

---

## State Water Resources Control Board

March 5, 2015

Doug Eberhardt  
U.S. Environmental Protection Agency  
75 Hawthorne Street  
San Francisco, CA 94105

### **STATE WATER RESOURCES CONTROL BOARD, SAFE DRINKING WATER STATE REVOLVING (SDWSRF) ANNUAL SDWSRF REPORT FOR FISCAL YEAR 2013-14**

Dear Mr. Eberhardt:

The State Water Resources Control Board (Board) presents to the United States Environmental Protection Agency (USEPA) its 16th annual report on the Safe Drinking Water State Revolving Fund Program ("SDWSRF"). Biennial reports are a requirement by the USEPA for the Safe Drinking Water State Revolving Loan Program (SDWSRF). California has provided annual reports to EPA in lieu of the biennial report requirement. The California SDWSRF is managed by the Board's Division of Financial Assistance referred to as "DFA"; except where specific program distinctions are necessary. Included in the SDWSRF is the American Recovery and Reinvestment Act of 2009 (ARRA). Instances in this report referring to SDWSRF include both the base program and ARRA, unless specifically noted.

The Board is pleased to provide US EPA with information on the progress and many accomplishment of the program during the last fiscal year covering July 1, 2013 to June 30, 2014.

This Annual Report for SFY 2013-14 describes the State's efforts to meet the long and short term goals and objectives of the SDWSRF. Within the report you will find a financial summary of revenues and disbursements and information on fund utilization. In addition, the report addresses administrative and programmatic issues including the Notice of Non-Compliance issued by USEPA and CDPH's Corrective Action Plan and also covers the various "set-asides" and their utilization to further the State and Federal

FELICIA MARCUS, CHAIR | THOMAS HOWARD, EXECUTIVE DIRECTOR

goals of achieving and maintaining a adequate supply of safe, clean and affordable drinking water, which is essential for the protection of public health.

If you have any questions or concerns with regard to this report, please contact me at (916) 449-5625 or via email at [Lance.Reese@waterboards.ca.gov](mailto:Lance.Reese@waterboards.ca.gov).

Sincerely,



Lance Reese, Chief  
Loan and Grant Administration Section  
Division of Financial Assistance

Enclosure

cc: Juanita Licata  
U.S. EPA, Region 9, WTR-4  
75 Hawthorne St.  
San Francisco, CA 94105

Josh Amaris  
U.S. EPA, Region 9, WTR-4  
75 Hawthorne St.  
San Francisco, CA 94105

CALIFORNIA STATE WATER RESOURCES  
CONTROL BOARD  
DIVISION OF FINANCIAL ASSISTANCE

SAFE DRINKING WATER STATE REVOLVING FUND  
AND SOURCE WATER PROTECTION PROGRAM

ANNUAL REPORT TO THE  
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
STATE FISCAL YEAR: 2013-14



## TABLE OF CONTENTS

I.	INTRODUCTION.....	4
II.	MISSION.....	4
III.	GOALS AND ACCOMPLISHMENTS.....	5
	A. Long Term Goals Follow-up.....	5
	B. Short Term Goals Follow-up.....	6
IV.	SDWSRF REVENUES, DISBURSEMENTS & COMMITMENTS SUMMARY.....	9
	A. USEPA FFY 13 Grant Award Summary.....	10
	B. Revenue Summary.....	11
	C. Disbursement Summary.....	13
	D. Funding Commitment Summary.....	15
	E. Small Water System Commitment Summary.....	16
	F. Annual Additional Subsidy Summary.....	17
V.	SDWSRF SET-ASIDES.....	17
	A. Administration Set-Aside.....	17
	B. Small Water System Technical Assistance Set-Aside.....	18
	C. Local Assistance Set-Aside.....	18
	D. State Program Management Set-Aside.....	19
VI.	ADMINISTRATIVE AND PROGRAMMATIC UPDATES.....	20
	A. Federal Cross-Cutters.....	20
	B. Disadvantaged Business Enterprises Reporting.....	20
	C. Project Priority List.....	20
	D. Fundable List and Project Bypass.....	22
	E. Green Project Reserve.....	22
	F. American Iron and Steel Requirement.....	22
	G. Legal Entity Formation Assistance Program.....	23
	H. Consolidation Incentive Program.....	23
	I. Claims Eligibility Guidance and Procedure Manual.....	24
VII.	NOTICE OF NON-COMPLIANCE/CORRECTIVE ACTION PLAN.....	24
VIII.	SOURCE WATER PROTECTION PROGRAM.....	27
	A. Statutory Requirement for Report to Legislature.....	27
	B. Background.....	27
IX.	CONCLUSION.....	28

**TABLES:**

**TABLE 1: SDWSRF 2013 CAPITALIZATION GRANT BUDGET.....10**  
**TABLE 2: SDWSRF REVENUE SOURCES.....12**  
**TABLE 3: SDWSRF DISBURSEMENTS.....14**  
**TABLE 4: SDWSRF FUND UTILIZATION RATE.....16**  
**TABLE 5: SDWSRF SFY 13/14 COMMITMENTS BY PROJECT TYPE.....16**  
**TABLE 6: DBE FUNDING.....20**  
**TABLE 7: SDWSRF SFY 13/14 INVITATION AND RESPONSE RATE.....21**  
**TABLE 8: SDWSRF CONSOLIDATION INCENTIVE APPLICATIONS.....24**  
**TABLE 9: SOURCE WATER PROTECTION LOAN SET-ASIDES.....28**

**FIGURES:**

**FIGURE 1: SDWSRF HISTORICAL AND PROJECTED FEDERAL ULO.....15**

**APPENDICES:**

**A. PROJECT RANKING CRITERIA.....30**  
**B. EXECUTED FUNDING AGREEMENTS.....32**  
**C. SDWSRF FUNDABLE LIST STATUS.....33**  
**D. SMALL WATER SYSTEMS PROGRAM PLAN UPDATE.....35**  
**E. SDWSRF SOURCE WATER PROTECTION LOAN HISTORY.....40**  
**F. NEW SDWSRF DISBURSEMENT REQUEST FORM AND GUIDANCE.....41**  
**G. LEGAL ENTITY FORMATION ASSISTANCE FUNDED PROJECTS.....42**

## **I. INTRODUCTION**

On July 1, 2014, the Safe Drinking Water State Revolving Fund (SDWSRF) Program was transferred from the California Department of Public Health (CDPH) to the State Water Resources Control Board (State Water Board).

The State Water Board presents to the United States Environmental Protection Agency (USEPA) the 16th Annual Report on the DWSRF Program. Biennial reports are a requirement by US EPA for the SDWSRF Program. However, California has provided annual reports to US EPA in lieu of the biennial report. California's SDWSRF is now managed by the State Water Board's Division of Financial Assistance (DFA). Included in the SDWSRF is the American Recovery and Reinvestment Act of 2009 (ARRA), which was fully disbursed this year, and is now progressing through the federal grant close-out process. Instances in this report refer to SDWSRF as well as ARRA, unless specifically noted.

The State Water Board is pleased to provide USEPA with information on the progress and many accomplishments of the program during State Fiscal Year (SFY) 13/14 (July 1, 2013 to June 30, 2014).

This Annual Report for SFY 13/14 describes the State's efforts to meet the long and short term goals and objectives of the SDWSRF. It provides a financial summary of revenues and disbursements and information on fund utilization. The report addresses administrative and programmatic issues, including the Notice of Non-Compliance issued by USEPA and the Program's implementation of the Corrective Action Plan (CAP). This report also covers the various "set-asides" and their utilization to meet State and federal goals targeted towards improving public health through achieving an adequate supply of safe, clean, and affordable drinking water for all Californians.

In short summary, CDPH awarded \$354,073,135 in new agreements to public water systems in SFY 13/14 for 41 planning and construction projects. This included \$250,795,109 to public water systems serving disadvantaged communities, with 33 of the 41 projects awarded funding to small community water systems, including schools. CDPH also awarded an additional \$ 2,086,431 in funding amendments to seven (7) projects, for a combined funding total of \$356,159,566 in SFY 13/14. As a result of CDPH's efforts to increase its SDWSRF fund utilization rate over the last couple of years, California's SDWSRF federal unliquidated obligation (ULO) amount decreased from the \$455 million reported in the USEPA Notice of Non-Compliance dated April 19, 2013 to under \$255 million, as of June 30, 2014. The SDWSRF program also remains on target to achieve a SDWSRF federal ULO of less than \$160 million by June 30, 2016.

## **II. SDWSRF MISSION**

The SDWSRF staff consists of administrative analysts, engineers, scientists, and managers who collectively share and uphold the vision of providing infrastructure funding and needed technical assistance as a means to improve the health of individuals and families statewide.

The California SDWSRF program supports the National USEPA Strategic Plan Goal 2 (Clean and Safe Water), Objective 1 (Protect Human Health), Sub-Objective 1 (Water Safe to Drink). Specifically, California established and is managing the SDWSRF to make affordable financing and provide technical assistance to public water systems needing to finance infrastructure projects in an effort to achieve or maintain compliance with Safe Drinking Water Act (SDWA). California SDWSRF activities support US EPA Program Reporting Measure SDW-4 Fund Utilization and SDW-5 SDWSRF projects that have initiated operations.

CDPH and the State Water Board continue to work closely with USEPA, the California Governor's Office and Legislature, public water systems, sister State agencies and other interested parties to ensure that the funds entrusted to CDPH and the State Water Board are utilized responsibly and in the most expedient manner possible while meeting the mission of improving public health.

### **III. GOALS AND ACCOMPLISHMENTS**

The short-term and long-term goals of the SDWSRF are disclosed each year in the SDWSRF Intended Use Plan (IUP). The goals reflect both federal and State legislative intent to provide funding to correct deficiencies that exist in many of California's public water systems. Both CDPH and State Water Board seek to ensure that all California residents served by public water systems have access to safe, clean and affordable drinking water.

#### **A. LONG-TERM GOALS FOLLOW-UP**

CDPH and the State Water Board are committed to achieving long-term goals that meet the federal and state legislative intent, as well as the general goals of USEPA. Specifically, CDPH made substantial progress in SFY 13/14 toward achieving each of the following long-term goals:

**1. Ensure that all public water systems provide an adequate, reliable supply of safe, clean drinking water, and achieve and maintain compliance with the SDWA and state standards.**

- California exceeded the national average in terms of the percentage of the population receiving water that meets the National Primary Drinking Water Standards. It is calculated that over 98% of the population served by PWSs in the State are being provided safe drinking water.
- The SDWSRF within the Division of Drinking Water, the regulators of California's public water systems (PWS), under CDPH, ensured that all eligible PWS had the opportunity to apply for SDWSRF funding as a means to regaining drinking water compliance.
- CDPH also recognized that the population served by small water systems only has a compliance rate of approximately 95%. As a means to measure progress towards improving the compliance rate of this subset of water systems, CDPH developed the Small Water System Program which focuses on 183 non-compliant small community water systems. By the end

of calendar year 2014, a total of nine systems had returned to compliance. More details on this project are provided in Appendix D.

**2. Ensure that the SDWSRF funds are available in perpetuity to all California public water systems.**

- Over the past four years, CDPH has made significant progress in increasing the timely commitment of funds to projects. From 1997-2009, CDPH had committed approximately \$700 million in available SDWSRF funding to drinking water projects. From 2010-2014 alone, CDPH committed approximately \$1.2 billion in SDWSRF funding to drinking water projects, constituting over 50% of the SDWSRF loan fund. Such a rapid increase in funding commitments over the last four years will ensure a viable return on loan funds to the SDWSRF program.
- CDPH continued to make program improvements to better control, manage, and administer the SDWSRF funds, including the further development of new financial models to track and project the health of the SDWSRF.

**3. Reduce the cost of drinking water.**

- CDPH continued the efforts of the SDWSRF program by providing low cost loans and grants to public water systems, thereby reducing capital costs. Also, as a part of the application and funding process, CDPH continued requirements to improve the Technical, Managerial and Financial (TMF) capacity of water systems receiving financial support. Such TMF requirements will ensure that the water systems are operated in a more effective and efficient manner, thereby reducing the cost of drinking water.
- Water systems were encouraged to include energy efficiency and water conservation measures, including water meters, in their projects in SFY 13/14. Water meters encourage the conservation of water, and produce cost savings related to water pumping, treatment, storage and distribution.
- Additionally, CDPH encouraged the consolidation or regionalization of small public water systems that lack the capability to be operated and maintained in a cost effective manner by providing incentives for consolidation projects and assisting the applicants through the funding process.

**B. SHORT-TERM GOALS FOLLOW-UP**

As a part of the SFY 13/14 SDWSRF Intended Use Plan (IUP), CDPH committed to several short-term goals that work to achieve the stated long-term goals and produce measurable results each year. Progress towards some these goals is described below:

- 1. Immediately seek the award of the Federal Fiscal Year (FFY) 2013 Capitalization Grant (2013 Capitalization Grant). Upon award, commit loan**



**funds from the 2013 Capitalization Grant by September 30, 2014 such that the federal funds can promptly be utilized.**

- CDPH was awarded the 2013 Capitalization Grant in the fall of 2013 and committed projects to the 2013 Capitalization Grant by June 30, 2014, almost three months in advance of the deadline to commit such funds per the CAP.
- 2. Achieve a loan commitment pace or fund utilization rate of approximately 103 percent (103%) by June 30, 2014.**
- CDPH awarded \$356,159,566 in executed funding agreements and amendments in SFY 13/14.
  - CDPH increased the fund utilization rate (Pace) of the SDWSRF from the 95 percent (95%) achieved in SFY 12/13 to over 108 percent (108%) in SFY 13/14.
- 3. Provide at least 20 percent (20%) and not more than 30 percent (30%) of the 2012-13 Capitalization Grant as loan subsidy to eligible recipients (Disadvantaged Communities)**
- CDPH provided \$35,523,391 in loan subsidy (principal forgiveness) for equivalency projects representative of the 2011 and 2012 federal capitalization grants. The State Water Board intends to award the additional subsidy provided under the 2013 Capitalization Grant during state fiscal year 2014-2015.
  - It should also be noted that \$250,795,109 of the SDWSRF funds awarded in SFY 13/14 went to disadvantaged communities (Median Household Income less than 80 percent of the statewide average). This represents 70.4 percent (70.4%) of the total executed funding agreements issued through the SDWSRF program by CDPH in SFY 13/14.
- 4. Provide at least 15 percent (15%) of the funds to systems serving populations fewer than 10,000 people.**
- CDPH provided \$251,630,412 in aggregate SDWSRF funding to small water systems that were "ready to proceed" to a funding agreement, compared to the cumulative \$1,838,758,719 funding made available through the SDWSRF program, thereby constituting 13.7% of the SDWSRF, as calculated in USEPA's National Information Management System (NIMS).
  - In SFY 13/14, \$23,381,133 of SDWSRF funds, or slightly over 6.5 percent (6.5%) of the funds awarded, went to small water systems.
  - However, in 2013-14, almost 83 percent (83%) of the SDWSRF funding agreements were awarded to small water systems.
  - In recent years, CDPH has committed a majority of its DWSRF personnel resources to assisting small water systems. Moreover, most small water

systems are not ready to proceed with a construction project because they are often unprepared and lack project feasibility analysis, plans and specifications, environmental documentation, and certain technical, managerial and financial qualifiers. As such, CDPH has committed DWSRF planning funding to small water systems in recent years to assist with planning and design. Such planning funding will facilitate small water system construction projects in the future and thereby further contribute to the small water system funding goal of the SDWSRF program.

**5. Ensure compliance with USEPA's Notice of Non-Compliance dated April 19, 2013.**

- CDPH complied with the CAP requirements during SFY 13/14. See Section VI of this SFY 13/14 SDWSRF annual report to USEPA for more information.

**6. Provide SDWSRF funding to PWS for the installation of new water meters in order to promote the SDWSRF Green Project Reserve.**

- CDPH provided \$7,139,678 in funding to four water meter projects in a continual effort to promote the SDWSRF Green Project Reserve. See Appendix B of this SFY 13/14 DWSRF Annual Report for those projects designated for Green Project Reserve.

**7. Provide \$260 million in SDWSRF funding to planning and construction projects, as identified on the 2013 Fundable List (Appendix C) by June 30, 2014 and an additional \$96 million by September 30, 2014 for a combined total of \$356 million.**

- CDPH committed \$354,073,135 in new SDWSRF funding agreements and \$2,059,931 in additional SDWSRF funding amendments, for a combined total of \$356,133,066 in SDWSRF funding during SFY 13/14.

**8. Achieve a set-aside ULO of not less than 70 percent (70%) of cumulative total set-aside funds received by June 30, 2014.**

- CDPH achieved a SDWSRF set-aside spending rate of 84.7 percent (84.7%) by June 30, 2014. This was substantially achieved through the disbursement of approximately \$8.5 million in SDWSRF State Program Management Set-Aside funds to California's local primacy county health offices for their renewed delegation agreements and the performance of their delegated public water system supervision duties.

**9. Disburse a cumulative total of \$321 million SDWSRF project funds during the period beginning with July 1, 2012 and ending June 30, 2014.**

- CDPH disbursed \$337,624,035 in SDWSRF projects funds during the period beginning with July 1, 2012 and ending June 30, 2014.

**10. Fully reconcile and update USEPA's National Information Management System (NIMS) with CDPH's SDWSRF funding information by May 31, 2014.**

- As of May 31, 2014, CDPH had substantially reconciled and updated USEPA's NIMS. The need to update such data was due to a change in the reporting of "binding commitments," from the previously employed "letters of commitments (NOAAs)" to the now currently employed "executed funding agreements."

**11. Enlist assistance from USEPA's contractor Northbridge to perform an external assessment of CDPH's SDWSRF program to identify any management enhancements or changes of SDWSRF project selection processes.**

- During SFY13/14, Northbridge performed an external assessment of the SDWSRF program, including a Process Optimization Drill (POD). As of June 30, 2014, Northbridge was performing it's analysis of the SDWSRF program, including any management enhancements and/or recommendations to the SDWSRF project selection process.

**12. Continue to conduct quarterly cash flow modeling of the SDWSRF to ensure the timely and expeditious use of funds while further integrating cash flow modeling tools with the project tracking functionality of USEPA's Loans and Grants Tracking System (LGTS).**

- The SDWSRF program continued to conduct quarterly cash flow modeling during SFY 13/14 to monitor the model's disbursement trends. The SDWSRF program also solicited the assistance of Northbridge to begin reconciling various accounting and amortization data within LGTS relative to the State's CalStars accounting database in a continual effort to prepare and enable LGTS to begin modeling SDWSRF cash flows.

**13. Begin the first phase of the web-enabling and user interface over-haul of LGTS through a feasibility study with Northbridge.**

- In the fall of 2013, Northbridge conducted a week-long survey of SDWSRF program staff to solicit needs and ideas for the redesign of LGTS. During the remainder of SFY 13/14, Northbridge began programming such changes to LGTS and aided in the reconciliation of certain project and accounting data within LGTS.

**IV. SDWSRF REVENUES, DISBURSEMENTS AND COMMITMENTS SUMMARY**

This section of the report discusses and provides information on the financial status of the SDWSRF program, including information on the latest grant award, the funded

project portfolio, program revenues as well as project and set-aside disbursements. The following data is based upon the reconciliation of the SDWSRF funding portfolio as of June 30, 2014. The figures in this report should be considered the new base-line for the SDWSRF, until otherwise modified due to ongoing reconciliation.

#### A. USEPA FFY13 GRANT AWARD SUMMARY

CDPH was awarded the 2013 Capitalization Grant on September 26, 2013 in the amount of \$78,770,000, which included \$426,000 of “in-kind” funding for the Northbridge SDWSRF management study as well as additional funding for the Northbridge LGTS web-enabling efforts. The State Match was provided through a short-term loan with the California Infrastructure and Economic Development Bank (IBank) whereby CDPH engaged in a master loan agreement with the IBank in the fall of 2013 to secure \$35,050,000 in principal for State Match. The \$35 million loan was repaid one week later with \$237 in interest and \$25,000 in fees from the approximate cash balance of \$83 million in SDWSRF project interest returns. In summary, the 2013 IBank State Match transaction provide \$15,754,000 in State Match for the 2013 Capitalization Grant as well as \$19,296,000 in State Match for the 2012 and 2011 Capitalization Grants. Table 1 below represents the allocation of the 2013 Capitalization Grant between various set-aside activities and the SDWSRF loan fund.

**TABLE 1 – SDWSRF 2013 CAPITALIZATION GRANT BUDGET**

CATEGORY	Sources of Funds	Intended Use
Federal Capitalization Grant (FFY 2013)	\$78,770,000	
Set-aside programs (as % of total capitalization grant)	23%	
Administration (4 %)*		\$3,150,800
Local Assistance - Capacity Development (2%)		\$1,575,400
Local Assistance - Legal Entity Formation and Pre-Planning Assistance (2%)		\$1,575,400
Local Assistance – Third Party Technical Assistance Contracts (4%)		\$3,150,800
Small Water Systems Technical Assistance (2%)		\$1,575,400
State Program Management - PWSS (9%)		\$7,089,300
Balance of Federal Funds to SDWSRF Loan Fund		\$60,652,900
State Match (20%) for 2013 Federal Capitalization Grant	\$15,754,000	
<b>Total SDWSRF Funds (federal and state match funding )</b>	<b>\$94,524,000</b>	
*Includes \$426,867 of “in-kind” funding for Northbridge DWSRF management study and LGTS web-enabling		

## **B. REVENUE SUMMARY**

In addition to the 18 SDWSRF federal capitalization grants and the required 20 percent (20%) State Match for each capitalization grant that has been received by CDPH, additional revenue sources for the SDWSRF program include principal repayments from loans awarded to SDWSRF funding recipients; the interest generated from the loan awards; interest earned from the Surplus Money Investment Fund (SMIF); and local match funding. Table 2 below demonstrates the sources of such program revenues in both prior years and SFY 13/14.

**TABLE 2 – SDWSRF REVENUE SOURCES**

Federal 2014 Reporting Year	Prior Years to June 30, 2013			Reporting Year 07/2013 through 06/2014		Cumulative Sources
	DWSRF	ARRA	Prior Year Cumulative	DWSRF	ARRA	
Capitalization Grant Loan Funds	1,151,853,686	149,811,000	1,301,664,686	60,652,900	0	1,362,317,586
State Match	260,472,696		260,472,696	15,754,000	0	276,226,696
Loan Repayment Revenues and Earnings						
<i>Principal Repayment</i>	190,348,875	3,176,487	193,525,362	42,615,644	1,007,980	237,148,986
<i>Interest and Penalties</i>	86,520,059	1,004,386	87,524,445	11,465,839	860,261	99,850,545
<i>Surplus Money Investment Fund</i>	12,511,823	0	12,511,823	514,083	0	13,025,906
<b>Subtotal Loan Programs</b>	<b>1,701,707,138</b>	<b>153,991,873</b>	<b>1,855,699,011</b>	<b>131,002,466</b>	<b>1,868,242</b>	<b>1,988,569,719</b>
Administration Account (0625) (4%)	50,930,105	6,017,000	56,947,105	2,723,933	0	59,671,038
Small Water System Technical Assistance (0628) (2%)	24,253,922	3,180,000	27,433,922	1,575,400	0	29,009,322
State Program Management (up to 10%)						
<i>Capacity Development (0626)*</i>	28,312,517	0	28,312,517	-2,105,955	0	26,206,562
<i>Public Water System Supervision (7500)**</i>	30,727,385	0	30,727,385	9,195,255	0	39,922,640
Local Assistance (up to 15%)						
<i>Capacity Development (0626)</i>	2,560,740	0	2,560,740	1,575,400	0	4,136,140
<i>SWAP Support (0627)***</i>	8,831,577	0	8,831,577	0	0	8,831,577
<i>Legal Entity Formation Assistance (0628)</i>	1,707,160	0	1,707,160	1,575,400	0	3,282,560
<i>Third Party Local Assistance Contracts (0628)</i>	0	0	0	3,150,800	0	3,150,800
<i>Wellhead Protection</i>	2,600,940	0	2,600,940	0	0	2,600,940
<i>In-Kind</i>	468,553	0	468,553	426,867	0	895,420
<b>Subtotal Set-Asides</b>	<b>150,392,899</b>	<b>9,197,000</b>	<b>159,589,899</b>	<b>18,117,100</b>	<b>0</b>	<b>177,706,999</b>
<b>Total Funds Allocated</b>	<b>1,852,100,037</b>	<b>163,188,873</b>	<b>2,015,288,911</b>	<b>149,119,566</b>	<b>1,868,242</b>	<b>2,166,276,718</b>

\* Grant 2010 and 2011 revisions to reallocate funds from 0626 (SPM Capacity Development) to 7500 (SPM Public Water System Supervision) were approved by EPA via email 6/6/14.

\*\* Includes disbursements to Local Primacy Agencies (LPAs), total of \$8,515,000 in FY 13/14.

\*\*\* Includes 0627 SWAP loan

### C. DISBURSEMENT SUMMARY

CDPH and the State Water Board remain committed to the timely disbursement of project loan funds to SDWSRF funding recipients as well as the timely and expeditious use of SDWSRF set-aside funds. In SFY 13/14, CDPH disbursed a total \$176,357,419 in SDWSRF project funding. An additional \$24,890,005 was disbursed under the SDWSRF set-asides in SFY 13/14. As of June 30, 2014, the SDWSRF federal ULO had decreased to approximately \$255 million from the \$455 million ULO reported in USEPA's Notice of Non-Compliance in April of 2013. As a result of such disbursements and this year's \$356 million commitment amount, the SDWSRF program remains on track to achieve a federal ULO less than \$160 million by June 30, 2016. See Figure 1 below for a representation of the SDWSRF's historical federal ULO and a projection of such ULO based upon the current iteration of the SDWSRF program's cash flow modeling.

Also, when considering a cumulative set-aside disbursement amount of \$146,418,639 as of June 30, 2014, the SDWSRF program's set-aside spending rate was approximately 82.4 percent (82.4%), which far exceeded the 75 percent (75%) requirement of the CAP and is nearing the national average of approximately 89.1 percent (89.1%), as recently reported by USEPA. Table 3 below demonstrates the disbursements of project and set-aside funds.

Table 3- SDWSRF DISBURSEMENTS

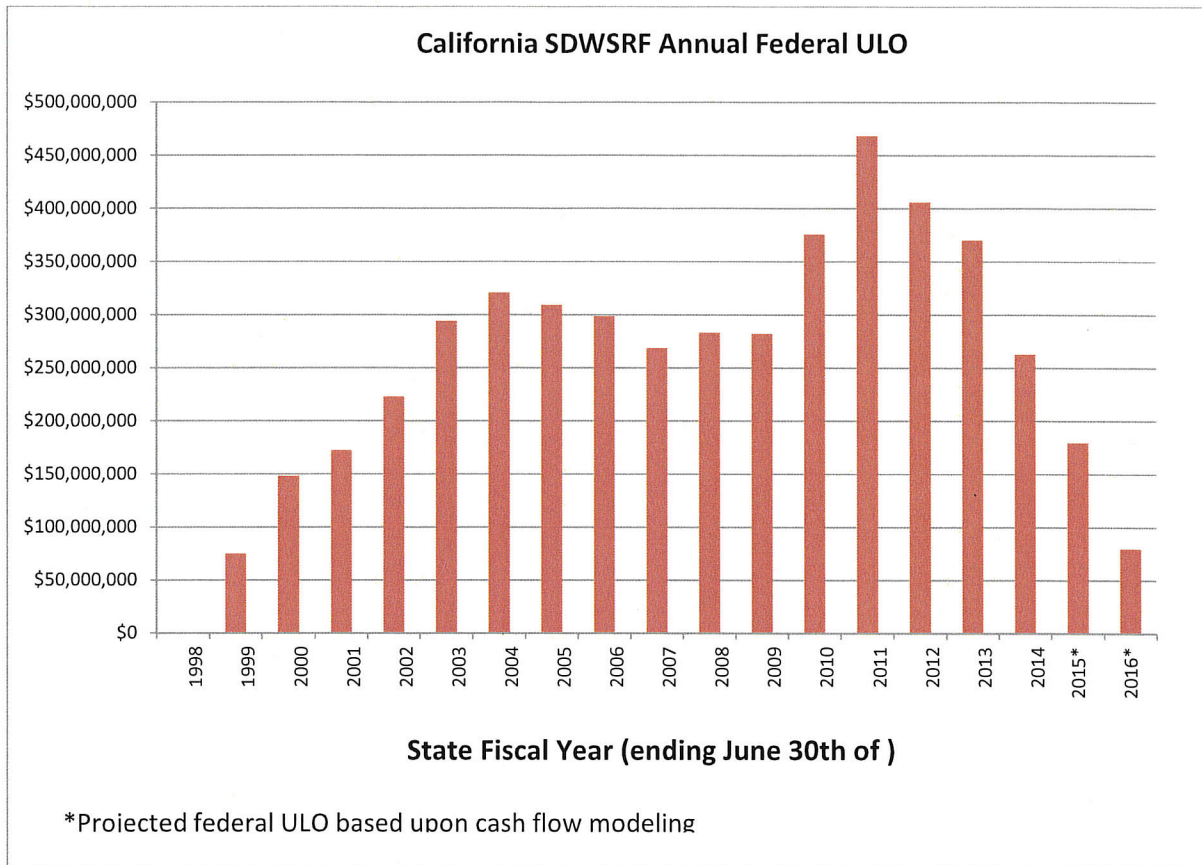
Federal 2014 Reporting Year	Prior Years to June 30, 2013			Reporting Year 07/2013 through 06/2014		Cumulative Uses
	DWSRF	ARRA	Prior Year Cumulative	DWSRF	ARRA	
Capitalization Grant Loan Funds	819,296,085	141,813,597	961,109,682	163,010,178	7,988,810	1,132,108,669
State Match	218,261,851	0	218,261,851	11,585,512	0	229,847,363
Repayment Revenues and Earnings						
Principal Repayment	21,940,799	0	21,940,799	1,761,729	0	23,702,528
Interest and Penalties	0	0	0	0	0	0
Surplus Money Investment Fund	0	0	0	0	0	0
<b>Subtotal Loan Programs</b>	<b>1,059,498,735</b>	<b>141,813,597</b>	<b>1,201,312,332</b>	<b>176,357,419</b>	<b>7,988,810</b>	<b>1,385,658,561</b>
Administration Account (0625) (4%)	48,440,038	5,241,698	53,681,736	3,586,915	107,774	57,376,425
Small Water System Technical Assistance (0628) (2%)	21,959,401	2,787,815	24,747,216	2,463,045	(3,523)	27,206,738
State Program Management (up to 10%)						
Capacity Development (0626)*	21,600,551	0	21,600,551	1,086,614	0	22,687,164
Public Water System Supervision (7500)**	12,563,303	0	12,563,303	17,753,431	0	30,316,734
Local Assistance (up to 15%)						
Capacity Development (0626)	0	0	0	0	0	0
SWAP Support (0627)***	8,831,577	0	8,831,577	0	0	8,831,577
Legal Entity Formation Assistance (0628)	0	0	0	0	0	0
Third Party Local Assistance Contracts (0628)	0	0	0	0	0	0
Wellhead Protection	0	0	0	0	0	0
In-Kind	0	0	0	0	0	0
<b>Subtotal Set-Asides</b>	<b>113,394,870</b>	<b>8,029,513</b>	<b>121,424,383</b>	<b>24,890,005</b>	<b>104,251</b>	<b>146,418,639</b>
<b>Total Funds Expended</b>	<b>1,172,893,605</b>	<b>149,843,109</b>	<b>1,322,736,714</b>	<b>201,247,424</b>	<b>8,093,061</b>	<b>1,532,077,199</b>

\* Includes disbursements to Local Primacy Agencies (LPAs), total of \$8,515,000 in FY 13/14.

\*\* Includes 0627 SWAP loan



**FIGURE 1 – SDWSRF HISTORICAL AND PROJECTED FEDERAL ULO**



**D. FUNDING COMMITMENT SUMMARY**

During SFY 13/14, CDPH awarded a total of 41 SDWSRF planning and construction funding agreements totaling \$354,073,135 in new SDWSRF funding. An additional \$2,086,431 in SDWSRF funding amendments for existing projects was awarded by CDPH. Based upon such SFY 13/14 commitments, the SDWSRF program achieved a funding utilization rate of approximately 108% by June 30, 2014. Table 4 below demonstrates how CDPH has maintained consistent progress in increasing the fund utilization rate of the SDWSRF since SFY 2008-09, to the extent that the SDWSRF fund is now over-committed through the use of cash flow modeling. Moreover, California's SDWSRF funding utilization rate now far exceeds the national average for States that do not leverage their SDWSRF program funds.

The uses of such SDWSRF funding include drinking water project loans and associated additional subsidy, such as principal forgiveness or negative interest rates. Project funding was also targeted to a combination of small and large water systems as well as disadvantaged, severely disadvantaged and non-disadvantaged water systems to address both primary and secondary drinking water standards. Table 5 below represents the project types and associated funding amounts for SFY 13/14. Finally, a complete listing of SDWSRF executed funding agreement and amendments for SFY 13/14 are included in Appendix B to this SDWSRF annual report to the USEPA.

**TABLE 4 – SDWSRF FUND UTILIZATION RATE**

State Fiscal Year	Assistance Provided**	Fund Utilization Rate Goal (Percent)	Fund Utilization Rate Achieved (Percent)
SFY 2008-09*	\$18,665,399	-	-
SFY 2009-10*	\$155,245,307	-	68
SFY 2010-11	\$241,810,869	80	79
SFY 2011-12	\$261,567,490	85	88
SFY 2012-13	\$265,739,107	95	95
SFY 2013-14	\$356,133,066	103	108
*No pace goal in SFY 2008-09 and 2009-10 **Executed funding agreements including amendments Not including ARRA in 2009-10. ARRA fund utilization rate was 100%			

**TABLE 5 - SDWSRF SFY 13/14 COMMITMENTS BY PROJECT TYPE**

Project Type	Component of No. of Projects	Funding Amount
Planning and Design	19	\$5,500,785
Treatment	8	\$126,460,189
Transmission & Distribution	13	\$45,327,505
Source	5	\$115,924,431
Storage	4	\$60,886,752
Land Acquisition	0	\$0

**E. SMALL WATER SYSTEM COMMITMENT SUMMARY**

During SFY 13/14, CDPH awarded \$23,381,133 of SDWSRF funds, or slightly over 6.5 percent (6.5%) of the funds awarded, to small water systems (population less than 10,000 persons). This year's small water system funding, combined with prior year's small water system funding, constitutes 13.7 percent (13.7%) of the funds available from the SDWSRF. In SFY 13/14 alone, almost 83 percent (83%) of the funding agreements were awarded to small water systems. While the SDWSRF program has historically provided funding to any eligible small water system that is "ready to proceed" to a construction or planning project, it's often the technical, managerial and financial challenges of small water systems that limit or delay a small water system from becoming eligible for SDWSRF funding. As such, the SDWSRF program continues to provide a variety of technical and financial assistance to prepare small water systems for SDWSRF funding.

## **F. ANNUAL ADDITIONAL SUBSIDY SUMMARY**

During SFY 13/14 CDPH awarded \$35,523,391 of SDWSRF funds, in the form of loan principal forgiveness as additional subsidy to offset loan burden for public water systems that serve disadvantaged communities. In accordance with State and federal statutes and regulations, the SDWSRF principal forgiveness was awarded to public water systems that are owned by public agencies or non-profit water companies that serve disadvantaged communities, which have an inability to afford a SDWSRF loan based upon an analysis of their associated average residential water rate. The additional subsidy provided in SFY 13/14 represents the subsidy provided under the 2011 and 2012 SDWSRF federal capitalization grants, or \$26,009,400 and \$25,607,400 respectively. See Appendix B of this SDWSRF annual report to USEPA for the list of projects that were provided additional subsidy and the amount awarded in SFY 13/14.

## **V. SDWSRF SET-ASIDES**

CDPH utilizes a percentage of each federal capitalization grant (set-asides) to fund the administration of the SDWSRF program as well as other programs and activities critical to the success of the SDWSRF program and California's Public Water Supervision Program. The set-asides include the Administration Set-Aside (maximum 4% of capitalization grant), the Small Water Systems Technical Assistance Set-Aside (maximum 2% of capitalization grant), the Local Assistance Set-Aside (maximum 15% of capitalization grant), and State Program Management Set-Aside (maximum 10% of capitalization grant). Set-asides collectively aid in the goal of providing funding and technical assistance to water systems that are in violation of SDWA standards and/or have known deficiencies which may be a health risk to the public. During SFY 13/14, CDPH budgeted 23 percent (23%) of the 2013 Capitalization Grant for all four Set-Asides. Combined with prior year's unspent Set-aside funding, the following was financed by each of the respective Set-Asides.

### **A. ADMINISTRATION SET-ASIDE**

CDPH budgeted four percent (4%) of the 2013 Capitalization Grant for the Administration Set-aside to fund the management of the SDWSRF program. The Administration Set-Aside funded technical and administrative personnel, who evaluated SDWSRF funding applications; prepared construction and planning approvals and agreements; inspected and evaluated SDWSRF construction and planning projects, respectively; and processed SDWSRF project reimbursement claims. The Administration Set-Aside also funded personnel activities associated with various SDWSRF project tracking and reporting required by USEPA as well as other State and Federal Agencies.

A portion of the Administration Set-Aside also funded contracts with other necessary agencies such as the Department of Water Resources (DWR) and the State Controller's Office (SCO). DWR provided assistance to CDPH by performing financial evaluations of SDWSRF funding applicants, including an evaluation of their ability to repay loans, as well as prepared funding agreements, as approved and authorized by the SDWSRF program. The SCO was contracted by CDPH to perform the SDWSRF annual single-

audit in accordance with OMB Circular A-133 as well as produce audited financial statements for the SDWRSF.

The Administration Set-Aside also provided approximately \$426,000 of "in-kind" funding for a Northbridge management study of the SDWSRF program as well as provided additional funding for Northbridge to further its web-enabling efforts of the SDWSRF LGTS database.

## **B. SMALL WATER SYSTEM TECHNICAL ASSISTANCE SET-ASIDE**

The primary goals of the Small Water System Technical Assistance Set-Aside are to reduce the instances of non-compliance with drinking water standards and requirements of small water systems; establish and assure safe and dependable water supplies for small water systems; improve the operational capability of small systems; and establish or improve the technical, managerial, and financial (TMF) capacity of small water systems.

CDPH budgeted two percent (2%) of the 2013 Capitalization Grant for the Small Water System Technical Assistance Set-Aside, which funded technical and administrative staff and their assistance to small water systems. The small water system assistance by such staff included helping small water systems identify drinking water problems and potential solutions; assisting in the preparation of SDWSRF pre-applications and applications; conducting technical, managerial and financial assessments; and evaluating potential SDWSRF funding eligibility as a small water system. Such staff also helped resolve small water ownership issues, right-of-way disputes, as well as interceded and mediated with adjacent water systems regarding potential water interties and consolidation projects.

## **C. LOCAL ASSISTANCE SET-ASIDE**

CDPH budgeted eight percent (8%) of the 2013 Capitalization Grant for three (3) allowable uses of the Local Assistance Set-Aside. Of the eight percent (8%) budgeted for the Local Assistance Set-Aside, four percent (4%) was allocated for third-party technical assistance contracts with California Rural Water Association (CRWA), Rural Community Assistance Corporation (RCAC) and Self-Help Enterprises (Self-Help), which provided on-site technical assistance to over 300 small public water systems in SFY 13/14. Such technical assistance included income surveys, water rate studies, and SDWSRF application development. CRWA, RCAC and Self-Help also provided TMF assistance in SFY 13/14, including mutual water company board training, public water system operation training, and water system ownership research.

In addition, RCAC developed and conducted statewide onsite and online training workshops that focused on building the TMF capacity of public water systems. In SFY 13/14, RCAC presented two California Technical Assistance Provider (CaTAP) funding fairs which displayed and demonstrated the free services and materials available to the water systems and two Arsenic Symposia on arsenic treatment alternatives and case studies. The CaTAP fairs averaged 118 attendees and the Symposia averaged 46 attendees. In addition to these fairs, RCAC also presented 54 onsite and 56 online

workshops. Board members, water system staff and operators from 1,170 individual water systems participated in these training events cumulatively. In a survey conducted by RCAC, of the 3,129 responses received to its request for feedback regarding the value and usefulness of the workshops and training, 2,037 reported positively regarding the workshops and the information provided, 278 had neutral responses, and only four (4) reported negatively to the workshops. These statistics demonstrate the effectiveness of these programs and workshops in general and give the SDWSRF program a good indication of its effectiveness in communicating with the public and its ability to provide helpful information.

Of the eight percent (8%) budgeted for the Local Assistance Set-Aside, 2 percent (2%) was allocated for the continued implementation of the Division of Drinking Water's Capacity Development Strategy approved by USEPA in 2000. This strategy, which continues to grow and evolve, is designed to assist public water systems in acquiring and maintaining TMF capacity. As such, the Local Assistance Set-Aside funded SDWSRF technical and administration staff as well as drinking water regulatory staff, who worked with public water systems, third-party technical assistance providers, the CalTAP Committee, AWWA and other interested stakeholders to identify needs and assistance necessary to return or maintain a public water system's TMF compliance.

Finally, of the eight percent (8%) budgeted for the Local Assistance Set-Aside, 2 percent (2%) was allocated for the Legal Entity Formation Assistance pilot program (LEFA). The LEFA program was established as a pilot program to assist private homeowners seeking to either create a new public water system or assist ratepayers currently being served by an existing public water system to achieve a properly formed legal entity for their existing public water system. As such, the Local Assistance Set-Aside provided grant funding for eligible LEFA recipients to conduct their eligible activities. See Section VI (G) of this SFY 13/14 SDWSRF annual report to USEPA for more information and updates on the LEFA program.

#### **D. STATE PROGRAM MANAGEMENT SET-ASIDE**

CDPH budgeted nine percent (9%) of the 2013 Capitalization Grant for the State Program Management Set-Aside to fund CDPH's Public Water System Supervision (PWSS) regulatory program. In SFY 13/14, the State Program Management Set-Aside subsidized drinking water regulatory staff in cooperation with its cost-recovery program as well as State General Funds provided by CDPH.

In general, such staff within the PWSS program conducted inspections and surveys of both large and small water systems; evaluated treatment and infrastructure improvement needs; reviewed plans and specifications in relation to and for conformance with treatment requirements; and assisted public water systems with State and federal drinking water compliance issues. The State Program Management Set-Aside funds were also used to enhance emergency preparedness and terrorism/disaster response preparedness of the PWSS program as well as California's public water systems. CDPH also utilized this set-aside to enhance and manage its data reporting mechanisms, including the Safe Drinking Water Information System (SDWIS).

## VI. ADMINISTRATIVE AND PROGRAMMATIC UPDATES

### A. FEDERAL CROSS-CUTTERS

In accordance with SDWSRF policy, as represented in the SFY 13/14 IUP, projects were exempted from the general federal cross-cutters in SFY 13/14 if their water system served less than 1,000 service connections or the project cost was less than \$1,250,000. Such exempted projects are not representative of federal equivalency projects. As a result of such a policy, a total of 35 projects were exempted from the general federal cross cutting requirements. All other SDWSRF funded projects for SFY 13/14 had federal cross-cutters applied and represented in their SDWSRF funding agreements such that they are represented as federal equivalency projects. All projects requiring federal cross-cutters were also reported as federal projects under the Federal Funding Accountability and Transparency Act.

All projects funded in SFY 13/14 had the “super-cross-cutters” applied in accordance with federal rules and requirements, such as the Davis-Bacon requirements.

### B. DISADVANTAGED BUSINESS ENTERPRISES REPORTING

For the most recent semi-annual reporting periods, the total funding disbursed to Disadvantaged Business Enterprise (DBE) recipients is detailed in Table 6 below. Please note that the USEPA DBE Report (5700-52A) for October 2013 – April 2014 was not completed by June 30, 2014 because the USEPA issued a class deviation from 40 CFR 33.502 regarding Disadvantage Business Enterprise program reporting requirements. Effective January 20, 2014, DBE reporting is now limited to annual reporting with a due date of October 30th for each year.

**TABLE 6 – DBE FUNDING**

DBE	April 1, 2013 – September 30, 2013
MBE	\$1,705,7799
WBE	\$310,969

### C. PROJECT PRIORITY LIST

CDPH utilized a public health risk-based ranking system to create a Project Priority List (PPL) in SFY 13/14. See Appendix A to this SFY 13/14 SDWSRF annual report to USEPA for the SDWSRF public health-risk ranking criteria. Based upon such a ranking scheme, and in accordance with State and federal law, CDPH ensured that SDWSRF resources and funds were first applied to the most significant public health problems. The PPL included with the SFY 13/14 IUP was based upon the submission of a pre-application by public water systems using an online “Universal Pre-application” (UPA). Water systems were encouraged to submit separate pre-applications for each separate problem faced by the system. Following receipt of such pre-applications, SDWSRF program staff reviewed and ranked each project into the appropriate PPL category, and

invitations to submit a full SDWSRF application were mailed to pre-applicants ranked in Categories A-H.

Projects listed on the previous year’s PPL remained on the PPL submitted with the SFY 13/14 IUP unless funded or otherwise removed at the request of the public water system, or if later found ineligible for SDWSRF funding. The SFY 13/14 PPL consisted of over 4,800 projects for approximately \$12 billion in requested funding. CDPH recognizes that the PPL has become unwieldy due to its size, and rather than identifying current active projects for targeting SDWSRF funding, the PPL has predominantly become a collection of old and inactive projects. For example, the list includes over 2000 projects that were hastily submitted back in 2008 in response to ARRA.

In an effort to begin modernizing the SDWSRF PPL and pre-application process, CDPH developed and implemented a new UPA platform in SFY 13/14, whereby pre-applications could be submitted online on a continuous basis. Moreover, the UPA provides tools for technical staff to rank the pre-applications on-line and interact directly with applicants via an email notification system.

Since the release of the new UPA in February of 2014, 91 new SDWSRF pre-applications have been received by CDPH, of which 52 were ranked in SDWSRF categories A-H. Four of the pre-applications submitted were emergency related and were immediately invited to apply for funding, as outlined in the SFY 13/14 IUP. As of June 30, 2014, 67 pre-applications were ranked and 52 of such pre-applications were in the fundable range of the PPL.

For the last couple of years, CDPH has invited all pre-applications in categories A-H to submit full SDWSRF applications. The SDWSRF program conducted two application invitations in SFY 13/14. The invitation involved contacting approximately 400-600 public water systems, per invitation cycle, to submit full applications for SDWSRF funding. The invited applicants were asked to submit a Statement of Intent (SOI) to inform the SDWSRF program of their intent to submit a full application. The response rate for SOIs has been historically low as represented in Table 7 below.

**TABLE 7 – SDWSRF SFY 13/14 INVITATION AND RESPONSE RATE**

Invite Sent Date	Categories Invited	Total Number of Invites Sent	Positive SOI Responses (See Sheet 2/3 for details)		
			Planning	Construction	Pln & Const
22-Nov-13	B-H	638	39	36	17
27-May-14	B-H	435	27	8*	7
Total Invites Sent:		1073			

\*During the May 2014 Invitation, water systems with a pending (overlapping) construction applications from the November 2013 invitation, were not invited.

Between the two SDWSRF funding invites conducted in SFY 13/14, as well as the existing planning projects that transitioned to construction application in SFY 13/14, 40 substantially complete SDWSRF applications were received in SFY 13/14.

#### **D. FUNDABLE LIST AND PROJECT BYPASS**

Appendix C of this SFY 13/14 annual report to USEPA includes the Fundable List of projects that were identified in the SFY 13/14 IUP. There were 40 potential projects on the SFY 13/14 Fundable List; 13 were planning projects and 27 were construction projects. Eleven (11) of the 13 planning projects identified in the SFY 13/14 IUP were issued funding agreements in SFY 13/14. The remaining planning projects, as reported in the SFY 13/14 IUP, are pending a water rate study and additional financial reviews. In regards to construction funding, 17 of the 27 construction projects identified on the SFY 13/14 IUP received an executed funding agreement. The 10 remaining construction projects were bypassed for funding consideration in SFY 13/14 for reasons detailed in Appendix C and replaced with other eligible projects from the SFY 13/14 Comprehensive List. The construction projects bypassed in SFY 13/14 were considered for the SFY 14/15 Fundable List.

#### **E. GREEN PROJECT RESERVE**

The 2013 Capitalization Grant did not include a mandate for a Green Project Reserve, whereby a certain percentage of the SDWSRF capitalization grant would be reserved for certain eligible "green" projects. However, in accordance with California's efforts to require metering of California's public water systems, CDPH continued its effort to solicit funding applications for water meter installation projects as qualifying Green Project Reserve projects. In SFY 13/14, CDPH expanded its SDWSRF funding invitation to include all of Category H of which included water meter pre-applications. Moreover, CDPH awarded \$7,139,678 in funding to four "ready to proceed" water meter installation projects. See Appendix B of this SFY 13/14 SDWSRF annual report to USEPA for a listing of such Green Project Reserve projects.

#### **F. AMERICAN IRON AND STEEL**

The federal Consolidation Appropriations Act (Act) of 2014 included an American and Iron and Steel (AIS) requirement whereby SDWSRF funding recipients would be required to use iron and steel products that are produced in the United States for projects for construction, alteration, maintenance, or repair of a public water system if the project is funded through a funding agreement executed beginning January 17, 2014 through September 30, 2014. The Act also provided USEPA the authority to grant certain waivers to the AIS requirements. As such, on April 15, 2014, USEPA issued a nationwide waiver of the AIS requirements for eligible SDWSRF projects that had engineering plans and specifications submitted to an appropriate State agency prior to and including January 17, 2014, and that such plans and specifications were approved by the State agency between and including January 17, 2014, and April 15, 2014, under the normal course of such State agency's business. Included in Appendix B of this SFY 13/14 SDWSRF annual report to USEPA is a listing of all projects that were either



waived from the AIS requirements or had such requirements applied to their project because they did not qualify for the April 15, 2014 nationwide waiver.

#### **G. LEGAL ENTITY FORMATION ASSISTANCE PROGRAM**

In 2012, CDPH developed and began implementing a Legal Entity Formation Assistance Program (LEFA) as a pilot effort to assist private homeowners seeking to either create a new public water system or assist rate payers currently being served by an existing public water system achieve a properly formed legal entity for their existing public water system. Following months of program development, the pilot LEFA solicitation package was posted online for public access on August 8, 2013 with an application due date of November 8, 2013. CDPH received a total of 21 applications for a combined funding request of \$4,446,931. Of the 21 applications received, one was deemed ineligible immediately since the request was not associated with a drinking water issue. As a result of such ineligibility, the total funding request was adjusted to \$3,351,931. CDPH had previously budgeted \$1,707,160 from the Local Assistance set-aside of the 2012 SDWSRF capitalization grant. However, the eligible \$3.3 million in funding requests resulted in the budgeting of an additional \$1.5 million from the Local Assistance Set-Aside of the 2013 Capitalization Grant. In SFY 13/14, the LEFA applications were ranked based upon their "readiness to proceed" to a funding agreement, including a demonstration of sufficient supporting documents and the SDWSRF has since been conducting a detailed eligibility review of the LEFA applications based upon their respective rankings. See Appendix G to this SFY 13/14 DWSRF Annual Report to USEPA for the four LEFA projects funded as of June 30, 2014.

#### **H. CONSOLIDATION INCENTIVE PROGRAM**

In SFY 13/14, CDPH continued its effort to promote the consolidation of public water systems through its Consolidation Incentive Program as means for such consolidated systems to achieve TMF capacity and/or compliance with drinking water standards. Through the consolidation incentive process, lower ranked projects can achieve greater priority for SDWSRF funding by agreeing to consolidate a neighboring noncompliant system with a higher ranked project. As represented in Table 8 below, CDPH received six consolidation incentive applications for SDWSRF funding in SFY 13/14 and they are currently proceeding through their eligibility reviews.

**TABLE 8 – SDWSRF CONSOLIDATION INCENTIVE APPLICATIONS**

<b>SDWSRF Project No.</b>	<b>Restructured System (Incentive Project)</b>	<b>Consolidated System (Consolidation Project)</b>
1010007-028CI-C	City of Fresno	Orange Center School
0610002-001CI-P	City of Colusa	Del Oro WC - Walnut Ranch
2010003-003CI-C	Bass Lake WC	MD #6, Lake Shore Park
3310009-062CI-P	Eastern MWD	County Water Co.
3310012-017CI-P	Elsinore Valley MWD	County Water Co.
5410010-013CI-C	City of Porterville	Akin Water Co.

**I. CLAIMS ELIGIBILITY GUIDANCE AND PROCEDURE MANUALS**

In USEPA’s Performance Evaluation Report (PER) for SFY 12/13, USEPA requested that this SFY 13/14 SDWSRF annual report include an update on the SDWSRF program’s expense allocation procedures as well as the forthcoming SDWSRF claims eligibility desktop procedures. As a result of the transfer of the SDWSRF program to the State Water Board, as well as the adoption and implementation of the new SDWSRF Policy Handbook, the SDWSRF program has begun integrating and implementing expenses allocation procedures in accordance with existing Clean Water Safe Drinking Water State Revolving Fund (CWSRF) expense allocation procedures. New SDWSRF disbursement request forms and guidance materials been developed and incorporated into the new SDWSRF Policy Handbook (see Attachment F). The SDWSRF LGTS is also being fully utilized to document reimbursement claims and their approvals in a manner consistent with existing State Water Board procedures. The SDWSRF program has also begun incorporating the claims review procedures of the State Water Board.

The State Water Board has also begun comparing and integrating certain SDWSRF and CWSRF claims eligibility rules, such as allowable invoice mark-up and allowable overhead expenses. However, a draft of any claims eligibility guidance cannot be finalized until the State Water Board receives USEPA’s forthcoming SDWSRF eligibility guidance to ensure California’s SDWSRF claims eligibility guidance is consistent with any applicable federal requirements.

**VII. NOTICE OF NON-COMPLIANCE/CORRECTIVE ACTION PLAN**

On April 19, 2013, the USEPA issued a notice of non-compliance to CDPH, the department with primacy over the DWSRF Program at the time, in accordance with the

USEPA grant regulation 40 CFR §35.3585. The USEPA made the determination that CDPH "had not timely and efficiently committed and expended funds in the DWSRF, nor employed adequate financial resources to operate the SDWSRF in a sound financial manner..." CDPH did not dispute the findings, and furthermore, implemented strategies well in advance to address these issues, as proven by the yearly gains made towards increasing the DWSRF fund utilization rate, which equals the total amount of funds committed, relative to the total amount of funds available for such commitments.

Per the notice of non-compliance, CDPH was given 60 days from the date of receipt of the notice of non-compliance to either remedy the specific issues addressed and/or submit a corrective action plan outlining the methods in which the issues would be addressed and resolved. On June 24, 2013, CDPH submitted to US EPA the required CAP and subsequently, at the request of USEPA, submitted a revised CAP on July 12, 2013. USEPA accepted and approved CDPH's CAP on July 23, 2013. As of July 1, 2014, the State Water Board assumed primacy over the DWSRF and will fulfill all remaining commitments.

To date, the following CAP items as required by the US EPA notice have been successfully completed:

1. Submitted a Corrective Action Plan within 60 days after the notice was issued.
2. In accordance with CAP Item No. 1, the cash flow model developed in conjunction with the USEPA during the summer of 2012 is currently being utilized. This model has been in use as of April 2013 and continues to be refined and improved. It should be noted that this model is now being used by USEPA as an example to assist other states, and the California DWSRF has helped US EPA Region 9 facilitate national cash flow training webinars.
3. In accordance with CAP Item No. 2, CDPH submitted a schedule of steps to ensure that the LGTS tracking system is updated and accurate and that reports to NIMS are submitted in an accurate and timely fashion. Per USEPA's letter dated July 9, 2014, USEPA approved CDPH's deliverable submitted on May 30, 2014, fulfilling this commitment.
4. In accordance with CAP Item No. 3, the State Water Board continues to meet monthly with USEPA funding program staff to discuss DWSRF issues and progress.
5. In accordance with CAP Item No. 4, CDPH submitted to USEPA on July 12, 2013 a list of all funding agreement commitments made in SFY 12/13 totaling approximately \$265 million, which exceeded the required commitment amount of \$240 million by more than \$25 million. At the time, this was also the largest amount the California DWSRF has ever issued in a single year, both in terms of the dollar amount and number of funding agreements.

6. In accordance with CAP Item No. 5, CDPH submitted to USEPA on July 12, 2013 a Fundable List of projects for SFY 13/14 displaying over \$356 million in projects which were likely to be funded before September 30, 2014.
7. In accordance with CAP Item No. 6, CDPH submitted to USEPA on July 12, 2013 a schedule of anticipated cash draws for the 13/14 fiscal year.
8. In accordance with CAP Item No. 7, CDPH submitted to USEPA on July 30, 2014 a staffing plan which included job descriptions and a timeline designed to address the deficiencies identified by USEPA. All staffing aspects of the plan have been achieved within the designated timeline to the satisfaction of USEPA.
9. In accordance with CAP Item No. 8, CDPH submitted to USEPA on August 29, 2013 a work plan to access the project priority system focusing on ways to streamline and expedite project selection, including readiness to proceed and bypass procedures. The final deliverable associated with this CAP item is expected to be completed by the February 28, 2015 deadline.
10. In accordance with CAP Item No. 9, CDPH submitted to USEPA on May 30, 2013 a letter disclosing the appropriate commitment level for SFY 2015 as projected, utilizing the cash flow model and applying relevant assumptions. Per a letter from USEPA dated July 9, 2014, US EPA approved CDPH's projected commitment level determination, fulfilling this commitment.
11. In accordance with CAP Item No. 10, CDPH submitted to USEPA on June 30, 2014 a list of all funding agreements commitments made in SFY 13/14, totaling approximately \$365 million, which exceeded the required commitment amount of \$260 million. CDPH exceeded USEPA's commitment requirement for SFY 13/14 by more than \$96 million. Per a letter from USEPA dated August, 2014, this CAP item commitment has been fulfilled.
12. In accordance with CAP Item No. 11, CDPH submitted to USEPA on June 30, 2014 the "Fundable List" of projects for SFY 14/15 displaying over \$115 million in projects. Per a letter from USEPA dated August, 2014, this CAP item commitment has been fulfilled.
13. In accordance with CAP Item No.12, CDPH submitted to USEPA on June 30, 2014 a schedule of anticipated cash draws for the 2014-15 fiscal year. Per a letter from USEPA dated August, 2014, this CAP item commitment has been fulfilled.
14. In accordance with CAP Item No.13, CDPH submitted to USEPA on June 30, 2014 confirmation that it disbursed \$333 million in cumulative funds during the period beginning with July 1, 2012 and ending June 30, 2014, exceeding the CAP commitment of \$321 million. Per a letter from USEPA dated August, 2014, this CAP item commitment has been fulfilled.
15. In accordance with CAP Item No.14, CDPH submitted to USEPA on June 30, 2014 confirmation that it achieved a cumulative set-aside spending rate of over

78% prior to the deadline of June 30, 2014, again exceeding the CAP requirement. Per a letter from USEPA dated August, 2014, this CAP item commitment has been fulfilled.

CDPH and the State Water Board have met all of their respective CAP deadlines and expect to meet or exceed all subsequent CAP requirements.

## **VIII. SOURCE WATER PROTECTION PROGRAM**

### **A. STATUTORY REQUIREMENT FOR REPORT TO LEGISLATURE**

Section 116762.60(c) of the California Health and Safety Code, as amended effective January 1, 2014, requires the State Water Board to submit a biennial report to the Legislature on the implementation of the Source Water Protection Program. The language which mandates this report states:

*"The department shall post a report to its internet web site, every two years, on its activities under this section. The report shall contain a description of each program for which funds have been set aside under this section, the effectiveness of each program in carrying out the intent of the federal and state acts, and an accounting of the amount of set aside funds used."*

### **B. BACKGROUND**

#### **1. SAFE DRINKING WATER STATE REVOLVING FUND**

California established the SDWSRF program with federal capitalization grants funded by USEPA. A portion of these funds were set aside for source water protection loans (SWP). This portion of the report addresses the use of these funds.

#### **2. SOURCE WATER PROTECTION LOANS**

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

As of SFY 2014, CDPH had set aside a total of \$24,889,390 from the 2000-2005 capitalization grants for this program. But, due to lack of demand from PWSs, subsequent federal grant amendments returned \$22,889,390 from the 2000-2005 capitalization grants to the SDWSRF infrastructure loan fund. As demonstrated in Table 9 below as well as Appendix E, \$2,000,000 has been committed and expended for SWP loans.

**TABLE 9-SOURCE WATER PROTECTION LOAN SET-ASIDES**

Grant No.	State Fiscal Year	Amount Reserved	Comments
4 (2000)	2000-2001	\$4,199,655	\$2,199,655 returned to SRF loans
5 (2001)	2001-2002	\$4,217,000	\$4,217,000 returned to SRF loans
N/A	2002-2003	\$0.00	No capitalization grant awarded in SFY 2002/03
6 (2002)	2003-2004	\$4,123,045	\$4,123,045 returned to SRF loans
7 (2003)	2004-2005	\$4,098,310	\$4,098,310 returned to SRF loans
8 (2004)	2005-2006	\$4,251,380	\$4,251,380 returned to SRF loans
9 (2005)	2006-2007	\$4,000,000	\$4,000,000 returned to SRF loans
<b>Subtotal</b>		\$24,889,390	
Returned to SDWSRF Loan Fund		\$22,889,390	
Total Disbursed		\$2,000,000	Funds committed and disbursed to one Project
<b>Balance</b>		\$0	Current amount available

**IX. CONCLUSION**

CDPH has excelled in SFY 13/14 at addressing numerous SDWSRF programmatic issues, including those issues identified in USEPA’s Notice of Non-Compliance and the subsequent CAP. With over \$356 million in SDWSRF funding committed to planning and construction projects in SFY 13/14 through advanced cash-flow modeling, the CDPH has truly maximized available SDWSRF funding. Over the last four years especially, the CDPH has committed over \$1.2 billion in SDWSRF funds to projects to address high public health drinking water priorities, constituting over 50 percent (50%) of the SDWSRF loan fund. The average annual SDWSRF commitment amount has increased from \$70 million prior to 2010, to over \$256 million thereafter. Average SDWSRF disbursements have increased from \$59 million to over \$133 million annually and the average annual principal forgiveness amount has increased from \$3 million to over \$19 million.

CDPH also recognizes and has made significant efforts in addressing the compliance issues of small water systems. As of June 30, 2014, the SDWSRF program had awarded over \$251 million in cumulative SDWSRF funding to over 200 projects for small water systems, constituting over 67 percent (67%) of all DWSRF projects funded in California. CDPH also initiated its pilot LEFA program in SFY 13/14 with the lofty ambitions to help those individuals not currently being served by a public water system obtain access to SDWSRF funding. Finally, CDPH has provided over \$1.1 Billion in funding to public water systems that serve “disadvantaged” and “severely disadvantaged” communities, constituting over 60 percent (60%) of available SDWSRF funding.

As demonstrated above, CDPH remained committed in SFY 13/14, and throughout the prior years of the program, to ensuring that the entrusted SDWSRF funds were utilized

responsibly and in the most expedient manner possible; consistent with the mandated purpose of assisting public water systems in providing an adequate supply of safe, clean and affordable drinking water for all Californians.

**APPENDIX A  
PROJECT RANKING CRITERIA**

<u>SRF Category</u>	<u>Problem Description</u>
<b>A</b>	Water systems with deficiencies that have resulted in documented waterborne disease outbreak illnesses that are attributable to the water systems, or water systems under a court order to correct SDWA violations and/or water outage problems.
<b>B</b>	Water systems that have repeatedly violated the total coliform MCL (TCR) due to active sources contaminated with coliform bacteria (fecal, E. coli, or total coliform).
<b>C</b>	Water systems that have a surface water supply; a groundwater under the direct influence of surface water (GWUDI) source, that is not filtered, or untreated; or non-GWUDI well sources that are contaminated with fecal coliform or E. coli.
<b>D</b>	Water systems that have surface water or GWUDI sources with filtration treatment deficiencies that violate federal or state regulations concerning surface water treatment requirements; non-GWUDI wells that are contaminated with fecal coliform or E. coli and are inadequately treated; or uncovered distribution reservoirs.
<b>E</b>	Water systems with water outages, significant water quantity problems caused by source water capacity, or water delivery capability that is insufficient to supply current demand.
<b>F</b>	Water systems that distribute water containing nitrates/nitrites in excess of the MCL; distribute water containing perchlorate in excess of the MCL; or are in violation of the Total Coliform Rule for reasons other than source contamination.
<b>G</b>	Water systems that distribute water containing chemical or radiological contamination exceeding a State or Federal primary drinking water standard (other than nitrate/nitrite or perchlorate).
<b>H</b>	Water systems with reservoirs with non-rigid (floating) covers that are in active use; or water systems that do not provide meters for the water delivered to customers.
<b>I</b>	Water systems that comply with surface water treatment requirements, but are not in conformance with the California Cryptosporidium Action Plan.
<b>J</b>	Water systems that are in violation of portions of the Water Works Standards those could result in the entry of wastewater into the water supply or distribution system
<b>K</b>	Water systems that operate disinfection facilities lacking needed reliability features, chlorine residual analyzers and alarms or have other disinfection deficiencies that violate the Water Works Standards.
<b>L</b>	Water systems that distribute water in excess of the iron or manganese secondary standard and for which a compliance order has been issued; distribute water in excess of CDPH published chemical Notification Level; distribute water which has exceeded a primary drinking water standard in one or more samples, but has not violated the standard (for a running average standard); or need treatment for a



<u>SRF Category</u>	<u>Problem Description</u>
	standby groundwater source that is contaminated in excess of a primary MCL.
<b>M</b>	Water systems that do not meet the Water Works Standards (other than those components already covered by the above listed categories), or do not meet the TMF criteria but do not have a project in any of the above categories.
<b>N</b>	Water systems that distribute water exceeding secondary standards.
<b>O</b>	All water system deficiencies that are eligible and are not covered in any of the above categories.

**APPENDIX B**  
**SFY 13/14 SDWSRF EXECUTED FUNDING AGREEMENTS**  
**(INCLUDING AMENDMENTS)**

APPENDIX B

SFY 13/14 SDWSRF EXECUTED FUNDING AGREEMENTS & FUNDING AMENDMENTS

#	Water System Name	Disadvantaged	Project Number	LWS/SWS*	Agreement Number	Commitment Date	Cross Cutter	Green Project Reserve***	Project Type	Project Description	AIS/Waiver**	Total SDWSRF Funding	SDWSRF Loan	SDWSRF Principal Forgiveness
1	WEST GOSHEN MUTUAL WATER CO.	Yes	5400957-005C	SWS	2013C105	10/29/2013	No	No	Construction	To solve nitrate and supply problems, West Goshen will consolidate with Cal Water and install a new distribution system with meters.	No	3,000,000	0	3,000,000
2	MATTOLE ELEMENTARY SCHOOL	Yes	1200684-003C	SWS	2013C105	11/6/2013	No	No	Construction	Mattole will drill a new well and install iron & manganese treatment to solve their source capacity problem.	No	1,193,580	0	1,193,580
3	RIVERDALE PUBLIC UTILITY DISTRICT	Yes	1010028-002C	SWS	2013CX106	12/17/2013	Yes	No	Construction	Plan, design and construct media filtration systems at each well.	No	3,875,978	875,978	3,000,000
4	SEMI TROPIC SCHOOL WATER SYSTEM	Yes	1502244-002C	SWS	2013C106	1/7/2014	No	No	Construction	To solve arsenic compliance problem, Semi Tropic will consolidate with Lost Hills Utility District and replace the existing distribution system.	No	819,000	0	819,000
5	ISLAND UNION SCHOOL	Yes	1600017-002C	SWS	2013C108	1/14/2014	No	No	Construction	Drill a new well and install piping to connect it to the existing distribution system to solve the school's arsenic compliance problem.	No	510,000	0	510,000
6	CUTLER PUD	Yes	5410001-003C	LWS	2013C107	1/14/2014	No	No	Construction	Replace existing undersized mains with 8-inch diameter mains	No	997,693	0	997,693
7	RIVIERA WEST MUTUAL WATER CO.	Yes	1700568-001C	SWS	2013C302	1/31/2014	No	No	Construction	Install additional treatment to achieve two logs Giardia removal.	No	1,084,140	0	1,084,140
8	RIVERDALE PUBLIC UTILITY DISTRICT	Yes	1010028-006C	SWS	2013C109	2/11/2014	No	Yes	Construction	Install water meters	No	1,133,329	0	1,133,329
9	LEWISTON VALLEY WATER CO., INC.	Yes	5301002-001C	SWS	2013CX107	2/14/2014	Yes	No	Construction	Construct new filter system. Replace transmission main. Add new storage tank.	No	1,169,120	0	1,169,120
10	MAR VISTA WATER COMPANY INC	No	4400502-005C	SWS	2013C301	3/14/2014	No	No	Construction	Replace four aging mainlines. This includes bringing distribution system up to AWWA standards. Install 8 new meters.	No	338,236	338,263	0

#	Water System Name	Disadvantaged	Project Number	LWS/SWS*	Agreement Number	Commitment Date	Cross Cutter	Green Project Reserve***	Project Type	Project Description	AIS/Waiver**	Total SDWSRF Funding	SDWSRF Loan	SDWSRF Principal Forgiveness
11	OAK VALLEY SCHOOL	Yes	5400713-001C	SWS	2014CX102	5/22/2014	No	No	Construction	Install treatment building with chemical storage and feed system, treated water storage, filter backwash holding tank, and replace pipelines.	No	1,072,000	0	1,072,000
12	CITY OF WOODLAND	No	5710006-009C	LWS	2014CX106	6/4/2014	Yes	No	Construction	The construction of a SWTP, pipeline, and infiltration basin to combat high nitrate levels in wells.	No	31,503,088	31,503,088	0
13	WOODLAND-DAVIS CLEAN WATER AGENCY	No	5710012-008C	LWS	2014CX107	6/4/2014	Yes	No	Construction	Construction of a raw water intake, raw water pipelines, regional water treatment facility, and treated water pipelines to serve treated surface water to the Cities of Woodland and Davis.	Waiver	111,358,449	111,358,449	0
14	BUENA VISTA SCHOOL	Yes	5400919-001C	SWS	2014CX103	6/5/2014	No	No	Construction	Drill and equip new well, install pipes, blending tank, sodium hypochlorite system, hydropneumatic tank, booster pumps and appurtenances.	No	730,000	0	730,000
15	SAN DIEGO - CITY OF	No	3710020-066C	LWS	2014CX104	6/9/2014	No	No	Construction	Replace existing cast iron pipes with PVC	Yes	15,300,000	15,300,000	0
16	SOUTH TAHOE PUD - MAIN	Yes	0910002-016C	LWS	2014CX106	6/24/2014	No	Yes	Construction	Phase I District-wide Meter Installation	No	3,605,919	3,605,919	0
17	ORANGE COVE CITY OF	Yes	1010023-002C	LWS	2014CX101	6/26/2014	Yes	Yes	Construction	Install water meters, replace corroded connection pipes, and install automated system	No	2,300,000	0	2,300,000
18	LOS ANGELES-CITY, DEPT. OF WATER & POWER	Yes	1910067-032C	LWS	2014CX102	6/30/2014	Yes	No	Construction	Install ammoniation station and water softener equipment to meet Stage 2 D/DBP Rule	No	14,364,849	11,364,849	3,000,000
19	LOS ANGELES-CITY, DEPT. OF WATER & POWER	Yes	1910067-039C	LWS	2014CX105	6/30/2014	Yes	No	Construction	The water system's Ivanhoe Reservoir will be taken out-of-service to comply with Long Term 2 Surface Water Treatment Rule. In addition, this project will construct a pipeline that connects into Silver Lake Reservoir.	No	46,951,150	43,951,150	3,000,000

#	Water System Name	Disadvantaged	Project Number	LWS/SWS*	Agreement Number	Commitment Date	Cross Cutter	Green Project Reserve***	Project Type	Project Description	AIS/Waiver**	Total SDWSRF Funding	SDWSRF Loan	SDWSRF Principal Forgiveness	
20	LOS ANGELES-CITY, DEPT. OF WATER & POWER	Yes	1910067-043C	LWS	2014CX103	6/30/2014	Yes	No	Construction	Add an ultraviolet light treatment process to help achieve the disinfection requirements and reduce the formation of disinfection byproducts and bromate at the Los Angeles Aqueduct Filtration Plant.	No	76,757,219	73,757,219	3,000,000	
21	LOS ANGELES-CITY, DEPT. OF WATER & POWER	Yes	1910067-052C	LWS	2014CX104	6/30/2014	Yes	No	Construction	Plan, design and construct the North Hollywood Ammoniation Station to add aqua ammonia to form a chloramine residual disinfectant in the water being supplied to customers via the North Hollywood Pumping Station Complex.	No	28,630,600	25,630,600	3,000,000	
22	OLYMPIA MUTUAL WATER COMPANY	No	4400581-001C	SWS	2014CX108	6/30/2014	Yes	No	Construction	Consolidate Olympia Mutual Water Company which failed to comply with the Surface Water Treatment Rule	No	1,904,500	1,904,500	0	
<b>CONSTRUCTION FUNDING AGREEMENT TOTAL</b>													<b>348,598,850</b>	<b>319,590,015</b>	<b>29,008,862</b>
23	MD#08 NORTH FORK WATER SYSTEM	Yes	2000561-002P	SWS	2013P113	8/29/2013	No	No	Planning	Evaluate alternatives including test well or install treatment on existing sources to remove arsenic, uranium and gross alpha	No	318,750	0	318,750	
24	NORTH FORK UNION SCHOOL	Yes	2000612-001P2	SWS	2013P114	9/16/2013	No	No	Planning	Second planning study to evaluate alternatives to solve arsenic compliance problem.	No	362,000	0	362,000	
25	SEVILLE WATER CO	Yes	5400550-001P	SWS	2013P118	10/11/2013	No	No	Planning	Conduct feasibility study of a regional project	No	247,580	0	247,580	
26	SAN LUCAS WD	Yes	2701676-007P	SWS	2013P116	10/15/2013	No	No	Planning	Planning study to evaluate alternatives to solve nitrate compliance problem - options include treatment, new well, and consolidation.	No	440,000	0	440,000	
27	Monson Area Water Supply Study	Yes	0000541-001P	SWS	2013P115	10/18/2013	No	No	Planning	Planning project to solve the community of Monson's nitrate problem	No	180,000	0	180,000	
28	LAKESIDE SCHOOL	Yes	1502154-001P2	SWS	SRF13P117	11/25/2013	No	No	Planning	Planning study to evaluate alternatives to solve arsenic compliance problem	No	298,147	0	298,147	

#	Water System Name	Disadvantaged	Project Number	LWS/SWS*	Agreement Number	Commitment Date	Cross Cutter	Green Project Reserve***	Project Type	Project Description	AIS/Waiver**	Total SDWSRF Funding	SDWSRF Loan	SDWSRF Principal Forgiveness
29	LOCKE WATER WORKS CO - SWS	Yes	3400138-001P	SWS	2013P304	12/10/2013	No	No	Planning	Planning study to evaluate consolidation or treatment as a means to solve their arsenic compliance problem.	No	150,240	0	150,240
30	BORON CSD	Yes	1510002-001P	SWS	2013P119	1/27/2014	No	No	Planning	Planning study to address arsenic MCL violation. Exposed old line is to be replaced with new 6 inch pvc schedule pipe, and refill trench.	No	427,000	0	427,000
31	LITTLE BALDY	Yes	1900158-002P	SWS	2013P305	1/28/2014	No	No	Planning	Planning project to address a ground water well under the direct influence of surface water.	No	380,000	0	380,000
32	SIERRA EAST HOME. ASSOC.	Yes	2600622-001P	SWS	2013P120	1/28/2014	No	No	Planning	Install Water meter	No	266,450	0	266,450
33	CITY OF DORRIS	Yes	4710001-006P	SWS	2013P121	2/14/2014	No	Yes	Planning	Evaluate options to address source under direct influence of surface water, including new test well or treatment.	No	100,430	0	100,430
34	BITTERWATER-TULLY SCHOOL SWS	Yes	3500507-001P	SWS	2013P122	5/8/2014	No	No	Planning	Evaluate treatment options to meet surface water treatment rule.	No	462,075	0	462,075
35	FLORISTON WATER SYSTEM	Yes	2900502-002P	SWS	2013P306	5/16/2014	No	No	Planning	Drill an 8" well approximately 1,000 feet deep and install a 10-15 hp pump capable of pumping 30 gpm.	No	120,100	24,020	96,080
36	CASCADEL MUTUAL WATER SYSTEM	Yes	2000509-005P	SWS	2014P301	6/6/2014	No	No	Planning	Planning study to address inadequacy of existing treatment facility.	No	174,328	34,866	139,462
37	LAKE COUNTY CSA 20 - SODA BAY	Yes	1710022-007P	SWS	2014P102	6/25/2014	No	No	Planning	Design replacement of undersize storage tank, inspect and rehabilitate Well 1 and 2, Replace water main, and possible intertie with Trinity Center Mutual Water Company.	No	500,000	100,000	400,000
38	TRINITY KNOLLS MUTUAL WATER COMPANY	Yes	5301102-004P	SWS	2014P302	6/26/2014	No	No	Planning	Planning study to address violation of Total coliform MCL.	No	299,000	0	299,000
39	TRACT 92 C S D	Yes	5400903-002P	SWS	2014P101	6/27/2014	No	No	Planning	Finalize the design of a new RO plant to solve their arsenic compliance problem. In addition, they intend to separate the potable from the irrigation systems, drill a new well, and construct new storage tanks.	No	255,000	0	255,000
40	PLEASANT VALLEY ELEMENTARY	No	4000774-001P	SWS	2014P104	6/30/2014	No	No	Planning		No	99,460	0	99,460

#	Water System Name	Disadvantaged	Project Number	LWS/SWS*	Agreement Number	Commitment Date	Cross Cutoff	Green Project Reserve***	Project Type	Project Description	AIS/Waiver**	Total SDWSRF Funding	SDWSRF Loan	SDWSRF Principal Forgiveness
41	CUESTA LA HONDA GUILD, INC.	No	4110012-003P	SWS	2014P303	6/30/2014	No	No	Planning	Install treatment system - Mifex Anion Exchange system or chloramine treatment	NO	393,725	393,725	0
<b>PLANNING FUNDING AGREEMENT TOTAL</b>														
42	DEL ORO WATER CO.-LIME SADDLE A-2	No	0410017-001C	SWS	2009CX301	6/26/2014	Yes	No	Construction	Intertie of two sections of Water-System and construction of 300,000 gallon storage tank.	NO	317,821	317,821	0
43	LAKE COUNTY CSA 2 - SPRING VALLEY A-1	Yes	1710018-004C	SWS	2012CX107	9/16/2013	Yes	No	Construction	SWTP improvements, replace existing 160k gallon clearwell with new 375k gallon clearwell, new 250 gpm finished water pump, emergency generator	NO	410,336	0	410,336
44	LAMONT PUBLIC UTILITY DIST A-1	Yes	1510012-007C	LWS	2012CX102	12/30/2013	Yes	No	Construction	Drill a new well, install a 500,000 gallon storage tank and booster pump station, and install an interconnection with current well to facilitate mixing.	NO	1,163,805	232,761	931,044
<b>CONSTRUCTION FUNDING AGREEMENT AMENDMENT TOTAL</b>														
45	NORTH FORK UNION SCHOOL A-1	Yes	2000612-001P	SWS	2010P104	9/26/2013	No	No	Planning	Investigate the feasibility of drilling wells and determine As treatment technique/technology if necessary.	NO	-75,529	-22,594	-59,523
46	LEGGETT VALLEY SCHOOL A-1	Yes	2300785-001P	SWS	2012P104	3/7/2014	No	No	Planning	Conduct a planning study to solve the Total Coliform bacteria contamination.	NO	198,498	0	198,498
47	NICASIO SCHOOL A-1	Yes	2100582-001P	SWS	2010P116	6/19/2014	No	No	Planning	Investigate the feasibility of drilling wells and evaluate SWTP options for GWUDI well.	NO	45,000	0	86,000
48	LOCKE WATER WORKS CO A-1	Yes	3400138-001P	SWS	2013P304	6/28/2014	No	No	Planning	Planning study to evaluate consolidation or treatment as a means to solve their arsenic compliance problem.	NO	26,500	0	26,500
<b>PLANNING FUNDING AGREEMENT AMENDMENT TOTAL</b>														
												194,469	-22,594	251,475
<b>TOTAL CONSTRUCTION FUNDING (AGREEMENTS + AMENDMENTS)</b>														
												350,490,812	320,140,597	30,350,242
<b>TOTAL PLANNING FUNDING (AGREEMENTS + AMENDMENTS)</b>														
												5,668,754	530,017	5,173,149
<b>GRAND TOTAL SFY 13/14 FUNDING AMOUNT</b>														
												356,159,566	320,670,614	35,523,391

\* LWS = Large water System (population > 10,000), SWS = Small Water System (population < 10,000)

\*\* AIS = American Iron and Steel requirement and whether April USEPA plans and specifications approval waiver applied

\*\*\* Green project reserve projects for SFY 13/14 were water meter installation projects

**APPENDIX C**  
**SFY 13/14 SDWSRF FUNDABLE LIST PROJECT STATUS**

#	Water System Name	Project Ranking	Project Number	SFY 13/14 Outcome
1	Monson Area Water Supply Study	F	0000541-001P	Funded – See Appendix B
2	NORTH FORK UNION SCHOOL	G	2000612-001P2	Funded – See Appendix B
3	MD#08 NORTH FORK WATER SYSTEM	G	2000561-002P	Funded – See Appendix B
4	LAKESIDE SCHOOL	G	1502154-001P2	Funded – See Appendix B
5	PLEASANT VALLEY ELEMENTARY	G	4000774-001P	Funded – See Appendix B
6	LOCKE WATER WORKS CO - SWS	G	3400138-001P	Funded – See Appendix B
7	CALLAYOMI COUNTY WATER DISTRICT	D	1710013-003P	Funded – See Appendix B
8	SAN LUCAS WD	F	2701676-007P	Funded – See Appendix B
9	SIERRA EAST HOME. ASSOC.	C	2600622-001P	Funded – See Appendix B
10	FCWWD #40/SHAVER SPRINGS	G	1000042-002P	Bypassed - Pending financial review
11	DESERT LAKE COMM SERV DIST	G	1510027-001P	Bypassed Pending water rate study
12	BUENA VISTA SCHOOL	F	5400919-001C	Funded – See Appendix B
13	PERSHING HIGH SCHOOL	F	1000207-001C	Bypassed - Pending SHPO (Environmental)
14	OAK VALLEY SCHOOL	G	5400713-001C	Funded – See Appendix B
15	RIVERDALE PUBLIC UTILITY DISTRICT	G	1010028-002C	Funded – See Appendix B
16	SEMI TROPIC SCHOOL WATER SYSTEM	G	1502244-002C	Funded – See Appendix B
17	ISLAND UNION SCHOOL	G	1600017-002C	Funded – See Appendix B
18	MATTOLE ELEMENTARY SCHOOL	E	1200684-003C	Funded – See Appendix B
19	ARMONA COMMUNITY SERVICES DIST	G	1610001-007C	Bypassed – Application not made complete until May 2014
20	WEST GOSHEN MUTUAL WATER CO.	F	5400957-005C	Funded – See Appendix B
21	NICASIO SCHOOL	D	2100582-001P	Funded – See Appendix B
22	DUCOR CSD	F	5400542-006C	Bypassed – Withdrew from SDWSRF funding to seek Proposition 84 funding
23	KETTLEMAN CITY CSD	G	1610009-005P	Funded – See Appendix B
24	CUTLER PUD	E	5410001-003C	Funded – See Appendix B
25	RIVIERA WEST MUTUAL WATER CO.	D	1700568-001C	Funded – See Appendix B
26	DEL REY COMMUNITY SERV DIST	H	1010035-004C	Funded – See Appendix B
27	AMADOR COUNTY SERVICE AREA #3/UNIT 6	F	0310021-003C	Bypassed – Applicant did not satisfy terms of NOAA by deadlines. NOAA Amended to extend term until March 2015



#	WS Name	Category	Project Number	SFR 2013-2014 Funding Outcome
28	BRIDGEPORT PUD	G	2610003-002C	Bypassed - Rejected NOAA funding offer 10/2013
29	AWA BUCKHORN PLANT	C	0310012-005C	Bypassed - Applicant did not satisfy terms of NOAA by deadlines. NOAA Amended to extend term until March 2015.
30	AWA BUCKHORN PLANT	G	0310012-006C	Bypassed - Applicant did not satisfy terms of NOAA by deadlines. NOAA Amended to extend term until March 2015.
31	EAST VALLEY WATER DISTRICT	F	3610064-003C	Bypassed – Withdrew SDWSRF application
32	LOS ANGELES-CITY, DEPT. OF WATER & POWER	G	1910067-043C	Funded – See Appendix B
33	LOS ANGELES-CITY, DEPT. OF WATER & POWER	G	1910067-032C	Funded – See Appendix B
34	LOS ANGELES-CITY, DEPT. OF WATER & POWER	G	1910067-052C	Funded – See Appendix B
35	LOS ANGELES-CITY, DEPT. OF WATER & POWER	D	1910067-039C	Funded – See Appendix B
36	SOUTH TAHOE PUD - MAIN	H	0910002-016C	Funded – See Appendix B
37	SAN DIEGO - CITY OF	E	3710020-066C	Funded – See Appendix B
38	ELSINORE VALLEY MWD (Consolidation with County Water Company of Riverside)	F	3310012-016C	Bypassed – NOAA issued pending funding agreement. NOAA Executed 1/14/2014
39	EASTERN MUNICIPAL WD (Consolidation with County Water Company of Riverside)	F	3310009-067C	Bypassed – NOAA issued pending funding agreement. NOAA Executed 12/16/2013
40	CITY OF WOODLAND	F	5710006-009C	Funded – See Appendix B

## APPENDIX D SMALL WATER SYSTEMS PROGRAM PLAN UPDATE

### **Summary:**

The Small Water Systems Program Plan (SWSP) tracks the progress of small water systems that are in violation of a primary constituent MCL by meeting specific milestones. There are a total of **183** community water systems that have between 15 and 999 service connections listed on the SWSP. The total population targeted on the SWSP is approximately 60,000 and the total number of service connections is approximately 18,000. There are eight types of primary drinking water standards that are violated by these systems. The total numbers of water systems that are violating primary drinking water standards are: 107 Arsenic, 61 Nitrate, 11 Uranium, 2 Gross Alpha, 9 Surface Water, 2 Perchlorate, 1 DBCP, and 1 Fluoride (some systems exceed more than one standard).

### **Progress:**

A small water system listed on the SWSP is measured on progress in returning to compliance by meeting specific milestones/goals. These milestones/goals are as follows: issuance of a compliance order, submittal of a universal pre-application for funding, placement on the Safe Drinking Water State Revolving Fund (SDWSRF) project priority list (PPL), invitation for funding, submittal of a statement of intent (SOI) to pursue funding, submittal of a funding application, execution of a funding agreement, and finally, the return of the water system to compliance by solving the problem.

Every unsolved system on the list has met the following milestones:

- Received a compliance order
- Submitted a universal pre-application for funding
- Placed on the SDWSRF PPL and invited for funding

### **Systems Receiving Executed Construction Funding Agreement in June 2014:**

- 4400581 – Olympia MWC (Santa Cruz County)

### **Systems Receiving Executed Planning Funding Agreement in June 2014:**

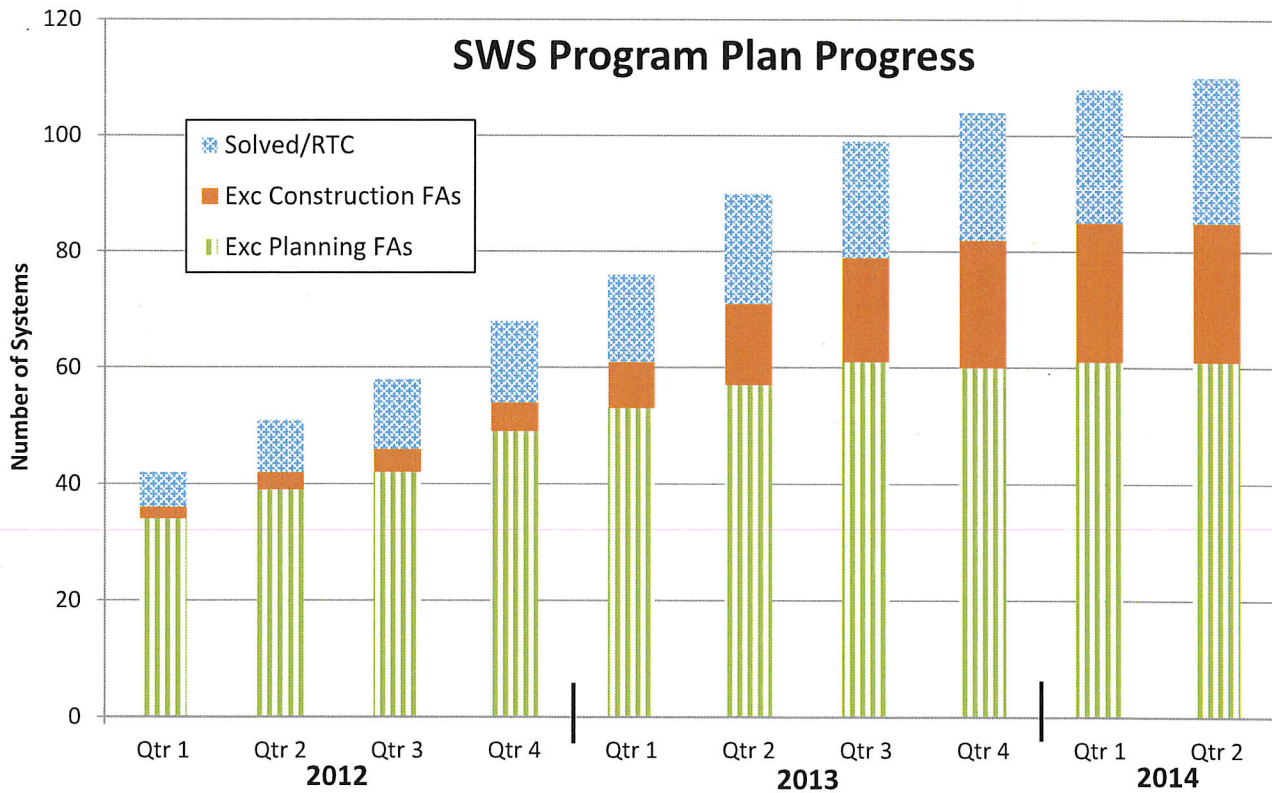
- None to report

### **Systems Solved in June 2014 :**

- 2000524 – Sky Acres MWC (Madera County) - Sky Acres MWC serves approximately 90 people through 50 connections. The Madera County Environmental Health Department issued a compliance order in 2011 for exceeding the arsenic MCL. The system has implemented a blending process to solve their arsenic problem. Sky Acres MWC did not request CDPH funding or technical assistance.

Progress statistics through June 2014 are as follows:

Progress Status	Current Status Total	Previous Status Total
Solved/Returned to compliance	25	24
Under construction with CDPH funding	24	23
Construction underway, privately financed	2	2
Awaiting CDPH construction funds, complete application submitted	23	24
Received CDPH planning funds, work to be completed within 18 months	51	51
Awaiting CDPH planning funds, complete application submitted	14	14
Total amount funded by CDPH (in millions)	101.2	99.2
Systems referred for technical assistance	129	129



**Solved/Returned to compliance – 25**

0400027	Foothill Mobile Home Park (Butte)	3100033	Tahoma Meadows MWC (Placer)
0400058	Rancho Villa Mobile Acres (Butte)	3301755	Sunbird MHP (Riverside)
0600013	Princeton Water District (Colusa)	3400149	Rancho Marina (Sacramento)
1000366	Sunnyside Convalescent Hosp (Fresno)	3610002	Alpine Water Users Assoc (San Bern)
1000472	PG&E Helms Support Facility (Fresno)	4400595	Villa Del Monte (Santa Cruz)
1000585	Murrieta/ Hernandez Farms (Fresno)	4400598	Pure Source (Santa Cruz)
1010030	Tranquility Irrigation District (Fresno)	4900845	Rancho De Sonoma (Sonoma)
1400004	Charles Brown Water Company (Inyo)	4900723	Shamrock MHP (Sonoma)
2000524	Sky Acres MWC (Madera)	5400663	Fairways Tract Mutual (Tulare)
2700706	Queen Motel (Monterey)	5400660	Lake Success Mobile Lodge (Tulare)
2910011	Plavada Community Association (Nevada)	5402047	Gleanings for the Hungry (Tulare)*
3000662	Catalina Street Pump Owners (Orange)	2701670	Langley Cyn/Valle Pacifico (Monterey)
3000663	Diamond Park MWC (Orange)		

*\*System delivering clean water below the MCL to customers via POU*

**Under construction with CDPH funding – 24**

1010028	Riverdale PUD (Fresno)	3610007	Baseline Gardens MWC (San Bernardino)
1010039	Caruthers CSD (Fresno)	3700923	Lake Morena Oak Shores MWC (S. Diego)
1500373	Seventh Standard Mutual (Kern)	4210009	Cuyama CSD (Santa Barbara)
1500405	Aerial Acres Water System (Kern)	4400581	Olympia Mutual (Santa Cruz)
1500461	Fountain Trailer Park Water (Kern)	4400631	Las Cumbres (Santa Cruz)
1510052	North Edwards Water District (Kern)	4500022	Hat Creek Water Company (Shasta)
1600004	Four Seasons MHP (Kings)	5100102	El Margarita MWC (Sutter)
1600504	Hamblin MWC (Kings)	5100109	Wildewood MWC (Sutter)
2000557	MD #43 Miami Creek Knolls (Madera)	5301002	Lewiston CSD (Trinity)
2701278	Rancho Chaparral MWC (Monterey)	5400957	West Goshen MWC (Tulare)
2701898	Clear Ridge WA (Monterey)	5410033	Pratt MWC (Tulare)
2702762	Lonoak Road Water System (Monterey)	5410052	LSID - El Rancho (Tulare)

**Construction underway, privately financed – 2**

1400037	Foothill Lone Pine MHP, LLC (Inyo)
1500540	Pinon Hill Water Company (Kern)

**Awaiting CDPH construction funds, complete application submitted – 23**

0600008	Colusa Co. WD #01 – Grimes (Colusa)	3301380	St. Anthony Trailer Park (Riverside)
0707602	Beacon West (Contra Costa)	3400332	Oxbow Marina (Sacramento)
1000248	Double L Mobile Ranch Pk (Fresno)	4900676	Sequoia Gardens MHP (Sonoma)**
1500364	KRVWC - Kernvale MWC (Kern)**	4900855	West Field Community (Sonoma)**
1500458	R.S. MWC (Kern)	4901195	Moorland Avenue Apartments (Sonoma)**
1500588	Son Shine Properties (Kern)	5000051	Mobile Plaza Park (Stanislaus)
2010012	Hillview WC - Raymond (Madera)	5000085	Green Run Mobile Estates
2701068	Iverson & Jackson Apts (Monterey)**	5000086	Countryside Mobile Home (Stanislaus)

5000217	Faith Home Teen Ranch (Stanislaus)	5402048	Del Oro – River Island Serv Terr #02 (Tulare)
5000389	Monterey Park Tract CSD (Stanislaus)	5400735	Rodriguez Labor Camp (Tulare)**
5400542	Ducor CSD (Tulare)**	5410024	Richgrove CSD (Tulare)**
5400665	Del Oro – River Island Serv Terr #01 (Tulare)		

*\*\*CDPH-funded planning complete, transitioning to construction*

**Under planning contract – 51**

1000053	Lanare CSD (Fresno)	4900568	Valley Ford Water Association (Sonoma)***
1000369	Zonneveld Dairy (Fresno)	5100107	Sutter Co WWD #01 (Robbins) (Sutter)
1500378	Maher MWC (Kern)	5200550	New Orchard MHP (Tehama)
1502383	Nord Road Water Association (Kern)	5210003	Los Molinos CSD (Tehama)
1500424	Lands of Promise Mutual (Kern)	5400544	Allensworth CSD (Tulare)
1500455	William Fisher Memorial WC (Kern)	5400550	Seville Water Company (Tulare)
1500571	Lucky 18 on Rosamond, LLC (Kern)	5403043	Yettem (Tulare)
1502569	First Mutual Water System (Kern)	5400567	Tooleville Water Company (Tulare)
1502744	60th Street Association WS (Kern)	5400651	Beverly Grand Mutual Water (Tulare)***
1500436	Hungry Gulch Water System (Kern)***	5401003	East Orosi CSD (Tulare)***
1500521	Boulder Canyon Water Association (Kern)***	5401038	Akin Water Company (Tulare)***
1500449	Fourth Street Water System (Kern)	5410007	LSID - Tonyville (Tulare)
1500493	El Adobe POA, Inc. (Kern)	5410009	Pixley PUD (Tulare)
1500494	Wilson Road Water Community (Kern)***	5410050	Alpaugh CSD (Tulare)***
1500575	San Joaquin Estates Mutual (Kern)***		
1502699	East Wilson Road Water Company (Kern)***		
1500525	Lakeview Ranchos MWC (Kern)		
1502724	Quail Valley WD - Eastside (Kern)		
1510002	Boron CSD (Kern)		
1510016	Rand Comm CWD - Randsburg (Kern)		
1510054	Pinon Pines MWC (Kern)***		
1600507	Hardwick Water Group (Kings)***		
1610009	Kettleman City CSD (Kings)		
2000506	Sierra Linda MWC (Madera)***		
2000550	MD #06 Lake Shore Park (Madera)***		
2000551	MD #07 Marina View Heights (Madera)***		
2000561	MD #08 North Fork WS (Madera)		
2000737	MD #42 Still Meadow (Madera)		
2600622	Sierra East Home Association (Mono)		
2701036	Apple Avenue WS #03 (Monterey)		
2701676	San Lucas County WD (Monterey)		
3302093	County Water of Riverside (Riverside)		
3400138	Locke Water Works Company (Sac)		
3400172	Tokay Park WC(Sacramento)		
3600196	San Bernadino CSA 70 W-4 (San Bern)		
3900579	Century MHP (San Joaquin)		
4300630	Foothill Mutual Water (Santa Clara)***		

*\*\*\*May require 2<sup>nd</sup> feasibility study for more time*

**Awaiting CDPH planning funding, submitted complete app – 14**

<b>0600011</b>	<b>Del Oro WC - Walnut Ranch (Colusa)</b>	<b>1000042</b>	<b>FCWWD #40 - Shaver Springs (Fresno)</b>
<b>1400036</b>	<b>Keeler CSD (Inyo)</b>	<b>1510027</b>	<b>Desert Lake CSD (Kern)</b>
<b>1900785</b>	<b>Mitchell's Avenue MHP (Los Angeles)</b>	<b>2000785</b>	<b>Valley Teen Ranch (Madera)</b>
<b>2700686</b>	<b>Garlen Court Water System</b>	<b>2700771</b>	<b>Springfield MWC (Monterey)</b>
	<b>(Monterey)</b>		
<b>3400164</b>	<b>Vieira S Resort, Inc. (Sacramento)</b>	<b>4301004</b>	<b>Emerald Valley MWC (Santa Clara)</b>
<b>5000033</b>	<b>Cobles Corner (Stanislaus)</b>	<b>5400616</b>	<b>Lemon Cove Water Company (Tulare)</b>
<b>5400682</b>	<b>Central WC – Plainview MWC</b>	<b>5400805</b>	<b>Soults MWC (Tulare)</b>

**APPENDIX E  
SDWSRF SOURCE WATER PROTECTION LOAN HISTORY**

Source Water Protection Loans through 06/30/2014

Water System Name	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	2001SW P101	\$2,000,000	\$0	\$2,000,000

**APPENDIX F**  
**NEW SDWSRF DISBURSEMENT REQUEST FORM AND GUIDANCE**



**STATE OF CALIFORNIA  
STATE WATER RESOURCES CONTROL BOARD  
REQUEST FOR DISBURSEMENT**

<b>DISBURSEMENT REQUESTED FOR:</b> <input type="checkbox"/> AGRICULTURAL DRAINAGE PROGRAM <input type="checkbox"/> CLEAN WATER STATE REVOLVING FUND PROGRAM <input type="checkbox"/> DRINKING WATER STATE REVOLVING FUND PROGRAM <input type="checkbox"/> SMALL COMMUNITY GROUNDWATER PROGRAM <input type="checkbox"/> SMALL COMMUNITY WASTEWATER PROGRAM <input type="checkbox"/> SEAWATER INTRUSION CONTROL PROGRAM <input type="checkbox"/> WATER RECYCLING FUNDING PROGRAM <input type="checkbox"/> LEGAL ENTITY FORMATION ASSISTANCE (LEFA) PROGRAM <input type="checkbox"/> PROP 50 DW FUNDING PROGRAM <input type="checkbox"/> PROP 84 DW FUNDING PROGRAM <input type="checkbox"/> PUBLIC WATER SYTEM DROUGHT EMERGENCY RESPONSE FUNDING PROGRAM	<b>(1) DATE:</b> _____ <b>(2) DISBURSEMENT REQUEST NO.</b> _____ <b>(3) PROJECT NO.</b> _____ <b>(4) AGREEMENT NO.</b> _____ <b>(5) PCA CODE(S)</b> _____
--	---

**AGREEMENT/GRANT RECIPIENT:** \_\_\_\_\_  
**STREET/P. O. BOX:** \_\_\_\_\_  
**CITY AND ZIP CODE:** \_\_\_\_\_  
**AUTHORIZED REPRESENTATIVE:** \_\_\_\_\_ **TITLE:** \_\_\_\_\_

STATE USE ONLY				STATE USE ONLY			
I t e m #	DESCRIPTION	BUDGETED LINE ITEM AMOUNT	(3) COSTS INCURRED TO DATE	(4) COSTS CLAIMED FOR PAY'T TO DATE	COSTS APPROVED FOR PAY'T TO DATE	AMOUNT PREVIOUSLY PAID	APPROVED PAYMENT THIS REQUEST
<b>TOTAL</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>			

**COMMENTS:**  
 \_\_\_\_\_  
 \_\_\_\_\_

**RECIPIENT CERTIFICATION**

I certify that the costs shown under Costs Incurred to Date have been incurred and that these costs have been paid or will be paid within 30 days of receipt of the funds requested hereby. If such costs have not been paid within 30 days, funds received under this request will be returned to the State Water Resources Control Board (SWRCB). I certify that all prior funds received from this Finance Agreement have been disbursed within 30 days of receipt or have been returned to the SWRCB.

I certify that all amounts on this invoice are for costs incurred for the Project and represent only costs directly related to the Project Finance Agreement and within the approved scope of work. **Note:** If entity chooses to add a surcharge, this surcharge must be supportable and documented by direct costs related to the Project. These records can be requested at any time for auditing purposes to ensure costs are justified and directly related to the Project.

(5) Signature of the Authorized Representative \_\_\_\_\_ Date \_\_\_\_\_

(6) Signature of Authorized Registered Engineer (if applicable) \_\_\_\_\_ Date \_\_\_\_\_

**STATE USE ONLY: APPROVAL FOR PAYMENT**

- All Quarterly Reports have been submitted to date.
- Draft deliverables submitted for disbursement >70% of total financing amount (Grants only).
- Final deliverables submitted for disbursement >90% of total financing amount (Grants only).
- Final deliverables submitted for final disbursement (DWSRF, P50, P84, PWSDER, LEFA only).

Project Manager or District Engineer Signature/Approval _____	Title _____	Date _____
Reviewer Signature _____	Program Analyst Title _____	Date _____
Approval Signature _____	LGA, Chief Title _____	Date _____



**APPENDIX G**  
**LEGAL ENTITY FORMATION ASSISTANCE SFY 13/14 FUNDED PROJECTS**

1. **Funding Recipient:** Rural Community Assistance Corporation, \$52,745

**Project Description:** Formation of a legal entity that has the authority to own and operate a public water system. The expected entity to be formed is a Mutual Water Company for 17 connections served by the Garlen Court Water System (GCWS) located near Salinas, California. GCWS is not currently a legal entity eligible to received DWSRF funding. The project involves all necessary steps to form an incorporated mutual water company.

2. **Funding Recipient:** Rural Community Assistance Corporation, \$84,747

**Project Description:** Gregg Water System (GWS) is a privately-owned public water system serving approximately 23 connections in the community of Courtland in Sacramento County. The owners of GWS notified their customers and the County they did not have the resources to make the necessary improvements to meet drinking water standards and FEMA requirements for well head protection for wells in a 100 year flood plain and no longer wanted to operate the water system. The owners gave control to the County to oversee the operation of the water system until a new legal entity is formed and ownership is transferred to the new legal entity. The LEFA project is to complete all necessary steps to form a community water district that has the authority to own and operate a water system to serve the existing customers of the GWS service area.

3. **Funding Recipient:** Rural Community Assistance Corporation, \$46,494

**Project Description:** Wendell Water Company (WWC) is a privately-owned, unincorporated, public water system that serves the twenty five (25) property owners on Wendell Lane in Sebastopol, California. Since 2002 the system has had numerous deficiencies, including a source that is vulnerable to nearby activities related to neighborhood septic tanks and cow pasture. The owner of WWC abandoned the system in October 2007. As a result, State petitioned the court to place operation of the water system under control of a receiver. The petition was granted. The property owners are purchasing the operations and assets of the WWC but need to form a legal entity. The LEFA project is project to form a legal entity for that has authority to own and operate public water system. The Project involves all necessary steps to legally form an incorporated non-profit mutual water company for the residents of Wendell Lane.

4. **Funding Recipient:** California Rural Water Association, \$76,584

**Project Description:** The project involves all necessary steps to legally form an incorporated non-profit mutual water company for the Ali water system. Ali Water Company (Ali WC) is a privately-owned public water system that has historically supplied drinking water to twelve (12) service connections and over twenty five (25) yearlong residents. The Ali WC is a public water system, owned by a sole proprietor which has citations from Tulare County for failure to meet the total coliform MCL. Historically, Ali WC has been permitted as a transient non-community water system; however, based on the number of yearlong residents served by Ali WC, it meets the definition of a community water system (CWS), Therefore, Tulare County directed Ali WC to take necessary steps to obtain a permit to operate the water system as a CWS. Ali WC is not a duly formed legal entity and therefore lacks managerial capacity to operate the public water system under the Safe Drinking Water Act.