demographics of FY 2022-2023 DWSRF Funded Projects

##### 1. Background

On November 16, 2021, the State Water Board adopted its [Racial Equity Resolution](#), which condemns racism, xenophobia, bigotry, and racial injustice and strengthens the Board's commitment to racial equity, diversity, inclusion, access, and anti-racism.

<sup>1</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.

<sup>2</sup> "Data for Expanded Small and Medium sized systems (ESCWS) are included under "Large" in the tables and figures

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In 2023, the State Water Board published its [2023-2025 Racial Equity Action Plan](#). The Racial Equity Action Plan is a compilation of actions the State Water Board will take to address racial inequities. One of the actions directs the State Water Board to assess race/ethnicity and other relevant demographic data of communities that benefit from funding administered.

State Water Board staff analyzed demographic information of communities that received financial assistance through the Drinking Water State Revolving Fund program between July 1, 2022, and June 30, 2023 (Fiscal Year 22-23). Funding recipients represent broad and diverse populations within California. They include systems that serve a few hundred people in small, disadvantaged communities to a system that serves over 5 million people in California. The Tables 5 and 6 below show demographic data associated with each community that received funding in Fiscal Year 22-23.

## 2. Methods

The Drinking Water State Revolving Fund program executed 14 financing agreements in Fiscal Year 22-23. State Water Board staff identified over 3,000 census tracts associated with recipients' service areas. Staff then retrieved data on race, median household income, and poverty level from the U.S. Census Bureau for each census tract within these service areas. The data below shows the range of values in addition to weighted average values.

## 3. Findings

The demographic data shows that the Drinking Water State Revolving Fund currently benefits diverse communities across California.

The current methodology is not final. Staff plans to take an iterative approach to assessing racial equity, improving on current methodology and considering other data sources as they become available. Suggestions to better assess racial equity in future Annual Reports are welcomed. Please contact [DrinkingWaterSRF@waterboards.ca.gov](mailto:DrinkingWaterSRF@waterboards.ca.gov) to share your recommendations.

Data analysis is performed by the State Water Board's Division of Financial Assistance and Office of Information Management and Analysis.

More information on the State Water Board’s racial equity efforts can be found on [waterboards.ca.gov/racial\\_equity](https://waterboards.ca.gov/racial_equity).

**Table 5: Percentage of Population Median Household Income (MHI) and Poverty Rate by Agency**

Agency	Project #	Average MHI	Range MHI	Average Poverty Rate	Range Poverty Rate
Calaveras Public Utilities District	0510002-004P	\$69,059	\$60,625 - \$82,015	15%	4.27 - 25.05%
Rio Dell, City of	1210012-008C	\$44,813	\$44,813	12%	12.20%
Lake County Special Districts CSA 2 Spring Valley	1710018-002P	\$45,118	\$44,375 - \$45,860	21%	17.51 - 23.76%
Madera, County of (MD10A - Madera Ranchos)	2010008-006C	\$105,064	\$100,208 - \$109,919	14%	14.17 - 14.55%
Mendocino Unified School District	2300584-001C	\$73,365	\$73,365	9%	9.26%
Santa Ana, City of	3010038-002C 3010038-003C	\$87,922	\$44,561 - \$142,865	12%	2.0 - 33%
San Juan Water District	3410021-004C	\$128,164	\$78,255 - \$232,639	6%	2.21 - 11.93%
Shasta Community Services District	4510013-005C	\$103,000	\$97,500 - \$108,500	13%	10.84 - 14.86%
Yreka, City of	4710011-003C	\$52,794	\$35,909 - \$65,944	17%	11.89 - 21.76%
Weed, City of	4710009-002C	\$63,061	\$54,583 - \$71,538	16%	8.45 - 24.26%
Keyes Community Services District	5010009-005C	\$60,934	\$60,934	21%	21%
Yuba City, City of	5110002-016C	\$74,851	\$46,796 - \$129,821	14%	3.38 - 32.60%
Weaverville Community Services District	5310001-012P	\$51,842	\$50,319 - \$53,365	20%	16.33 - 23.81%

**Table 6: Percentage of Population by Race in each Agency Service Area**

Agency	Project	Population Est.	%Hispanic	Range Hispanic	% White	Range White	%Black/African	Range Black/African	%Native American	Range Native American	% Asian or Pacific Islander	Range Asian or Pacific Islander	%Others or multiple	Range Others or Multiple
Calaveras Public Utilities District	0510002-004P	6,286	17%	10 - 24%	75%	67 - 82%	1%	0 - 3%	1%	0 - 4%	2%	0 - 6%	4%	0 - 7%
Rio Dell, City of	1210012-008C	3,300	14%	0 - 14%	71%	0 - 71%	1%	0 - 1%	1%	0 - 1%	2%	0 - 2%	11%	0 - 11%
Lake County Special Districts CSA 2 Spring Valley	1710018-002P	1,601	13%	11 - 15%	74%	70 - 77%	2%	1 - 3%	2%	0 - 4%	4%	0 - 9%	4%	0 - 4%
Madera, County of (MD10A - Madera Ranchos)	2010008-006C	3,172	43%	34 - 48%	47%	46 - 48%	1%	0 - 1%	1%	0 - 3%	4%	2 - 7%	4%	2 - 6%
Mendocino Unified School District	2300584-001C	579	4%	0 - 4%	87%	0 - 87%	0%	0%	0%	0%	4%	0 - 4%	5%	0 - 5%
Santa Ana, City of	3010038-002C 3010038-003C	337,716	67%	10 - 98%	13%	0 - 46%	1%	0 - 9%	0%	0 - 1%	16%	0 - 63%	2%	0 - 19%
San Juan Water District	3410021-004C	28,971	11%	7 - 19%	73%	50 - 86%	2%	0 - 6%	1%	0 - 11%	7%	0 - 23%	6%	0 - 9%
Shasta Community Services District	4510013-005C	1,584	5%	2 - 6%	83%	73 - 87%	0%	0 - 2%	2%	0 - 2%	3%	2 - 7%	6%	0 - 15%

Agency	Project	Population Est.	%Hispanic	Range Hispanic	% White	Range White	%Black/African	Range Blac/African	%Native American	Range Native American	% Asian or Pacific Islander	Range Asian or Pacific Islander	%Others or multiple	Range Others or Multiple
Yreka, City of	4710011-003C	7,746	13%	9 - 22%	76%	63 - 83%	2%	0 - 4%	3%	0 - 4%	0%	0 - 1%	6%	0 - 7%
Weed, City of	4710009-002C	5,324	18%	14 - 20%	70%	66 - 76%	4%	2 - 5%	1%	1 - 2%	3%	3 - 4%	3%	0 - 4%
Keyes Community Services District	5010009-005C	5,697	74%	0 - 74%	22%	0 - 22%	0%	0%	0%	0%	2%	0 - 2%	2%	0 - 2%
Yuba City, City of	5110002-016C	75,322	31%	15 - 69%	42%	22 - 66%	2%	0 - 7%	1%	0 - 2%	18%	0 - 34%	5%	0 - 10%
Weaverville Community Services District	5310001-012P	3,308	5%	4 - 6%	76%	74 - 80%	0%	0%	5%	3 - 7%	3%	0 - 4%	5%	1 - 8%
California Overall		39,356,104	39.7%		35.2%		5.3%		.3%		15.2%		4.3%	

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## III. 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, 2023, were completed January 31, 2024, and are included as Appendix E in this report. This section provides important financial highlights about the DWSRF as of June 30, 2023.

DWSRF Base Program, including the BIL General Supplemental Grant, as of June 30, 2023:

- The cumulative DWSRF federal and state match funds available for planning and construction financial assistance since inception was approximately \$2.6 billion.
- The State Water Board's, and preceding departments/agencies, cumulative binding commitments (executed agreement) were approximately ~177% of available cumulative DWSRF federal and state match funds.
- The State Water Board, and preceding departments/agencies, had disbursed approximately ~92% of available DWSRF federal and state match funds for planning and construction projects as of June 30, 2023.
- The State Water Board had committed 217% of the DWSRF fund balance. The DWSRF fund balance may include any undisbursed federal (base grant + BIL General Supplemental grant) and State match funds, principal and interest repayments, investment earnings and any revenue bond proceeds available for disbursement to DWSRF financings.
- Cumulative DWSRF base program activity from inception through the end of SFY 2022-23 is further described in Table 7.

**Table 7: Cumulative DWSRF Base Program Activity, including BIL – General Supplemental Grant<sup>3</sup>**

<b>DWSRF Construction and Planning Funding (Base Program)</b>	
<b>Activity</b>	<b>Life of Program</b>
Number of Binding Commitments	573
Value of Binding Commitments	\$4.6 billion
Disbursements and Expenditures	\$3.5 billion <sup>4</sup>
Balance of Funding Agreements	\$1.1 billion
<b>DWSRF Set-Aside Funding</b>	
DWSRF Set-Aside Amount	\$347.689 million
DWSRF Set-Aside Expenditures	\$326.963 million <sup>5</sup>
Balance of Set-Asides	\$26.32 million

DWSRF BIL Emerging Contaminant and Lead Service Line Replacement programs

- The State Water Board did not award any binding commitments from the FFY 2022 emerging contaminant and lead service line replacement grants in SFY 2022-2023

The State Water Board also administers the DWSRF Small Community Emergency Grant fund. The DWSRF SCEG Fund is separate from the DWSRF and can derive revenues from a “fee-in-lieu-of-interest” on DWSRF financings. However, the State Water Board has not established such fees yet for DWSRF SCEG Fund due to available other State and federal funding sources for small communities. However, the State Water Board anticipates charging fees for the DWSRF SCEG Fund in the near future.

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

Each loan 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 net water rate revenues, but may also be any number of revenue sources, special tax pledges, or other pledgeable income. Privately owned entities must demonstrate that there is adequate security for repayment of the loan, which may include a first priority lien on deposit accounts for a restricted reserve fund equal to one year’s DWSRF debt service, Uniform Commercial Code (UCC)-1 liens on the recipient’s accounts (as defined in Division 9 of the California Commercial Code)

<sup>3</sup> Program activity includes all available DWSRF base program activity, excluding BIL – emerging contaminant and lead service line replacement program activity.

<sup>4</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 DWSRF set-aside grant to the American Water Association).

<sup>5</sup> Amount includes LEFA and a recent DWSRF set-aside grant to the American Water Association.

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arising from the services of the recipient's water system, including a surcharge dedicated for repayment of the loan, and all the fixtures and equipment financed by the loan, or other collateral and credit enhancement.

In SFY 2022-23, the State Water Board staff continued to closely monitor and work collaboratively with recipients for potential impacts from the COVID-19 pandemic, drought and wildfires on their financial and operating conditions. The DWSRF program did not restructure any agreements.

In SFY 2022-23, 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.

### C. 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 & Saf. 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 2022-23, 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 and IUPs determined financial hardship based upon the size of the water system and the system's residential water rates. In 2023, the state law was amended to allow the State Water Board to provide reduced or 0% interest financing without limitation on the type of water system. The 2022-23 DWSRF IUP limited 0% interest rate financing to eligible SWSs and Expanded Small Community Water Systems (ESCWSs) serving DACs or Severely Disadvantaged Communities (SDACs) or eligible non-transient, non-community water systems serving small DACs or SDACs.

### D. DWSRF Set-Asides and Administration Fund

The State Water Board used a percentage of the FFY 2022 federal capitalization grants, including the BIL federal grants, in SFY 2022-23 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



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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 2022 Capitalization Grants, including the BIL grants for all four (4) set-asides, totaling \$141,438,700. As of June 30, 2023, the State Water Board had expended \$9,382,242 of the funds budgeted for set-aside activities from the FFY 2022 federal grants, including the BIL federal grants.

The State Water Board did not budget and expend from the DWSRF Administration Fund in SFY 2022-2023. The DWSRF fund may be funded from a 1% “fee-in-lieu-of-interest” on DWSRF financings. California has established the DWSRF Administration fund, but the State Water Board has not yet charged any fees to capitalize the DWSRF Administration fund since such revenues have been prioritized for project funding instead and because the DWSRF Administration set-asides has provided funding for the administration of the DWSRF program. However, the State Water Board anticipates charging an administrative “fee-in-lieu-of-interest” on DWSRF financings beginning FY 2025-2026.

#### E. Administration Set-Aside

The State Water Board budgeted four percent (4%) of the FFY 2022 federal grants, totaling \$21,492,320, along with prior years’ DWSRF Administration set-aside funds in SFY 2022-23 for the management of the DWSRF program, including administration of the DWSRF emerging contaminant and lead service line replacement programs. In general, 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 2021-22 and produced audited financials for the DWSRF program, which were included in the FY 2021-2022 DWSRF Annual Report. The Administration set-aside also funded a contract with Northbridge Environmental for maintenance of the State Water Board’s Loans and Grant Tracking System (LGTS).

The budgeting and expenditures of the DWSRF Administration set-aside, as of June 30, 2023, are shown in Exhibit J.

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## F. Small Water System Technical Assistance Set-Aside

The State Water Board budgeted two percent (2%) of the FFY 2022 federal grants, totaling \$10,746,160 along with prior years' set-aside funds for SWSTA in SFY 2022-23, including SWSTA under the DWSRF emerging contaminant and lead service line replacement programs. 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 for small water systems.

The budgeting and expenditures of the SWSTA Set-Aside as of June 30, 2023, are shown in Exhibit J.

## G. Local Assistance Set-Aside

The State Water Board budgeted ten percent (10%) of the FFY 2022 federal grants totaling \$9,356,560, along with prior years' capitalization grants in SFY 2022-23, for local assistance to PWSs to support the State Water Board's TMF Capacity Development Strategy. Funds from the Local Assistance Set-aside were also budgeted under the DWSRF emerging contaminant and lead service line replacement programs. In general, the expenditures of Local Assistance set-aside in SFY 2022-23 were for DFA and DDW technical and administrative staff costs associated with helping providing assistance to PWSs to consistent with the State Water Board's TMF Capacity Development Strategy. DFA staff oversaw and engaged with third-party technical assistance contractors on a variety of small DAC technical assistance, 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.

In previous years, the DWSRF Local Assistance Set-Aside also funded third-party technical assistance providers. However, starting July 1, 2022, California's Safe and Affordable Drinking Water Fund was used in lieu of the Local Assistance set-aside funds

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to fund third-party technical assistance contracts with California Rural Water Association (CRWA), Rural Community Assistance Corporation (RCAC), and Self-Help Enterprises (SHE). Additional details about technical assistance provided to public water systems in support of the Capacity Development Strategy are discussed in Section IV (F) below.

The budgeting and expenditures of the DWSRF Local Assistance set-aside, as of June 30, 2023, are shown in Exhibit J.

#### H. State Program Management Set-Aside

The State Water Board budgeted ten percent (10%) of the FFY 2022 federal grants totaling \$53,730,800, along with prior years' Capitalization Grants, for the State Program Management set-aside in SFY 2022-23. This set-aside funded a portion of DDW's Public Water System Supervision (PWSS) regulatory program. In SFY 2022-23, 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, 2023, are shown in Exhibit J.

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## IV. PROGRAM HIGHLIGHTS AND UPDATES

In SFY 2022-23, 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.

In SFY 2022-23, the State Water Board strived to finance DWSRF projects quickly and efficiently to reach the program's full potential as a water quality tool and continued to pair DWSRF financing with other appropriated financing sources to achieve the overall objectives of the State Water Board. This section highlights significant achievements of the program and noteworthy factors that affected the DWSRF program in SFY 2022-23

### A. Fundable List and Sustainable Funding Target Update

The SFY 2022-23 Intended Use Plan Fundable List included 15 ranked DWSRF loan projects requesting \$308 million, in line with the sustainable loan capacity target established at \$300 million. Ultimately 3 loan agreements were executed for \$19 million for the 2022-23 fiscal year. Projects that did not receive funding agreements were generally rolled over to the 2023-24 Fundable List.

Additionally, projects eligible for principal forgiveness or grant, and consolidation incentive projects, were added to the Fundable List as applications were completed. These projects received \$54 million in principal forgiveness. These agreements did not exhaust the available principal forgiveness and small DAC projects that did not receive funding agreements were generally rolled over to the 2023-24 IUP. DFA funded only the highest priority projects listed on the Fundable List that were ready to proceed to an agreement.

### B. BIL Updates

The 2022-23 Intended Use Plan was California's first IUP to reference the federal Infrastructure Investment and Jobs Act, also referred to as the Bipartisan Infrastructure Law (BIL). The BIL established additional funding for three objectives:

- \$158,733,000 in DWSRF General Supplemental funding for SFY 2022-23
- \$66,649,000 in DWSRF Emerging Contaminants (EC) funding for SFY 2022-23
- \$250,107,000 in DWSRF Lead Service Line Replacement (LSLR) funding for SFY 2022-23

The DWSRF General Supplemental funding contributed to the \$300 million sustainable loan capacity, established in the IUP, and also contributed \$77 million in principal forgiveness for projects serving small DACs. The DWSRF General Supplemental funding is intended to supplement the DWSRF base program, and therefore used the

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same criteria and Fundable List as the base program. In SFY 2022-23, the SWRCB did not commit the General Supplemental loan or principal forgiveness funds. However, there is a large pipeline of projects and DFA continues to balance multiple complementary sources to fund projects as applications become complete.

The CWSRF Emerging Contaminants funding was transferred to the DWSRF program for SFY 2022-23 and combined with the new DWSRF Emerging Contaminants funding, in compliance with 40 C.F.R. §§ 35.3530(c) and 35.3555(c)(8). Emerging Contaminants represents a new objective within the DWSRF program and State Water Board staff spent the year garnering interest and building an application pipeline of eligible projects. The program anticipates executing the first DWSRF EC agreements in SFY 2023-24.

Lead Service Line Replacement funding also represents a new objective within the DWSRF program and similarly, State Water Board staff spent the year reaching out to communities to solicit interest in the LSLR funds. Applications for LSLR funding has been slower than anticipated with many water systems still working to complete water line inventories by the October 2024 deadline established in the Revised Lead and Copper Rule established by US EPA. Program staff anticipate that eligible LSLR projects may not materialize until inventories are complete.

### C. 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 2022 that included a request for additional re-allotment to DWSRF ASADRA funds and received a total of \$46 million in allocation from the EPA for California. In FY 2022-23, the State Water Board did not receive additional applications for the ASADRA program. Of the seven original eligible projects, four were removed due to receiving funding from other sources. During SFY 2022-2023, staff continued to work with the three remaining applicants to complete their ASADRA applications, and to better define the scope and costs of the projects.

### D. Leveraging Update

The State Water Board did not issue any DWSRF revenue bonds in SFY 2022-2023 because the pace of DWSRF disbursements to existing commitments remained within recent historical averages despite a record commitment of \$910 million in new funding agreements in SFY 2021-2022. The State Water Board was also awarded a net increase in DWSRF federal funding under BIL, which helped offset any need for DWSRF revenue bonds in SFY 2022-2023. The State Water Board continued to monitor its DWSRF cash flows in SFY 2022-2023 and will likely need to sell DWSRF revenue bonds in the near future to fund, in part, existing DWSRF commitments. See the DWSRF Audited Financial Statements in Appendix E for more details on the outstanding par amount in DWSRF bonds.

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## E. Small Disadvantaged Community Update

### 1. 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.

### 2. Small DAC SFY 2022-23 Committed Expenditures

In SFY 2022-23, 128 small DAC projects were funded, 11 planning and 65 construction, 34 interim water, 11 technical assistance, and 4 administrators, for a total of \$466 million in grant or principal forgiveness, funded via DWSRF principal forgiveness, Prop 1, Prop 68, General Fund, and SADW Fund projects.

## F. Technical Assistance

The State Water Board's Office of Sustainable Water Systems continued to administer a comprehensive, statewide technical assistance program under both the DWSRF and complementary State funding programs. The DWSRF helped fund staff that coordinated and implemented this drinking water technical assistance program in coordination with a variety of technical assistance providers. Specifically, California Rural Water Association (CRWA), Rural Community Assistance Corporation (RCAC) and Self-Help Enterprises (SHE), in coordination with the State Water Board staff

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provided technical assistance to 76 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 931 PWSs in SFY 2022-23. All onsite workshops, symposiums, and fairs were conducted virtually during the pandemic to maintain proper social distancing.

CRWA, RCAC, and SHE in coordination with the State Water Board staff also provided TMF assistance in SFY 2022-23, including mutual water company board training, PWS operation training, and water system ownership research. In addition, RCAC developed and conducted statewide online training workshops that focused on building the TMF capacity of PWSs. In SFY 2022-23, RCAC held two California Technical Assistance Provider (CalTAP) 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 CalTAP fairs averaged 25 attendees and the symposia averaged 13 attendees. In addition to the funding fairs, RCAC held 118 online workshops. Board members, water system staff, and operators from more than 931 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.

### G. Marketing Updates

State Water Board staff continued to participate in the California Financing Coordinating Committee (CFCC) funding fairs during SFY 2022-23. The funding fairs provide members of the public and infrastructure development professionals with current information on funding options available for different project types.

State Water Board staff also presented and exhibited at the Floodplain Management Association (FMA). FMA is the premier organization for floodplain management professionals interested in reducing flood risk and creating sustainable floodplains. The association serves as an unbiased forum for legislature, government, industry, and science to advance best practices, technologies, policies, regulations, and legal strategies, with a focus on California, Nevada, and Hawaii. FMA's mission is to improve flood safety and maximize floodplain resources through effective dialogue, collaboration, education, legislation, and policy.

### H. 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 2022-23, 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 \$22,890,390 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**

Funding Recipient	Project No.	Category	Population	Executed FA Date	Contract No.	Loan Amount	Grant Amount	Total Funding Assistance
Contra Costa Water District	0710003-017	SWP	201,100	9/1/2003	2001SWP101	\$2,000,000	\$0	\$2,000,000



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## V. ACRONYMS

AIS	American Iron and Steel
ARRA	American Recovery and Reinvestment Act of 2009
ASADRA	Additional Supplemental Appropriations for Disaster Relief Act
ASAP	Automated Standard Application of Payments
BABA	Build America Buy America
BIL	Bipartisan Infrastructure Law
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
MHI	Median Household Income
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

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## VI. EXHIBITS

Exhibit A	SFY 2022-23 DWSRF Projects Funded List
Exhibit B	SFY 2022-23 DWSRF Federal Funding Accountability and Transparency Act (FFATA)/Equivalency Projects
Exhibit C	SFY 2022-23 DWSRF Small Community Emergency Grant Fund Projects
Exhibit D	SFY 2022-23 DWSRF Co-Funded Projects
Exhibit E	SFY 2022-23 DWSRF Intended Use Plan (IUP) Non-Funded Projects
Exhibit F	SFY 2022-23 DWSRF Revenue Bond Funded Projects Update
Exhibit G	SFY 2022-23 DWSRF Green Project Reserve Funding Summary
Exhibit H	SFY 2022-23 DWSRF Additional Subsidy Funding Summary
Exhibit I	SFY 2022-23 DWSRF Disadvantaged Business Enterprise Report Results
Exhibit J	SFY 2022-23 DWSRF Set-Aside Expenditures/Banked Authority
Exhibit K	SFY 2022-23 DWSRF Financings with Servicing Fees

**Exhibit A: SFY 2022-23 DWSRF Projects Funded List**

FUNDING RECIPIENT	PROJECT NAME/DESCRIPTION	CATEGORY	PROJECT NUMBER	POPULATION	Connections	SYSTEM TYPE	PROJECT TYPE	AGREEMENT DATE	BASE GRANT PRINCIPAL FORGIVENESS	BIL GENERAL SUPPLEMENTAL GRANT PRINCIPAL FORGIVENESS	DWSRF LOAN AMOUNT	TOTAL FINANCED	STATUS/DEGREE OF DISADVANTAGED	GREEN PROJECT RESERVE AMOUNT	DWSRF BASE PROGRAM	BIL GENERAL SUPPLEMENTAL GRANT PRINCIPAL FORGIVENESS	BIL LEAD SERVICE LINE RECIPIENT	BIL EMERGING CONTAMINANT	BIL LEAD SERVICE LINE RECIPIENT
Calaveras Public Utilities District	Jeff Davis Water Treatment Plant Improvements Project	F	0510002-004P	4,758	1,903	Small	Planning	8/18/2022	\$483,000	0	\$-	\$483,000	DAC	\$-	No	No	No	No	No
Keyes Community Services District	Construction of TCP Treatment Improvements at Well #7, #8, #9, and #10	C	5010009-005C	4,575	1,450	Small	Construction	10/31/2022	\$6,246,000	\$4,164,000	\$-	\$10,410,000	SDAC	\$-	No	No	No	No	No
Lake County Special Districts	Spring Valley Distribution System Upgrades	F	1710018-002P	1,018	420	Small	Planning	12/8/2022	\$387,003	0	\$-	\$387,003	DAC	\$-	No	No	No	No	No
Madera, County of (MD10A - Madera Ranchos)	Maintenance District 10A (MD10A) Dublin Plant Water Storage Tank and Booster Pump Station Project	C	2010008-006C	2,255	922	Small	Construction	5/19/2023	\$4,060,800	0	\$-	\$4,060,800	non-DAC	\$-	No	No	No	No	No
Mendocino Unified School District	MUSD Water Supply and Storage Project	C	2300584-001C	750	15	Small	Construction	1/31/2023	\$4,500,000	0	\$-	\$4,500,000	SDAC	\$-	No	No	No	No	No
Rio Dell, City of	Water Distribution System Improvement Project	F	1210012-008C	3,174	1,134	Small	Construction	5/4/2023	\$12,862,989	0	\$-	\$12,862,989	SDAC	\$-	No	No	No	No	No
San Juan Water District	Eureka Road Transmission Line Replacement	F	3410021-004C	33,792	10,240	Large	Construction	4/24/2023	\$-	0	\$3,995,000	\$3,995,000	Non-DAC	\$-	Yes	No	No	No	No
Santa Ana, City of	Automated Meter Infrastructure	F	3010038-002C	353,428	44,610	Large	Construction	3/1/2023	\$-	0	\$10,117,365	\$10,117,365.00	Non-DAC	\$10,117,365.00	No	No	No	No	No
Santa Ana, City of	Well 32 Nitrate Treatment & Rehabilitation	F	3010038-003C	353,428	44,610	Large	Construction	1/17/2023	\$-	0	\$5,290,000	\$5,290,000.00	Non-DAC	\$-	Yes	No	No	No	No
Shasta Community Services District	Shasta CSD Office Building Project	F	4510013-005C	2,320	708	Small	Construction	8/22/2022	\$3,105,000	0	\$-	\$3,105,000	DAC	\$-	No	No	No	No	No
Weaverville Community Services District	East Weaverville Water Treatment Plant Improvements	F	5310001-012P	3,554	1,577	Small	Planning	3/27/2023	\$733,000	0	\$-	\$733,000	SDAC	\$-	No	No	No	No	No
Weed, City of	City of Weed Bypass Water Supply Pipeline Project	D	4710009-002C	2,963	1,042	Small	Construction	4/19/2023	\$10,985,000	0	\$-	\$10,985,000	SDAC	\$-	No	No	No	No	No
Yreka, City of	Water Supply and Storage Improvements	C	4710011-003C	7,290	2,876	Small	Construction	12/12/2022	\$4,939,000	0	\$-	\$4,939,000	SDAC	\$-	No	No	No	No	No
Yuba City, City of	Barry Elementary School Water Service	C	5110002-016C	650	1	Small	Construction	9/20/2022	\$2,380,000	0	\$-	\$2,380,000	SDAC	\$-	No	No	No	No	No
<b>Total</b>				<b>773,955</b>					<b>\$50,681,792</b>	<b>\$4,164,000</b>	<b>\$19,402,365</b>	<b>\$74,248,157</b>		<b>\$10,117,365</b>					

**Exhibit B: SFY 2022-23 DWSRF Federal Funding Accountability and Transparency Act (FFATA)/Equivalency Projects**

Funding Recipient	Project Number	Agreement Date	FFATA Reporting Due	Actual Date Reported	FFATA Reporting Amount	Total Agreement Amounts
Santa Ana, City of	3010038-003C	1/17/2023	2/28/2023	2/9/2023	\$5,290,000	\$5,290,000
San Juan Water District	3410021-004C	4/24/2023	5/31/2023	7/6/2023	\$3,995,000	\$3,995,000
				<b>Total:</b>	<b>\$9,285,000.00</b>	<b>\$9,285,000.00</b>

Note: Based on FFY2022 DWSRF Base Capitalization Grant of \$61,819,000. Executed agreements for the remaining amount of FFATA/Equivalency reporting for the FFY2022 DWSRF Base Capitalization Grant will be reported in subsequent fiscal years.

There were no executed agreements for FFATA reporting in SFY 2022-2023 for the FFY 2022 DWSRF BIL General Supplemental, Emerging Contaminant, and Lead Service Line Replacement federal grants. Executed agreements for FFATA/Equivalency reporting of the BIL grants will be reported in subsequent fiscal years.

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## **Exhibit C: SFY 2022-23 DWSRF Small Community Emergency Grant Fund Projects**

No agreements for eligible projects were executed under the DWSRF Small Community Emergency Grant Fund because the State Budget has not yet provided appropriation authority and DWSRF loan fees have not yet been established as a revenue source for the fund.

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## **Exhibit D: SFY 2022-23 DWSRF Co-funded Projects**

There were no DWSRF executed agreements in FY 2022-2023 that were co-funded with other sources/programs.

**Exhibit E: SFY 2022-23 DWSRF Intended Use Plan (IUP) Non-Funded Projects**

Applicant	Category	Project Number	Funding Type	Estimated Project Costs	Description	Population	Service Connection	COMMENT/ REASON NOT FUNDED IN SFY 2022-23	Degree of Disadvantaged
East Valley Water District	C	3610064-008C	Construction	\$4,200,000	Plant 134 Disinfection Byproduct Mitigation	68,000	21,827	Application withdrawn due to uncertainty related to BABA requirements	Non-DAC
Jurupa Community Services District	F	3310021-020C	Construction	\$66,180,000	Etiwanda Intervalley Water Quality & Water Resiliency Project - Pipeline Phase I & II	68,297	24,684	to be funded in 23-24	Non-DAC
Laguna Beach County Water District	F	3010017-002C	Construction	\$9,600,000	Rimrock Reservoir and Pump Station Replacement Project	25,000	8,554	Incomplete application/Nonresponsive	Non-DAC
Los Angeles County Waterworks District 29	F	1910204-003C	Construction	\$3,500,000	Owen Tank Replacement	27,807	7,733	Application withdrawn	Non-DAC
Los Angeles, City of Acting by and through the Department of Water & Power	D	1910067-057C	Construction	\$8,091,000	Manhattan Wellfield On-site Hypochlorite Generation Station	4,071,873	680,607	Funded in 23-24	Non-DAC
Los Angeles, City of Acting by and through the Department of Water & Power	D	1910067-061C	Construction	\$25,000,000	Mission Wells Ammoniation Station	4,071,873	680,607	Applicant Not ready	Non-DAC
Madera, County of (MD#58 Sierra Highlands)	E	2000865-001P	Planning	\$350,000	MD-58 Sierra Highlands Water System Improvements	75	25	Application on hold while applicant pursues other grant funding	Non-DAC
San Bernardino, City of - Municipal Water Department	F	3610039-053C	Construction	\$3,406,000	Water Distribution Mainline Replacement	173,359	42,301	to be funded in 23-24	DAC
San Diego, City of	F	3710020-077C	Construction	\$38,180,000	Morena Pipeline	1,266,731	271,962	to be funded in 23-24	Non-DAC
San Diego, City of	F	3710020-079C	Construction	\$86,800,000	Alvarado 2nd Pipeline Extension	1,266,731	271,962	to be funded in 23-24	Non-DAC
Sierra Park Water Company, Inc.	E	5510016-001C	Construction	\$2,000,000	Sierra Park Water Company Water System Improvements	300	347	to be funded in 23-24 with EC PF	Non-DAC
West Valley Water District	F	3610004-002C	Construction	\$54,916,600	Oliver P. Roemer Water Filtration Facility Expansion Project (RWFF Project)	63,693	18,198	Funded in 23-24	Non-DAC
Projects Eligible for Grant/PF									
Yolo, County of	A	5700788-003C	Construction	\$8,250,000	New Well and Consolidation	110	95	Funded in 23-24	Non-DAC
Coachella Valley Water District	C	3310001-014C	Construction	\$23,439,658	Saint Anthony Mobile Home Park Water Consolidation Project	368	92	Funded in 23-24	SDAC
Coachella Valley Water District	C	3310001-015C	Construction	\$8,100,00	Valley View Mobile Home Park Consolidation Project	540	135	Funded in 23-24	SDAC
Coachella, City of	C	3310007-003C	Construction	\$1,643,006	Shady Lane MHP Water Consolidation Project	120	40	To be funded 23-24	SDAC
Fresno, City of	C	1000299-001C	Construction	\$344,696	Three Palms MHP Water Connection Project	202	101	Funded in 23-24	SDAC
JHC River Ranch Inc, LLC	C	3600155-001C	Construction	\$1,859,950	River Ranch Mobile Park VWD consolidation	300	136	Delayed TMF and CEQA submittals. To be funded 23-24	SDAC
Madera, County of (MD19 – Parkwood)	C	2010004-002C	Construction	\$3,347,208	New Well and Pipeline Project	1240	634	Funded in 23-24	SDAC
Plainview Mutual Water Company	A	5410039-003C	Construction	\$2,593,020	Plainview Nitrate Relief Project	800	187	Application Incomplete – additional documents requested	SDAC
Stockton, City of	C	3910012-001C	Construction	\$1,223,750	Century Mobile Home Park and Silvia Avalos Water System Consolidation Project	90	36	Agreement issues in 23-24, but was rescinded as the City is re-doing some of their engineering	DAC
Tulare, County of	C	5400550-002C	Construction	\$11, 520, 975	Yettem and Seville Water System Improvement Project - Phase 2	400	77	Funded in 23-24	SDAC
Colusa, City of	D	0610002-002C	Construction	\$2,000,000	Water Consolidation - Walnut Ranch Community Facilities Improvement	5,625	2,126	To be funded 23-24	SDAC



Applicant	Category	Project Number	Funding Type	Estimated Project Costs	Description	Population	Service Connection	COMMENT/ REASON NOT FUNDED IN SFY 2022-23	Degree of Disadvantaged
Tuolumne Utilities District	D	5510013-010C	Construction	\$2,633,879	Cuesta Heights Water Storage	3,646	1,545	To be funded 23-24	DAC
Waterford, City of	D	5010026-001C	Construction	\$3,543,673	Hickman Water System Improvements Construction Project	565	181	Low priority project put on hold due to limited funding	Non-DAC
Browns Elementary School District	A	5100138-001C	Construction	\$1,345,000	Browns School Well Rehabilitation Project	160	1	To be funded 23-24	SDAC
Woodville Public Utility District	A	5410025-001C	Construction	\$2,591,000	Replacement Well Project	1,678	478	To be funded 23-24	SDAC
Nicasio School District	B	2100582-001C	Construction	\$225,000	Nicasio School District Water System Upgrade	70	5	To be funded 23-24	SDAC
Weott Community Services District	B	1200553-001C	Construction	\$3,974,226	Water Tank Replacement and Water Treatment Improvement Project	364	150	Incomplete application	SDAC
Livingston, City of	C	2410004-004C	Construction	\$12,000,000	Livingston 1,2,3-TCP Removal Treatment System Project	14,228	3,550	Updating Application	DAC
Locke Water Works Company	C	3400138-001C	Construction	\$1,000,000	Locke Water System Intertie w/ SCWA	65	55	Funded in 23-24	SDAC
Sierra County (Calpine) Waterworks District No. 1	C	4600019-001C	Construction	\$2,600,000	New Well and Treatment Facilities	225	142	To be funded 23-24	Non-DAC
Sunrise Shore Mutual Water Company	C	1700536-004C	Construction	\$1,789,000	Compliance and Sustainability Project	83	42	Funded 23-24	DAC
Alpine Water Users Association	D	3610002-001C	Construction	\$498,288	Alpine Water Users Association Meter Replacement Project	3,000	965	Application Incomplete	DAC
Pine Grove Community Services District	D	0310005-002C	Construction	\$2,725,000	Meter Replacement Project	900	361	Application Withdrawn	DAC
Santa Nella County Water District	D	2410018-003C	Construction	\$319,153	Residential Water Meter Improvement Project	1,500	454	Funded 23-24	DAC
Tract 349 Mutual Water Company	E	1910160-010C	Construction	\$7,381,950	Tract 349 Water Quality Improvement Project	8,500	920	Incomplete Application	SDAC
Anza Mutual Water Co., Inc.	F	3301180-001C	Construction	\$5,000,000	Anza Mutual Water System Improvements Project	200	82	Incomplete Application	SDAC
Biggs, City of	F	0410001-002C	Construction	\$5,000,000	Storage Tank and Pump Station	1,805	650	Incomplete Application; Now low priority project not grant eligible	DAC
Groveland Community Services District	F	5510009-002C	Construction	\$5,352,674	GCSD Water System Improvements	3,147	3230	Determined to be non-DAC and not grant eligible	Non-DAC (was pending)
North Gualala Water Company	F	2310007-018C	Construction	\$1,440,000	Parr Tank and Pipeline Improvement Project	2,630	1,068	Funded in 23-24	DAC
River Pines Public Utility District	F	0310006-002C	Construction	\$5,000,000	River Pines PUD Storage and Distribution Rehab Project	510	210	Funded in 23-24	SDAC
San Bernardino, County of	F	3600220-001C	Construction	\$1,244,112	CSA 42 Oro Grande Reservoir Rehabilitation/ Replacement Project	700	140	Low priority project put on hold due to limited funding	SDAC
Union Public Utility District	F	0510001-002C	Construction	\$1,377,000	Treatment Plant Backwash/Recycling and Storage Tank Aeration Project	4,300	5211,	Incomplete Application; Now low priority project not grant eligible	DAC
Willow Creek Community Services District	F	1210015-002C	Construction	\$1,907,550	Brannan Mountain Water Storage Tank	1,030	344	To be funded 23-24	DAC
Legacy Development, LLC	A	2000589-001P	Planning	\$500,000	MPMH Well Replacement	60	32	Planning moved to Technical Assistance to complete	SDAC
Big Sandy Rancheria of Western Mono Indians of California	C	0600121-001P	Planning	\$213,607	Big Sandy Rancheria Water System Capital Improvement	150	55	To be funded 23-24	DAC
Central Unified School District	C	1000206-002P	Planning	\$722,000	Houghton-Kearney K-8 School Well Project	310	94	Funded 23-24	SDAC
Exeter, City of	C	5410003-001P	Planning	\$617,683	Drinking Water System Improvement Project	10,334	3,317	Incomplete Application	Pending

Applicant	Category	Project Number	Funding Type	Estimated Project Costs	Description	Population	Service Connection	COMMENT/ REASON NOT FUNDED IN SFY 2022-23	Degree of Disadvantaged
Havasu Water Company	C	3610017-001P	Planning	\$442,200	Havasu Water Company Improvements Plan	350	211	Planning moved to Technical Assistance to complete	SDAC
London Community Services District	F (was C)	5410017-004P	Planning	\$500,000	1,2,3-TCP Compliance Improvements	1,638	432	Application not eligible for grant funding	SDAC
Sutter Community Services District	C	5110007-001P	Planning	\$276,000	Sutter CSD Water Storage Reservoir	2,885	1,025	Incomplete Application	Non-DAC
Cuyama Community Services District	D	4210009-001P	Planning	\$570,000	Cuyama CSD Water System Capital Improvements	820	253	Funded in 23-24	DAC
Tennant Community Services District	D	4700531-005P	Planning	\$253,000	Water Distribution Replacement Project	94	94	Low priority project put on hold due to limited funding	DAC
Warner Springs Estates Homeowners Association	D	3702354-001P	Planning	\$365,500	Warner Springs Tank, Wells, and Meters Improvement Project	340	287	Incomplete Application; Now low priority project not grant eligible	SDAC
Clear Creek Community Services District	F	4510016-004P	Planning	\$500,000	Distribution Pipe Replacement	8,000	2,645	Low priority project put on hold due to limited funding	DAC
Garberville Sanitary District	F	1210008-007P	Planning	\$300,000	Meadows Aerial Waterline Reconstruction Project	1,500	420	Incomplete Application; Now low priority project not grant eligible	SDAC
Jackson, City of	F	0310001-001P	Planning	\$474,000	Martell Reservoir Replacement	5,223	2,089	Funded 23-24	DAC
Jacumba Community Services District	F	3710011-001P	Planning	\$228,820	Jacumba CSD Distribution System Replacement Project	500	221	Funded 23-24	SDAC
Junction City Elementary School District	F	5304209-001P	Planning	\$138,000	Junction City School Water System Evaluation and Source Improvement Project	100	1	Funded 23-24	SDAC
Miranda Community Services District	F	1200707-001P	Planning	\$185,000	MCSO Tank Replacement	600	143	Funded 23-24	SDAC
Orange Cove, City of	F	1010023-006P	Planning	\$500,000	City of Orange Cove Water Supply Project	8,500	1,450	Application Incomplete	SDAC
San Luis Obispo, County of	F	4010028-001P	Planning	\$622,358	Shandon (CSA 16) - Water System Improvement Project	1,030	344	To be funded 23-24	SDAC
Smith River Community Services District	F	0810002-001P	Planning	\$455,000	Smith River Infrastructure Rehabilitation Project	2,568	508	Incomplete Application; Now low priority project not grant eligible	SDAC

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## **Exhibit F: SFY 2022-23 Revenue Bond Funded Projects Update**

The State Water Board has fully expended the Series 2019 DWSRF revenue bonds and has not sold any additional revenue bonds. Therefore, there are no DWSRF revenue bond funded project updates for FY 2022-2023.

## Exhibit G: SFY 2022-23 DWSRF Green Project Reserve Funding Summary

FFY Grant	SFY	Grant Award Amount	Minimum Green Project Reserve Amount by FFY Grant <sup>6</sup>	Committed Green Project Reserve Amount Per FFY Grant Assignment <sup>7</sup>	Disbursed Green Project Reserve Amount by SFY <sup>8</sup>	Undisbursed Green Project Reserve Amount by SFY <sup>9</sup>
2010 Base	10-11	\$126,958,000	\$25,391,600	\$25,391,600	\$0	\$0
2011 Base	11-12	\$86,698,000	\$17,339,600	\$26,013,832	\$12,457,278	\$0
2012 Base	12-13	\$85,358,000	\$0	\$7,231,611	\$31,910,690	\$0
2013 Base	13-14	\$78,770,000	\$0	\$1,193,050	\$7,037,464	\$0
2014 Base	14-15	\$83,221,000	\$0	\$0	\$2,242,734	\$0
2015 Base	15-16	\$83,674,000	\$0	\$476,717	\$2,715,139	\$0
2016 Base	16-17	\$78,215,000	\$0	\$1,098,593	\$2,203,628	\$0
2017 Base	17-18	\$77,545,000	\$0	\$31,042,366	\$5,940,768	\$0
2018 Base	18-19	\$97,991,000	\$0	\$0	\$14,729,081	\$0
2019 Base	19-20	\$97,072,000	\$0	\$1,830,133	\$12,715,988	\$0
2020 Base	20-21	\$97,134,000	\$0	\$0	\$1,489,022	\$0
2021 Base	21-22	\$97,047,000	\$0	\$9,704,700	\$0	\$0
2022 Base	22-23	\$74,248,157	\$0	\$10,117,365	\$42,148,907	\$0
2022 BIL General	22-23	\$158,733,000		\$0	\$0	\$0
<b>Totals</b>		<b>\$1,089,683,000</b>	<b>\$42,731,200</b>	<b>\$103,982,602</b>	<b>\$93,441,792</b>	<b>\$10,540,810</b>
<b>Grand Total:</b>					<b>\$103,982,602</b>	

<sup>6</sup> USEPA required 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." This minimum amount became discretionary beginning in FFY 2012.

<sup>7</sup> In accordance with USEPA procedures, these amounts represent the DWSRF project amounts assigned under the Green Project Reserve authority of the respective DWSRF capitalization grant as of 6/30/2023.

<sup>8</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>9</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 6/30/2023.

## Exhibit H: SFY 2022-23 Additional Subsidy Funding Summary

FFY GRANT	SFY	GRANT AWARD AMOUNT	MINIMUM SUBSIDY AMOUNT BY FFY GRANT	MAXIMUM SUBSIDY BY FFY GRANT	COMMITTED SUBSIDY AMOUNT BY FFY GRANT ASSIGNMENT	UNCOMMITTED SUBSIDY AMOUNT BY FFY GRANT ASSIGNMENT	DISBURSED SUBSIDY AMOUNT BY SFY	UNDISBURSED SUBSIDY AMOUNT BY SFY
2010 Base	10-11	\$126,958,000	\$38,087,400	\$38,087,400	\$38,087,400	\$0	\$4,428,826	\$0
2011 Base	11-12	\$86,698,000	\$26,009,400	\$26,009,400	\$26,009,400	\$0	\$7,720,018	\$0
2012 Base	12-13	\$85,358,000	\$17,071,600	\$25,607,400	\$25,607,400	\$0	\$11,048,287	\$0
2013 Base	13-14	\$78,770,000	\$15,754,000	\$23,631,000	\$23,631,000	\$0	\$14,551,820	\$0
2014 Base	14-15	\$83,221,000	\$16,704,200	\$24,966,300	\$24,966,399	\$0	\$16,210,089	\$0
2015 Base	15-16	\$82,674,000	\$16,534,800	\$24,802,200	\$24,802,200	\$0	\$29,987,771	\$0
2016 Base	16-17	\$78,215,000	\$15,643,000	\$39,107,500	\$39,107,500	\$0	\$33,439,824	\$0
2017 Base	17-18	\$77,545,000	\$15,509,000	\$38,772,500	\$38,772,500	\$0	\$24,941,985	\$0
2018 Base	18-19	\$97,991,000	\$19,598,200	\$48,995,500	\$22,838,304	\$0	\$24,002,822	\$0
2019 Base	19-20	\$97,984,000	\$19,414,400	\$48,536,000	\$14,906,926	\$0	\$34,654,319	\$0
2020 Base	20-21	\$97,072,000	\$19,414,400	\$48,536,000	\$14,906,926	\$0	\$18,914,590	\$0
2021 Base	21-22	\$97,047,000	\$13,586,580	\$47,553,030	\$43,261,030	\$4,292,000	\$16,392,569	\$0
2022 Base	22-23	\$61,819,000	\$8,654,660	\$30,291,310	\$12,489,631	\$17,801,679	\$23,326,798	\$111,860,575
2022 BIL General	22-23	\$158,733,000	\$77,779,170	\$77,779,170	\$37,011,455	\$40,767,715	\$0	\$77,779,170
Totals		\$1,248,266,000	\$319,760,810	\$542,674,710	\$386,398,071	\$99,872,849	\$259,619,720	\$189,639,745
<b>Grand Totals:</b>					<b>\$449,259,465</b>		<b>\$449,259,465</b>	

**Exhibit H: SFY 2022-23 Additional Subsidy Funding Summary (Continued)**

FFY GRANT	SFY	GRANT AWARD AMOUNT	MAXIMUM SUBSIDY BY FFY GRANT	COMMITTED SUBSIDY AMOUNT BY FFY GRANT ASSIGNMENT	UNCOMMITTED SUBSIDY AMOUNT BY FFY GRANT ASSIGNMENT	DISBURSED SUBSIDY AMOUNT BY SFY	UNDISBURSED SUBSIDY AMOUNT BY SFY
2022 BIL EC	22-23	\$73,336,000	\$73,336,000	\$20,461,287	\$52,874,713	\$0	\$73,336,000
2022 BIL LSLR	22-23	\$250,107,000	\$122,552,430	\$0	\$122,552,430	\$0	\$122,552,430
	Totals	<b>\$323,443,000</b>	<b>\$195,888,430</b>	<b>\$20,461,287</b>	<b>\$175,427,143</b>	<b>\$0</b>	<b>\$195,888,430</b>
<b>Grand Totals:</b>					<b>\$195,888,430</b>		<b>\$195,888,430</b>

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**Exhibit I: Disadvantaged Business Enterprise Report Results**

	MBE	WBE	TOTAL
Annual Disbursements by Category	\$1,572,029	\$167,116	\$1,739,145
Total Disbursements			\$252,975,755
Percentage to Total Disbursements	0.62%	0.07%	0.69%

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, 2022 through September 30, 2023. DBE reports are collected annually based on the FFY.

**Exhibit J: SFY 2022-23 DWSRF Set-Aside Expenditures/Banked Authority**

**DWSRF Administrative Set-Aside**

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance	Banked Amount
1997 Base	\$75,565,707	\$3,027,304	\$0	\$3,027,304	\$0	\$0
1998 Base	\$77,108,200	\$3,084,328	\$0	\$3,084,328	\$0	\$0
1999 Base	\$80,816,700	\$3,232,668	\$0	\$3,232,668	\$0	\$0
2000 Base	\$83,993,100	\$3,359,724	\$0	\$0	\$0	\$3,359,724
2001 Base	\$84,340,000	\$3,373,600	\$0	\$3,373,600	\$0	\$0
2002 Base	\$82,460,900	\$3,298,436	\$68,553	\$3,229,883	\$0	\$0
2003 Base	\$81,966,200	\$3,278,648	\$0	\$3,278,648	\$0	\$0
2004 Base	\$85,027,600	\$3,401,104	\$70,000	\$6,609,752	\$0	\$0
2005 Base	\$84,847,500	\$3,393,880	\$0	\$2,781,076	\$0	\$693,880
2006 Base	\$67,153,678	\$2,684,166	\$30,000	\$2,654,166	\$0	\$0
2007 Base	\$67,105,000	\$2,684,200	\$0	\$2,684,200	\$0	\$0
2008 Base	\$66,424,000	\$2,656,960	\$0	\$2,656,960	\$0	\$0
2009 Base	\$66,424,000	\$2,656,960	\$0	\$2,656,960	\$0	\$0
ARRA	\$159,008,000	\$6,017,000	\$0	\$5,364,472	\$0	\$0
2010 Base	\$126,958,000	\$5,078,320	\$0	\$5,078,320	\$0	\$0
2011 Base	\$86,698,000	\$3,467,920	\$0	\$3,467,920	\$0	\$0
2012 Base	\$85,658,000	\$3,414,320	\$300,000	\$3,114,320	\$0	\$0
2013 Base	\$79,196,867	\$3,150,800	\$426,867	\$2,723,933	\$0	\$0
2014 Base	\$83,221,000	\$3,328,840	\$0	\$3,328,840	\$0	\$0
2015 Base	\$83,069,000	\$3,306,960	\$395,000	\$2,911,960	\$0	\$0
2016 Base	\$78,290,000	\$3,128,600	\$75,000	\$3,053,600	\$0	\$0
2017 Base	\$77,545,000	\$3,101,800	\$0	\$3,101,800	\$0	\$0



FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance	Banked Amount
2018 Base	\$97,991,000	\$3,919,640	\$0	\$3,919,640	\$0	\$0
2019 Base	\$97,984,000	\$3,882,880	\$0	\$3,882,880	\$0	\$0
2020 Base	\$97,134,000	\$3,885,360	\$0	\$3,885,360	\$0	\$0
2021 Base	\$97,047,000	\$3,881,880	\$0	\$3,881,880	\$0	\$0
2022 Base	\$61,819,000	\$2,472,760	\$0	\$1,391,616	\$1,081,144	\$0
2022 BIL- General	\$158,733,000	\$6,349,320	\$0	\$3,109,815	\$3,239,505	\$0
2022 BIL-EC	\$73,336,000	\$2,665,960	\$0	\$0	\$2,841,780	\$0
2022 BIL-LSLR	\$250,107,000	\$10,004,280	\$0	\$0	\$2,665,960	\$7,162,500
<b>Total</b>	<b>\$2,795,830,585</b>	<b>\$111,188,618</b>	<b>\$1,365,420</b>	<b>\$91,485,900</b>	<b>\$9,828,390</b>	<b>\$11,216,104</b>

### DWSRF Small Water Technical Assistance Set-Aside

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance	Banked Amount
1997 Base	\$75,565,707	\$1,513,652	\$0	\$68,245	\$0	\$1,445,407
1998 Base	\$77,108,200	\$1,542,164	\$0	\$1,542,164	\$0	\$0
1999 Base	\$80,816,700	\$1,616,334	\$0	\$1,616,334	\$0	\$0
2000 Base	\$83,993,100	\$1,679,862	\$0	\$0	\$0	\$1,679,862
2001 Base	\$84,340,000	\$1,686,800	\$0	\$1,686,800	\$0	\$0
2002 Base	\$82,460,900	\$1,649,218	\$0	\$1,649,218	\$0	\$0
2003 Base	\$81,966,200	\$1,639,324	\$0	\$1,639,324	\$0	\$0
2004 Base	\$85,027,600	\$1,700,552	\$0	\$3,339,876	\$0	\$0
2005 Base	\$84,847,500	\$1,696,950	\$0	\$1,390,538	\$0	\$346,950
2006 Base	\$67,153,678	\$1,342,083	\$0	\$1,342,083	\$0	\$0

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance	Banked Amount
2007 Base	\$67,105,000	\$1,342,100	\$0	\$1,342,100	\$0	\$0
2008 Base	\$66,424,000	\$1,328,480	\$0	\$1,328,480	\$0	\$0
2009 Base	\$66,424,000	\$1,328,480	\$0	\$1,328,480	\$0	\$0
ARRA	\$159,008,000	\$3,180,000	\$0	\$2,787,147	\$0	\$0
2010 Base	\$126,958,000	\$2,539,160	\$0	\$2,539,160	\$0	\$0
2011 Base	\$86,698,000	\$1,733,960	\$0	\$1,733,960	\$0	\$0
2012 Base	\$85,358,000	\$1,707,160	\$0	\$1,707,160	\$0	\$0
2013 Base	\$78,770,000	\$1,575,400	\$0	\$1,575,400	\$0	\$0
2014 Base	\$83,221,000	\$1,664,420	\$0	\$1,664,420	\$0	\$0
2015 Base	\$82,674,000	\$1,653,480	\$0	\$1,653,480	\$0	\$0
2016 Base	\$78,215,000	\$1,564,300	\$0	\$1,564,300	\$0	\$0
2017 Base	\$77,545,000	\$1,550,900	\$0	\$1,550,900	\$0	\$0
2018 Base	\$97,991,000	\$1,959,820	\$0	\$1,959,820	\$0	\$0
2019 Base	\$97,984,000	\$1,941,440	\$0	\$331,751	\$1,609,689	\$0
2020 Base	\$97,134,000	\$1,942,680	\$0	\$0	\$1,942,680	\$0
2021 Base	\$97,047,000	\$1,940,940	\$0	\$1,097,761	\$843,179	\$0
2022 Base	\$61,819,000	\$1,236,380	\$0	\$0	\$1,236,380	\$0
2022 BIL-General	\$158,733,000	\$3,174,660	\$0	\$0	\$3,174,660	\$0
2022 BIL-EC	\$73,336,000	\$1,332,980	\$0	\$0	\$1,332,980	\$0
2022 BIL-LSLR	\$250,107,000	\$5,002,140	\$0	\$0	\$5,002,140	\$0
<b>Total</b>	<b>\$2,795,830,585</b>	<b>\$55,765,819</b>	<b>\$0</b>	<b>\$38,438,902</b>	<b>\$15,141,708</b>	<b>\$3,472,219</b>

## DWSRF State Program Management Set-Aside

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance	Banked Amount
1997 Base	\$75,565,707	\$302,730	\$0	\$4,157	\$0	\$298,573
1998 Base	\$77,108,200	\$308,433	\$0	\$308,433	\$0	\$0
1999 Base	\$80,816,700	\$323,267	\$0	\$323,267	\$0	\$0
2000 Base	\$83,993,100	\$335,972	\$0	\$0	\$0	\$335,972
2001 Base	\$84,340,000	\$2,000,000	\$0	\$2,000,000	\$0	\$0
2002 Base	\$82,460,900	\$2,000,000	\$0	\$2,000,000	\$0	\$0
2003 Base	\$81,966,200	\$2,000,000	\$0	\$2,000,000	\$0	\$0
2004 Base	\$85,027,600	\$2,400,000	\$0	\$2,400,000	\$0	\$0
2005 Base	\$84,847,500	\$4,077,000	\$0	\$4,077,000	\$0	\$0
2006 Base	\$67,153,678	\$4,704,000	\$0	\$4,704,000	\$0	\$0
2007 Base	\$67,105,000	\$4,934,400	\$0	\$4,934,400	\$0	\$0
2008 Base	\$66,424,000	\$4,882,164	\$0	\$4,882,164	\$0	\$0
2009 Base	\$66,424,000	\$4,882,164	\$0	\$4,882,164	\$0	\$0
2010 Base	\$126,958,000	\$9,318,717	\$0	\$9,318,717	\$0	\$0
2011 Base	\$86,698,000	\$8,669,800	\$0	\$8,669,800	\$0	\$0
2012 Base	\$85,358,000	\$8,535,800	\$0	\$8,535,800	\$0	\$0
2013 Base	\$78,770,000	\$7,089,300	\$0	\$7,089,300	\$0	\$0
2014 Base	\$83,221,000	\$8,322,100	\$300,000	\$8,022,100	\$0	\$0
2015 Base	\$82,674,000	\$8,267,400	\$0	\$8,267,400	\$0	\$0
2016 Base	\$78,215,000	\$7,821,500	\$0	\$7,821,500	\$0	\$0
2017 Base	\$77,545,000	\$7,754,500	\$0	\$7,754,500	\$0	\$0
2018 Base	\$97,991,000	\$9,799,100	\$0	\$9,799,100	\$0	\$0
2019 Base	\$97,984,000	\$9,707,200	\$0	\$9,707,200	\$0	\$0
2020 Base	\$97,134,000	\$9,713,400	\$0	\$9,713,400	\$0	\$0

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance	Banked Amount
2021 Base	\$97,047,000	\$9,704,700	\$0	\$9,704,700	\$0	\$0
2022 Base	\$61,819,000	\$6,181,900	\$0	\$159,458	\$6,022,442	\$0
2022 BIL-General	\$158,733,000	\$15,873,300	\$0	\$4,721,353	\$11,151,947	\$0
2022 BIL-EC	\$73,336,000	\$6,664,900	\$0	\$0	\$6,664,900	\$0
2022 BIL-LSLR	\$250,107,000	\$25,010,700	\$0	\$0	\$25,010,700	\$0
<b>Total</b>	<b>\$2,636,822,585</b>	<b>\$191,584,447</b>	<b>\$300,000</b>	<b>\$141,799,913</b>	<b>\$48,849,989</b>	<b>\$634,545</b>

### DWSRF Local Assistance Set-Aside

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance	Banked Amount
1997 Base	\$75,565,707	\$7,568,260	\$0	\$7,568,260	\$0	\$0
1999 Base	\$80,816,700	\$4,040,835	\$0	\$4,040,835	\$0	\$0
2000 Base	\$83,993,100	\$4,199,655	\$0	\$4,199,655	\$0	\$0
2001 Base	\$84,340,000	\$4,217,000	\$0	\$4,217,000	\$0	\$0
2002 Base	\$82,460,900	\$4,123,045	\$0	\$4,123,045	\$0	\$0
2003 Base	\$81,966,200	\$4,098,310	\$0	\$4,098,310	\$0	\$0
2004 Base	\$85,027,600	\$4,251,380	\$0	\$4,251,380	\$0	\$0
2005 Base	\$84,847,500	\$4,000,000	\$0	\$4,000,000	\$0	\$0
2010 Base	\$126,958,000	\$0	\$0	\$0	\$0	\$0
2011 Base	\$86,698,000	\$2,600,940	\$0	\$2,600,940	\$0	\$0
2012 Base	\$85,358,000	\$4,267,900	\$0	\$4,267,900	\$0	\$0
2013 Base	\$78,770,000	\$6,301,600	\$0	\$6,301,600	\$0	\$3,794,593
2014 Base	\$83,221,000	\$4,993,260	\$0	\$4,993,260	\$0	\$0

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance	Banked Amount
2015 Base	\$82,674,000	\$8,267,400	\$0	\$8,267,400	\$0	\$0
2016 Base	\$78,215,000	\$7,821,500	\$0	\$7,821,500	\$0	\$0
2017 Base	\$77,545,000	\$5,428,150	\$0	\$5,428,150	\$0	\$0
2018 Base	\$97,991,000	\$9,799,100	\$0	\$9,799,100	\$0	\$0
2019 Base	\$97,984,000	\$9,707,200	\$0	\$9,707,200	\$0	\$0
2020 Base	\$97,134,000	\$9,713,400	\$0	\$9,713,400	\$0	\$0
2021 Base	\$97,047,000	\$9,704,700	\$0	\$4,797,664	\$4,907,036	\$0
2022 Base	\$61,819,000	\$6,181,900	\$0	\$0	\$6,181,900	\$0
2022 BIL-General	\$158,733,000	\$15,873,300	\$0	\$0	\$15,873,300	\$0
2022 BIL-EC	\$73,336,000	\$25,010,700	\$0	\$0	\$25,010,700	\$0
2022 BIL-LSLR	\$250,107,000	\$6,664,900	\$0	\$0	\$6,664,900	\$0
<b>Total</b>	<b>\$2,292,607,707</b>	<b>\$168,834,435</b>	<b>\$0</b>	<b>\$110,196,599</b>	<b>\$58,637,836</b>	<b>\$3,794,593</b>

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## **Exhibit K: SFY 2022-23 DWSRF Financings with Servicing Fees**

No “fees-in-lieu-of-interest” (e.g. service fees) are currently being charged on DWSRF financings. It is anticipated that such service fees will be charged in the future to capitalize the DWSRF Administration Fund and the DWSRF Small Community Emergency Grant Fund.

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## VII. APPENDICES

Appendix A	SFY 2022-2023 DWSRF IUP Short-Term Goals
Appendix B	SFY 2022-2023 DWSRF IUP Long-Term Goals
Appendix C	Operating Agreement and Capitalization Grant Conditions
Appendix D	DWSRF Performance Evaluation Report
Appendix E	SFY 2022-23 DWSRF Audited Financial Statements

## Appendix A: SFY 2022-2023 DWSRF IUP Short-Term Goals

This section describes the State Water Board’s efforts to meet the following short-term goals established in the SFY 2022-23 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> </ul>
2	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).	<ul style="list-style-type: none"> <li>The State Water Board continued to provide a suite of technical assistance in SFY 2022-23 to SWSs, especially those with significant SDWA violations, but in SFY 2022-23, DFA began using the SADW Fund instead of the DWSRF set-asides for the purpose of funding third-party contractors for TMF capacity development assistance to SWSs. See Section IV.G 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>



	<b>Short-Term Goal</b>	<b>Comments</b>
3	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.	<ul style="list-style-type: none"> <li>• DFA continued to participate in various PWS marketing and outreach efforts in SFY 2022-23. Specifically, DFA marketed the DWSRF program at four (4) California Financing Coordinating Committee events, two CalTAP fairs, two symposia (treatment certification and distribution) that focused on treatment certification and distribution, as well as 119 other online and onsite workshops and outreach events.</li> </ul>
4	Continue regular staff level finance/audit coordination meetings to ensure the immediate and long-term financial health of the DWSRF.	<ul style="list-style-type: none"> <li>• DFA and DAS staff conducted regular finance/audit coordination meetings on August 26, 2022, October 28, 2022, January 27, 2023, and April 21, 2023 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 with target performance measures; and (c) reviewing audit issues, program control issues, tax compliance issues, and planning for upcoming audits.</li> </ul>
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 remaining Prop 1 Drinking Water funds as State Match for DWSRF. The State Water Board also allocated up to \$85 million of General Fund provided under SB 170 as match for the SRFs through the FFY 2022 capitalization grants, of which \$35 million was allocated for the DWSRF. The California Budget Act also appropriated \$400 million of additional General Fund State Match for future capitalization grants, of which \$230 million was allocated to the DWSRF while the remaining \$170 million was allocated to the CWSRF.</li> </ul>

	Short-Term Goal	Comments
6	<p>Coordinate with Environmental Finance Center and stakeholders on completing a program management review of the CWSRF and DWSRF Programs to identify potential efficiencies, improvements, or enhancements that would facilitate review processing, and execution of loan agreements and disbursements. (Fall 2022.</p>	<ul style="list-style-type: none"> <li>• DFA coordinated with the Environmental Finance Center (EFC) at California State University, Sacramento on a program management review of California’s CWSRF program. The final EFC report was published in July 2022 and identified recommendations for potential efficiencies, improvements, or enhancements that would facilitate application reviews and execution of loan agreements and disbursements. DFA is meeting with the SRF Stakeholder Advisory Group to further explore these recommendations.</li> <li>• On June 30, 2021, the Joint Legislative Audit Committee initiated an audit of the State Water Board that focused primarily on funding programs for safe drinking water. The audit report was released on July 26, 2022 and can be found here: <a href="#">Report 2021-118 (ca.gov)</a> with our response under <a href="#">section 6</a>.</li> </ul>
7	<p>Apply for and accept the FFY 2022 Capitalization Grant; commit the FFY 2022 Capitalization Grant, including the associated state match, by June 30, 2023, so that federal funds are used efficiently and timely in accordance with 40 CFR §35.3550(c).</p>	<ul style="list-style-type: none"> <li>• The State Water Board finalized its FFY 2022 Capitalization Grant application June 21, 2022. USEPA awarded the FFY 2022 Grant on September 6, 2022, in the amount of \$61,819,000. State Match was provided from an \$85 million allocation of General Fund.</li> <li>• See Section A above for a discussion of the commitment of DWSRF federal and state match funds.</li> </ul>
8	<p>Liquidate DWSRF capitalization grants within 2 to 3 years of their award.</p>	<ul style="list-style-type: none"> <li>• The State Water Board largely maintained this goal with the exception of some small water system technical assistance set-asides in the FFY 2019 and FFY 2020 capitalization grants as well as the fully balances of the ASADRA federal grant. The State Water Board anticipates transferring the SWS TA set-</li> </ul>

	<b>Short-Term Goal</b>	<b>Comments</b>
		<p>aside balances to the loan fund for immediate liquidation. The State Water Board also anticipates awarding a funding agreement for the ASADRA funds after several years of soliciting possible eligible projects and challenges related to the narrow eligible use of these special funds.</p>
9	<p>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.</p>	<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>

## Appendix B: SFY 2022-2023 DWSRF Long-Term Goals

	Long-Term Goal	Comments
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 2022-23 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 2022-23 to make funding affordable for communities throughout California. The average interest rate for SFY 2022-23 was one and six tenths of one percent (1.6%), 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 \$34 million in DWSRF principal forgiveness and grant funds were awarded to small DACs in SFY 2022-23.</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 2022-23 for the</li> </ul>

	Long-Term Goal	Comments
		<p>DWSRF program, and the State Water Board did not issue revenue bonds or other debt in SFY 2022-23. Additionally, the State Water Board prioritized the disbursement of General Fund state match and federal capitalization grants to the maximum extent possible.</p>
5	Maintain financial integrity	<ul style="list-style-type: none"> <li>• State Water Board staff analyzed the creditworthiness of all loan 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 2022-23 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 2022-23 to identify late payments</li> </ul>

	Long-Term Goal	Comments
		<p>and generally 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.</p> <ul style="list-style-type: none"> <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 financial statements is included in this report (Appendix E) and is posted on the State Water Board’s DWSRF website.</li> <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 2022-23 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 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> </ul>

	Long-Term Goal	Comments
		<ul style="list-style-type: none"> <li>• DFA also generally 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 2022-2023 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>

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## 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 2022-23 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 \$74.3 million in new DWSRF funding was awarded to fourteen (14) projects in SFY 2022-23. 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 2022-23. Eligible recipients included privately and publicly owned community and non-profit non-community PWSs. The projects and PWSs funded in SFY 2022-23 are further detailed in Exhibit A.

The SFY 2022-23 DWSRF IUP Comprehensive List, consisting of three hundred and twenty-eight (328) projects, included projects that might be funded by the DWSRF or from other complementary funding sources. The SFY 2022-23 DWSRF IUP Fundable List included fifteen (15) non-disadvantaged or large PWSs and 77 small DACs with complete applications. However, many projects listed in the SFY 2022-23 DWSRF Fundable List were not funded by the DWSRF during the SFY 2022-23 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 2022-23 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 2022-23. Types of assistance included loans and installment sale agreements for the planning, design, and construction of drinking water infrastructure projects.



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Principal forgiveness was available for projects for SWSs and ESCWSs serving DACs and SDACs; not-for-profit non-transient, non-CWS serving small DACs and SDACs; certain medium CWS serving DACs and SDACs; and small non-DACs with an MHI less than 150% of the statewide MHI. SWSs serving SDACs and not-for-profit non-transient, non-CWS serving small DACs and SDACs requesting DWSRF repayable financing generally received zero percent (0%) interest rates. SWS serving DACs and ESCWSs serving small DACs or SDACs requesting DWSRF repayable financing were eligible for 0% interest rates if their residential water rates were at least 1.5% of MHI. 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, respectively.

### 3. Provide a State Match

The State Water Board demonstrated the source of its twenty percent (20%) state match requirement (\$12.3 million) for the FFY 2022 base capitalization grant (\$61.8 million) in SFY 2022-23 through appropriations provided under Chapter 5, Section 79724 of Prop 1 Drinking Water and a \$35 million allocation of General Fund State Match provided under an enactment year 2021 appropriation. These same state match funding sources were also employed for the ten percent (10%) state match requirement (\$15.8 million) of the DWSRF BIL – General Supplemental grant (\$158.7 million). See the DWSRF Audited Financial Statements in Appendix E for more information on DWSRF state match expenditures. State match was deposited into the DWSRF Fund in accordance with the requirements of 40 C.F.R. § 35.3550(g).

### 4. Binding Commitments Within One Year

The State Water Board continued to commit DWSRF base program funding, including the FFY DWSRF BIL – General Supplemental grant, 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, 2023, executed funding agreements for the base DWSRF program totaled approximately \$4.58 billion, or 154 percent (154%) of the approximately \$2.98 billion in federal payments and State Match.

However, as of June 30, 2023, \$0 had been committed against the FFY 2022 DWSRF Emerging Contaminant Grant and \$0 against the FFY 2022 DWSRF Lead Service Line Replacement Grant.

### 5. Expeditious and Timely Expenditure

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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, 2023, the State Water Board had only \$121.390 million in undisbursed FFY 2019, FFY 2020, FFY 2021, FFY 2022 Capitalization Grant funds, of which approximately 47 percent (47%) were predominantly set-aside funds already allocated for eligible uses, but delayed in drawdown due to continued Fi\$Cal implementation challenges. The small balances remaining in the FFY 2019 and FFY 2020 grants were solely set-aside funds, of which the State Water Board anticipates transferring to the DWSRF loan account in FY 2023-2024 for expenditure on project financings.

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 2023-24 and prior fiscal years. In SFY 2022-23, 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 \$74 million in DWSRF funds by June 30, 2023. As described in the SFY 2022-23 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.

The timely and expeditious use of DWSRF funds was also satisfied through the prompt and efficient processing of DWSRF reimbursement claims. To ensure timely reimbursement, DWSRF claims were generally reviewed and paid within 45 days from receipt of a complete claim. This period, however, was somewhat longer in the last few months of the fiscal year due to the longer year end transition period associated with Fi\$Cal. Prior to Fi\$Cal implementation, DFA staff reviewed and approved complete disbursement claims generally within 25 days, and then routed the requests to DAS for processing. DAS generally processed requests within eight calendar days of receiving the claim, and the State Controller's Office (SCO) generally issued a check (warrant) within seven calendar days to the funding recipient. The implementation of Fi\$Cal added additional processing time to the disbursement of funds within DFA, DAS and the SCO. This change in claims processing times normalized in SFY 2020-21. DFA continues to identify streamline processes to improve the reimbursement rate.

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The State Water Board continued to draw federal funds in SFY 2022-23 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.

To further enable the timely and expeditious use of DWSRF funds, the State Water Board prioritized the disbursement of State Match and federal funds.

**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>. Exhibit I provides a detailed analysis of DBE participation for FY 2022-2023. 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 2022-23. Each funding agreement included provisions requiring applicants to follow Davis-Bacon requirements. DFA conducted a variety of surveillance activities throughout SFY 2022-23 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.

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DWSRF funding recipients were also required to use American-made iron and steel products in SFY 2022-23 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.

New Build America, Buy America (BABA) provisions requiring domestically sourced construction materials and manufactured products (in addition to iron and steel products) were introduced with BIL and are a requirement for all FFATA reported projects. For SFY 2022-23, the applicable FFATA projects complied with BABA through use of the Adjustment Period Waiver issued by US EPA on September 2, 2022. Finally, 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 2022-23 for the benefit of SWSs and ESCWSs serving DACs and SDACs. Since the inception of the DWSRF program, federal regulations have allowed for up to thirty percent (30%), and now recently 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 began adding a fourteen percent (14%) additional subsidy allotment to the annual DWSRF appropriations, separate from the thirty percent (35%) additional subsidy allocation for DACs. The 14% subsidy was available for any eligible DWSRF recipient. Effective January 1, 2023, state law was amended to allow principal forgiveness to be provided to non-DACs, by removing the provision limiting principal forgiveness and grants to DACs. The 2022-23 IUP made small non-DACs with an MHI of less than 150% of the statewide MHI potentially eligible for principal forgiveness.

The State Water Board's SFY 2022-23 IUP directed that the maximum amount of additional subsidy allowed under federal rules and regulations be awarded to SWSs and ESCWSs serving DACs and SDACs in the form of principal forgiveness. Exhibit A identifies 11 additional subsidy projects funded in SFY 2022-23.

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Besides additional subsidy, the State Water Board may also allocate a portion of a capitalization grant to projects with “green” benefits (Green Project Reserve). While funding of GPR projects has been discretionary since FFY 2012, funds made available by capitalization grants may be used for GPR eligible projects. Exhibits A and G show that one GPR project was assigned to the FFY 2022 Cap Grant, and also shows the amount of DWSRF funding assigned to current and prior year capitalization grants to satisfy the optional DWSRF Green Project Reserve.

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

The State Water Board reported two (2) projects totaling \$9.285 million into the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) in SFY 2022-23 to satisfy the FFATA reporting requirements for the FFY 2022 base 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 B).

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## 9. Environmental Federal Cross-Cutters

The State Water Board Environmental Review Staff (ERS) reviewed DWSRF projects consistent with the approved State Environmental Review Process (SERP). The SERP follows the requirements of the California Environmental Quality Act. Applicants were required to complete and submit an Environmental Package along with relevant supporting documents to comply with federal environmental cross-cutting authorities. The State Water Board ERS reviewed the completed Environmental Package and the supporting documents to assure compliance with the SERP.

## 10. Single Audit Act

The State Water Board continued to require recipients receiving an executed agreement in SFY 2022-23 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 2022-23 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 2022 a summary of federal funds disbursed to those recipients in SFY 2021-22. DFA and DAS assisted the State Treasurer's Office in securing any required SFY 2021-22 Single Audit Act reports from DWSRF funding recipients by the deadline of March 2023. 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.

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## **Appendix D: DWSRF Performance Evaluation Report**

USEPA Region 9 conducted its annual review of California's CWSRF program for SFY 2020-21 and SFY 2021-22 jointly in accordance with EPA's SRF annual review guidance. Based upon the transaction tests, file and program reviews and interviews, EPA concluded that the State Water Board has administered the program in compliance with the capitalization grant agreements. All financing executed by the SWRCB assisted water systems to maintain or bring them into compliance with federal and state drinking water requirements.

The SRF programs in California demonstrated strong performance in SFY 2020-21, followed by an unprecedented, exceptional year in SFY 2021-22. In SFY 2021-22, USEPA Region 9 acknowledged that the State Water Board executed \$910.5 million in DWSRF assistance. This level comprised the highest amount of lending of any state nationally.

Any additional program observations by USEPA Region 9 will be addressed in separate correspondence.

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**Appendix E: SFY 2022-23 DWSRF Audited Financial Statements**