

# ANNUAL REPORT

**State Fiscal Year 2021-22  
(July 1, 2021 through June 30, 2022)**

**The Drinking Water State Revolving Fund**

**and**

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

**and**

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

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

## OUR VISION

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

## OUR MISSION

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



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## About the State and Regional Water Boards

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

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

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

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

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



### **E. Joaquin Esquivel** **BOARD CHAIR**

E. Joaquin Esquivel was appointed to the State Water Resources Control Board by Governor Jerry Brown in March 2017 and designated by Governor Gavin Newsom as Chair in February 2019. Previously, he served as Assistant Secretary for federal water policy at the California Natural Resources Agency in the Governor's Washington, D.C. office, where he facilitated the development of policy priorities between the agency, the Governor's Office, the California Congressional delegation, and federal stakeholder agencies.

Prior to his position with the Natural Resources Agency, Mr. Esquivel worked for U.S. Senator Barbara Boxer of California, most recently as her legislative assistant covering the agriculture, Native American, water, oceans, and nutrition portfolios, in addition to being the Director of Information and Technology.

Mr. Esquivel was born and raised in California's Coachella Valley. He holds a Bachelor of Arts degree in English from the University of California, Santa Barbara.



### **Dorene D'Adamo** **BOARD VICE CHAIR**

Dorene D'Adamo was appointed to the State Water Resources Control Board by Governor Brown in 2013 and reappointed in 2018. She serves as the Vice-Chair and as the agriculture member of the Board. Ms. D'Adamo is on the Board of the California Partnership for the San Joaquin Valley and on the Board of the Pacific Forest and Watershed Lands Stewardship Council, and she also served on the Governor's Drought Task Force. She was a member of the California Air Resources Board from 1999-2013 where she was instrumental in the board's air quality and climate change programs and regulations.

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

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



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

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


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


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



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

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

	<p>government agency and the needs of a broad array of water interests.</p> <p>From 2015-2018, Mr. Maguire worked for the State Water Resources Control Board as a manager of the Storm Water Grant Program in the Division of Financial Assistance, and later as a manager in the Division of Water Rights where he oversaw administration of water right change petitions, licensing, and cannabis cultivation permitting. Prior to joining the Board, from 2003-2015, he worked for an engineering consulting firm serving a variety of municipalities and water agencies throughout the state, focused on water resources planning, drinking water, and wastewater infrastructure projects. Much of his work involved developing integrated water management and long-term water supply solutions to meet the needs of both water users and the environment.</p> <p>Mr. Maguire has a Bachelor of Science degree in Civil Engineering from California State University, Sacramento.</p>
	<p><b>Laurel Firestone</b> <b>BOARD MEMBER</b></p> <p>Laurel Firestone was appointed to the State Water Resources Control Board by Governor Gavin Newsom in February 2019. Prior to joining the Board, Ms. Firestone co-founded and co-directed, from 2006-2019, the Community Water Center, a statewide non-profit environmental justice organization based in California's Central Valley and Central Coast. Her career has focused on ensuring all Californians have access to safe, clean, and affordable drinking water, and building increased diversity, equity, and inclusivity into water decision-making.</p> <p>Ms. Firestone has received a variety of awards and recognitions for her work, including the James Irvine Foundation's Leadership Award in 2018, and the Gary Bellow Public Service Award by the Harvard Law School in 2013.</p> <p>Ms. Firestone served on the Tulare County Water Commission from 2007-2012, as well as a variety of state policy advisory committees. She has partnered with universities to develop research and clinical programs to further the human right to water, and written articles and publications related to drinking water and the environment.</p>

	<p>Ms. Firestone earned a Juris Doctor degree and graduated with honors from Harvard Law School and holds a Bachelor of Arts degree in Environmental Studies, Magna Cum Laude, from Brown University.</p>
	<p><b>Eileen Sobeck</b>  <b>EXECUTIVE DIRECTOR</b></p> <p>Eileen Sobeck was selected as Executive Director by the Board in August 2017. Ms. Sobeck has nearly 40 years of government service, and more than two decades of executive and management experience leading professional staff in complex organizations. She has spent majority of her career in federal agencies that touch on many of the same science-based, public resource challenges the State Water Board faces.</p> <p>Ms. Sobeck was the National Oceanic and Atmospheric Administration's (NOAA) Assistant Administrator for Fisheries at the U. S. Department of Commerce (2014-2017). Prior to her work at NOAA, she was the Department of Interior's Acting Assistant Secretary for Insular Affairs (2012-2014), and Deputy Assistant Secretary for Fish and Wildlife and Parks (2009-2012). Ms. Sobeck is a lawyer by training and spent 25 years at the U. S. Department of Justice, ultimately serving as Deputy Assistant Attorney General for Environment and Natural Resources (1999-2009).</p> <p>While Ms. Sobeck has spent most of her professional career in Washington, D.C., she has many ties to California. Ms. Sobeck grew up in Davis, earned a Juris Doctor degree from Stanford Law School, a Bachelor of Arts degree in Political Science from Stanford University, and has strong family connections to California.</p>

## TABLE OF CONTENTS

<b>I. INTRODUCTION</b> .....	<b>8</b>
<b>II. FINANCIAL RESULTS</b> .....	<b>9</b>
A. Cumulative Financial Activity.....	9
B. Net Position.....	11
C. Revenues and Contributions.....	11
D. Disbursements and Expenses.....	11
E. Credit Risk of the DWSRF.....	12
<b>III. PUBLIC HEALTH BENEFITS</b> .....	<b>14</b>
A. Projects in SFY 2021-22 Will Help Achieve and Maintain SDWA Goals .....	15
B. DWSRF Projects Achieve Multiple Benefits .....	15
<b>IV. PROGRAM HIGHLIGHTS AND UPDATES</b> .....	<b>16</b>
A. Safe and Affordable Funding for Equity and Resilience Program.....	16
B. Additional Supplemental Appropriations for Disaster Relief Act Funding .....	18
C. Updated DWSRF Sustainable Leveraging Capacity .....	19
D. Comprehensive and Fundable Lists and Project Bypass .....	20
E. COVID-19 Impacts .....	20
F. Marketing Updates .....	20
G. Technical Assistance .....	21
H. Consolidation Incentive Program .....	21
I. DWSRF Source Water Protection Program .....	21
<b>V. SET-ASIDES</b> .....	<b>23</b>
A. Administration Set-Aside.....	23
B. Small Water System Technical Assistance Set-Aside.....	23
C. Local Assistance Set-Aside.....	24
D. State Program Management Set-Aside.....	25
<b>VI. ACRONYMS</b> .....	<b>26</b>



<b>VII. EXHIBITS</b>	<b>28</b>
EXHIBIT A: SFY 2021-22 DWSRF Funded Project List	29
EXHIBIT B: SFY 2021-22 Small Community Grant and SADWF Project Funding List	35
EXHIBIT C: SFY 2021-22 Non-Funded Projects	41
EXHIBIT D: Cumulative DWSRF Set-Aside Expenditures	44
Small Water Technical Assistance Set-Aside	45
State Program Management Set-Aside	46
Local Assistance Set-Aside	47
EXHIBIT E: Disadvantaged Business Enterprise Report	49
EXHIBIT F: SFY 2021-22 DWSRF FFATA Projects	50
<b>VII. APPENDICES</b>	<b>51</b>
APPENDIX A: Short-Term Goals	A-1
APPENDIX B: Long-Term Goals	B-1
APPENDIX C: Operating Agreement and Capitalization Grant Conditions	C-1
APPENDIX D: Performance Evaluation Report	D-1
APPENDIX E: SFY 2021-22 Audited Financial Statement	E-1

## I. INTRODUCTION

The California State Water Resources Control Board (State Water Board) and Division of Financial Assistance (DFA) present the Drinking Water State Revolving Fund (DWSRF) annual report for State Fiscal Year (SFY) 2021-22. The State Water Board provided approximately \$897.5 million in new DWSRF financing for 30 planning and construction projects to address drinking water needs in California. This report describes how the State Water Board met the objectives for the DWSRF program identified in the [SFY 2021-22 DWSRF Intended Use Plan \(IUP\)](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/docs/dwsrf_iup_sfy2021_22_final.pdf) ([https://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/docs/dwsrf\\_iup\\_sfy2021\\_22\\_final.pdf](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/docs/dwsrf_iup_sfy2021_22_final.pdf)).

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

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

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

## II. FINANCIAL RESULTS

### A. Cumulative Financial Activity

To satisfy federal requirements and ensure the accuracy of the State Water Board's financial management of the DWSRF, audited financial statements for the year ending June 30, 2022, were completed January 31, 2023, and are included as Appendix E in this report. This section provides important financial highlights about the DWSRF as of June 30, 2022.

As of June 30, 2022:

- The cumulative DWSRF funds available for planning and construction financial assistance since inception was approximately \$3.48 billion.
- An additional \$347.69 million of cumulative DWSRF set-aside funds were available.
- The State Water Board, and preceding departments/agencies, had committed approximately 129 percent (129%) of available funds to planning and construction projects through binding commitments (executed financing agreements).
- The State Water Board, and preceding departments/agencies, had disbursed approximately 95 percent (95%) of available funds for planning and construction projects, as well as disbursed 95 percent (95%) of the available DWSRF set-aside funds.

Cumulative DWSRF program activity from inception through the end of SFY 2021-22 is further described in Table 1.

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

<b>DWSRF Construction and Planning Funding</b>	
<b>Activity</b>	<b>Life of Program</b>
Number of Binding Commitments	556
Value of Binding Commitments	\$4,505 million
Disbursements and Expenditures	\$3,321 million <sup>2</sup>
Balance of Funding Agreements	\$1,184 million
<b>DWSRF Set-Aside Funding</b>	
DWSRF Set-Aside Amount	\$347.689 million

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

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

DWSRF Set-Aside Expenditures	\$326.963 million <sup>3</sup>
Balance of Set-Asides	\$26.32 million

The State Water Board funded a variety of planning and construction projects through the DWSRF in SFY 2021-22 to address a range of public water system (PWS) and public health issues. Specifically, the State Water Board funded projects from the DWSRF for the benefit of both small water systems (SWSs) (populations less than 10,000 people) and large water systems (populations over 10,000 people). Table 2 below displays the number of small and large water system as well as the amount of funding for planning and construction in each category. See Exhibit A for a list of projects that received funding in SFY 2021-22.

**Table 2: Water System Type**

Water System Type	Project Type	No. of Water Systems	Total Population	Total Funding
Small	Planning	3	64,799	\$1,553,200
	Construction	10		\$34,758,860
Large	Planning	0	8,856,713	\$0
	Construction	17		\$861,140,136
<b>Total</b>		<b>30</b>	<b>8,921,512</b>	<b>\$897,452,196</b>

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

A greater number of construction projects received funding in SFY 2021-22 than recent historical averages because planning projects were generally funded with other, complementary funding sources. This helped maximize the DWSRF and its complementary funding sources so that both were used efficiently and expeditiously.

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

## B. Net Position

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

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

	June 30, 2022	June 30, 2021
<b>Assets</b>		
Current Assets	\$247,216	\$291,123
Other Assets	\$1,215,143	\$1,751,504
Total Assets	\$2,212,157	\$2,147,381
<b>Liabilities</b>		
Current Liabilities	\$31,044	\$27,826
Non-Current Liabilities	\$72,289	\$80,107
Total Liabilities	\$103,333	\$107,933
<b>Net Position</b>		
Restricted	\$796,554	\$ 152,090
Unrestricted	\$1,312,270	\$1,887,358
Total Net Position	\$2,108,824	\$2,039,448

## C. Revenues and Contributions

The total revenue and contributions for SFY 2021-22 were \$110.4 million. Revenues for this period are further summarized in Table 4 below.

**Table 4: SFY 2021-22 DWSRF Revenues & Contributions**  
(Dollars in Thousands)

Loan Interest Income	\$26,836
Net Investment Income	\$541
Capitalization Grant Contributions	\$76,550
Capitalization Grants Contributions – Principal Forgiveness	\$3,498
State Match Revenue – Loans	\$1,558
State Match Revenue – Principal Forgiveness	\$1,394

## D. Disbursements and Expenses

Total disbursements are based on the Financial Statements and do not include matching funds provided by funding recipients. Disbursements for SFY 2021-22 totaled \$244.5 million and were as follows:

**Table 5: SFY 2021-22 DWSRF Disbursements and Expenses**  
(Dollars in Thousands)

<b>DISBURSEMENTS</b>	
Loan disbursements	\$203,525
Principal Forgiveness disbursements	\$16,393
<b>EXPENSES</b>	
Operating Expense - Personnel Services	\$15,674
Operating Expense - Other Expenses	\$7,305
Revenue Bond Interest Expense	\$1,619
Revenue Bond Issuance Cost	\$0

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

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

In SFY 2021-22, the State Water Board staff continued to closely monitor and work collaboratively with recipients for potential impacts from the COVID-19 pandemic and wildfires on their financial and operating conditions. The DWSRF program did not restructure any agreements.

In SFY 2021-22, there was no allowance for uncollectible accounts as all repayments remained current and all repayable financings were anticipated to be repaid in accordance with the financing terms. State Water Board staff continued to work diligently to ensure funding agreements were secure and that all payments were made on time and in full. Staff efforts included using a variety of analysis and monitoring measures to reduce the possibility of non-payment and continually evaluating additional steps to ensure full and timely payments.

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

In accordance with federal rules, the State Water Board may provide 40-year loan repayment terms to eligible funding applicants that serve Disadvantaged Communities (DACs). (42 U.S.C. § 300j-12(f)(1)(C)(i); Health & Saf. Code, § 116760.40(a)(3).). The State Water Board may provide Extended Term Financing (ETF) to publicly owned PWSs for construction projects in accordance

with USEPA's policy on ETF. In SFY 2021-22, the State Water Board did not provide ETF to any recipients.

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

## **2. Arrearages Program**

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

### III. PUBLIC HEALTH BENEFITS

The contributions of the DWSRF program to public health and drinking water quality are diverse. The program has the strength and versatility to address a wide range of drinking water issues. To the maximum extent possible, in SFY 2021-22, priority was given to projects that addressed the most serious risks to human health, were necessary to ensure compliance with SDWA requirements, and assisted water systems most in need on a per household basis. Projects were ranked by the categories below as defined in the DWSRF Policy, Section VI.B.2:

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

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

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

<b>Public Health Category</b>	<b>Number of Projects Financed</b>	<b>Population</b>	<b>Financed Amount (Loan+PF)</b>	<b>Principal Forgiveness</b>
A	3	127,703	\$9,478,300	\$9,478,300
B	1	4,071,873	\$67,400,000	\$0
C	9	1,398,082	\$292,516,074	\$18,239,133
D	3	42,932	\$4,260,155	\$2,405,096
E	0	0	\$0	\$0
F	14	3,280,922	\$523,797,667	\$18,379,700
<b>Total</b>	<b>30</b>	<b>8,921,512</b>	<b>\$897,452,196</b>	<b>\$48,502,229</b>

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



## A. Projects in SFY 2021-22 Will Help Achieve and Maintain SDWA Goals

1. There were 30 projects funded by the DWSRF program. Of these, 18 helped disadvantaged or severely disadvantaged communities least able to afford the cost of water on a per household basis.
2. An estimated 8,921,512 people are served by the projects funded.
3. An estimated \$48.5 million principal forgiveness was provided to these projects and an estimated \$200 million in interest savings were provided to projects.
4. Thirteen (13) projects assisted small water systems correct violations and return to compliance. Three (3) projects funded were planning projects to create plans to help water systems return to compliance.

## B. DWSRF Projects Achieve Multiple Benefits

DWSRF projects are multi-faceted, and each project typically provides multiple benefits to the water system completing the project. Table 7 below shows a breakdown of the many benefits provided by the DWSRF projects funded in SFY 2021-22. In particular, \$1,886,549 was provided to fund 4 consolidation projects. Approximately 46 percent (46%) of the project costs, or \$412 million, was provided for drinking water transmission and distribution projects. There was also \$285 million Green Project Reserve (GPR) projects.

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

<b>Benefits</b>	<b>Cost</b>	<b># of Projects/Benefit <sup>4</sup></b>
Planning and Design Only	\$1,553,200	3
Treatment	\$141,066,062	5
Transmission & Distribution	\$412,648,991	15
Source	\$12,926,696	7
Storage	\$41,397,103	7
Consolidation	\$1,886,549	4
Green Project Reserve	\$285,973,596	6
<b>Total</b>	<b>\$897,452,197</b>	<b>47</b>

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

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

In SFY 2021-22, the State Water Board continued to fund drinking water projects to provide safe and affordable drinking water for all Californians and continued to pair DWSRF financing with other funds appropriated to the State Water Board to achieve its drinking water objectives.

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

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

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

#### **1. Small DAC SFY 2021-22 Committed Expenditures**

In SFY 2021-22 47 small DAC projects were funded, 10 planning and 31 construction, 3 interim water, 2 technical assistance, and 1 administrator, for a total of \$122 million in grant or principal forgiveness. Exhibit B lists the Small Community Drinking Water (DWSRF PF; includes both Prop 1, Prop 68, and General Fund) and SADW Fund projects for SFY 2021-22.

Of the \$130 million SADW Fund appropriation for SFY 2021-22, grant agreements were executed for one interim project, and two technical assistance projects for SWSs serving DACs/SDACs, totaling \$22 million.

## **2. Funding Available for Small DAC Drinking Water Projects in SFY 2021-22**

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

The Budget Act of 2021 included \$985 million from the Coronavirus Fiscal Recovery Fund of 2021 to forgive residential and commercial customer arrearages and water enterprise revenue shortfalls where those arrearages and revenue shortfalls occurred during the period commencing March 4, 2020, through June 15, 2021, because of the COVID-19 pandemic.

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

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

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

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

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

incorporate efficient use and conservation of water where feasible. As of June 30, 2021, the anticipated amount available to go towards projects is \$28 million.

Prop 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Assembly Bill [AB] 1471, Rendon) allocated \$260 million for drinking water grants and loans for PWS infrastructure improvements and related actions to meet safe drinking water standards, to ensure affordable drinking water, or both. The State Water Board's guidelines for the Prop 1 drinking water funds are updated annually, in conjunction with the applicable annual DWSRF IUP. As of June 30, 2021, the anticipated amount available to go towards projects is \$12 million.

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

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

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

The State Water Board adopted the Additional Supplemental Appropriations for Disaster Relief Act (ASADRA) Supplemental IUP in June 2021 that included a request for additional re-allotment to DWSRF ASADRA funds and received a total of \$46 million in allocation from the EPA for California. In FY 2021-22, the State Water Board did not

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

receive additional applications for the ASADRA program. ASADRA projects listed in the FY 2021-2022 fundable list were all from the September 30, 2020 due date for ASADRA applications. These applications were from several water agencies, with some agencies requesting funding assistance to construct multiple projects.

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

During the FY 2021-2022, staff assigned to each ASADRA project continue to work with applicants to complete their ASADRA applications, to better define the scope and costs of the projects. In some cases, staff also identified other programs that could provide additional grant funds for applicants that have confirmed disadvantaged status. For those that qualify for 100% grant funding, staff explored the opportunities of transitioning those ASADRA applications to grant programs that could provide 100% grant assistance to these disadvantaged and severely disadvantaged communities.

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

The DWSRF's Municipal Advisor, in cooperation with DFA staff, updated the DWSRF's estimated lending capacity calculations for the SFY 2021-22 IUP. The Municipal Advisor's calculations showed that the DWSRF can operate at an estimated sustainable loan level of approximately \$330 million per year for the next 20 years. The DWSRF funding target for SFY 2021-22 was based on a 20-year capacity analysis in accordance with the Clean Water State Revolving Fund (CWSRF)/DWSRF Debt Management Policy to ensure that the DWSRF program does not become over-leveraged. The State Water Board committed approximately \$859 million in DWSRF repayable loans, which is higher than the established sustainable loan capacity. However, many of these commitments were rollovers from previous years and the DWSRF had been committing funds below the sustainable loan capacity in recent years. Notwithstanding the historical commitment of approximately \$900 million in DWSRF funding in SFY 2021-2022, additional capital will likely not be needed in SFY 2022-23 given the additional capitalization grants from the Infrastructure Investment and Jobs Act (IIJA), also referred to as the Bipartisan Infrastructure Law (BIL), as well as additional California General Fund capitalization for state match.

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

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

There were 35 projects identified on the Fundable List in the SFY 2021-22 IUP seeking Repayable financing. There were also 270 projects on the Comprehensive List from disadvantaged water systems that were automatically considered part of the Fundable List. The DWSRF program awarded funding to 3 planning projects and 27 construction projects. SCG-DW funds were awarded to 19 additional projects. The remaining projects' statuses are noted in Exhibit C. Several of the projects not funded in SFY 2021-22 are anticipated to be funded in SFY 2022-23.

## **E. COVID-19 Impacts**

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

New state and-federal stimulus funding has been announced as part of efforts to recover from COVID- 19. The California Budget Act of 2021 appropriated \$1.55 billion to the State Water Board including \$650 million for drinking water projects. The Infrastructure Investment and Jobs Act was signed by President Biden on November 15, 2021, which includes \$11.7 billion in funding for the DWSRF programs nationally. State Water Board staff are holding workshops with stakeholders to develop a plan for the State funds and anticipate minor changes to the SFY 2021-22 IUP for implementation. The plan for the increased federal funds will be described in the SFY 2022-23 IUP. Both the additional state and federal funding will be committed consistent with any guidelines or requirements associated with their authorization.

## **F. Marketing Updates**

State Water Board staff continued to participate in the California Financing Coordinating Committee (CFCC) funding fairs during SFY 2021-22. The funding fairs provide members of the public and infrastructure development professionals current information on funding options available for different project types.

State Water Board staff also presented and exhibited at the Floodplain Management Association (FMA). FMA is the premier organization for floodplain management

professionals interested in reducing flood risk and creating sustainable floodplains. The association serves as an unbiased forum for legislature, government, industry, and science to advance best practices, technologies, policies, regulations, and legal strategies, with a focus on California, Nevada, and Hawaii. FMA's mission is to improve flood safety and maximize floodplain resources through effective dialogue, collaboration, education, legislation, and policy.

## **G. Technical Assistance**

The DWSRF program budgeted two percent (2%) of the FFY 2021 Capitalization Grant along with prior year capitalization grants for Small Water System Technical Assistance (SWSTA). The primary goals of SWSTA are to reduce the instances of non-compliance with drinking water standards and requirements, establish and assure safe and dependable water supplies, improve operational capability, and establish or improve the technical, managerial, and financial (TMF) capacity of SWSs.

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

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

The budget and expenditures of the SWSTA set-aside as of June 30, 2022, are shown in Exhibit D.

## **H. Consolidation Incentive Program**

The DWSRF continued to offer the consolidation incentive identified in the IUP but did not receive any requests for the incentives during SFY 2021-22. The State Water Board will continue, however, to offer the incentives to potential consolidation projects. With the advent of the SADWF program, there may be additional demand for consolidation financing. DFA will continue to evaluate the terms associated with the incentives, and may recommend changing the incentives, including on a case-by-case basis, to the State Water Board.

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

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

Funding for the SWP program provides loans to PWSs for the purchase of land or

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

As of SFY 2021-22, the program had set aside a total of \$24,889,390 from the FFY 2000-2005 Capitalization Grants for this program, but, due to lack of demand from PWSs, subsequent federal grant amendments returned \$22,889,390 from the FFY 2000-2005 Capitalization Grants to the DWSRF infrastructure loan fund. As shown in Table 8 below, \$2,000,000 has been committed and expended for SWP loans.

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

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



## **V. SET-ASIDES**

The State Water Board used a percentage of the FFY 2021 federal capitalization grant in SFY 2021-22 to fund the administration of the DWSRF program and other activities critical to the success of California's drinking water program. The set-asides that were used included DWSRF Administration, SWSTA, State Program Management, and Local Assistance Special Programs. These set-asides helped with administering the DWSRF program or providing funding and technical assistance to PWSs. The State Water Board budgeted 26 percent (26%) of the FFY 2021 Capitalization Grant for all four (4) set-asides, totaling \$25,232,220. As of June 30, 2022, the State Water Board had expended \$2,595,401 of the funds budgeted for set-aside activities from the FFY 2021 Capitalization Grant.

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

The State Water Board budgeted four percent (4%) of the FFY 2021 Capitalization Grant, totaling \$3,881,880, along with prior years' DWSRF Administration set-aside funds in SFY 2021-22 for the management of the DWSRF program. The DWSRF Administration set-aside funded technical and administrative personnel within DFA who prepared construction and planning approvals and agreements, inspected, and evaluated projects, and processed claims for reimbursement, and funded personnel activities associated with project tracking and reporting required by USEPA as well as other state and federal agencies. The Administration set-aside also funded legal activities within the State Water Board's Office of Chief Counsel related to reviewing agreements and advising on a variety of programmatic issues including the IUP, anticipated revenue bond requirements, and implementation of various State and federal requirements. Finally, the DWSRF Administration set-aside funded a variety of support activities conducted by Division of Administrative Services (DAS) and DIT, including accounting, human resources, and budget office support as well as Information Technology support.

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

The budgeting and expenditures of the DWSRF Administration set-aside, as of June 30, 2022, are shown in Exhibit D.

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

The State Water Board budgeted two percent (2%) of the FFY 2021 Capitalization Grant, totaling \$1,940,940, along with prior years' set-aside funds for SWSTA in SFY 2021-22. The SWSTA set-aside funded DFA staff to provide technical assistance to SWSs. The primary goal of DFA's SWSTA is to assist SWSs to become eligible for DWSRF financing to reduce the instances of non-compliance with drinking water

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

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

The budgeting and expenditures of the SWSTA Set-Aside as of June 30, 2022, are shown in Exhibit D.

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

The State Water Board budgeted ten percent (10%) of the FFY 2021 Capitalization Grant totaling \$9,704,700, along with prior years' capitalization grants in SFY 2021-22, for technical assistance to PWSs to support the State Water Board's TMF Capacity Development Strategy. Starting July 1, 2021, Safe and Affordable Drinking Water Fund from the state of California were used in lieu of the Local Assistance set-aside funds which was previously used for third-party technical assistance contracts with California Rural Water Association (CRWA), Rural Community Assistance Corporation (RCAC), and Self-Help Enterprises (SHE), CRWA, RCAC and SHE provided technical assistance to 170 PWSs, including income surveys, water rate studies, and DWSRF application development. They also provided or participated in a variety of online workshops, symposiums, and fairs, which benefited over 983 PWSs in SFY 2021-22. All onsite workshops, symposiums, and fairs were conducted virtually during the pandemic to maintain proper social distancing.

CRWA, RCAC, and SHE also provided TMF assistance in SFY 2021-22, including mutual water company board training, PWS operation training, and water system ownership research. The California-Nevada chapter of American Water Works Association helped validate water audits for urban water suppliers in support of the State Water Board's Capacity Development Strategy.

In addition, RCAC developed and conducted statewide online training workshops that focused on building the TMF capacity of PWSs. In SFY 2021-22, RCAC held two California Technical Assistance Provider (CalTAP) funding fairs. The fairs provided information on free services and materials available to the water systems and included two water symposia that focused on treatment certification and distribution. The CalTAP fairs averaged 63 attendees and the symposia averaged 10 attendees. In addition to the funding fairs, RCAC held 109 online workshops. Board members, water system staff, and operators from more than 983 individual water systems participated in the training events. RCAC utilized feedback from training and workshop attendees to improve its organizations' effectiveness in communicating with the public and ability to provide helpful information.

The remaining expenditures of Local Assistance set-aside in SFY 2021-22 were for DFA and DDW technical and administrative staff costs associated with helping providing assistance to helping PWSs to support the State Water Board's TMF Capacity Development Strategy. DFA staff oversaw and engaged third-party technical assistance contractors on the activities described above, as well as assisted funding applicants with achieving the TMF capacity necessary to be eligible for DWSRF funding; advised and reviewed proposed water system consolidations and interties; assisted and mediated in legal entity formation and water system ownership issues; and reviewed water rate studies. The Local Assistance set-aside also supported DDW's implementation of the Capacity Development Strategy by funding staff costs associated with SWS TMF assistance performed during their permitting, inspections, compliance and monitoring (PICM) activities.

The budgeting and expenditures of the DWSRF Local Assistance set-aside, as of June 30, 2022, are shown in Exhibit D.

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

The State Water Board budgeted ten percent (10%) of the FFY 2021 Capitalization Grant totaling \$9,704,700, along with prior years' Capitalization Grants, for the State Program Management set-aside in SFY 2021-22. This set-aside funded a portion of DDW's Public Water System Supervision (PWSS) regulatory program. In SFY 2021-22, the State Program Management set-aside subsidized a pro-rated portion of DDW's PICM activities as well as the general administration activities of DDW with the PWSS grant and California's safe drinking water cost-recovery account.

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

The budgeting and expenditures of the State Program Management set-aside as of June 30, 2022, are shown in Exhibit D.

## VI. ACRONYMS

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

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

## VII. EXHIBITS

Exhibit A	SFY 2021-22 DWSRF Project Funding List
Exhibit B	SFY 2021-22 Small Community Grant Drinking and SADW Project Funding List
Exhibit C	SFY 2021-22 Non-Funded Projects
Exhibit D	Cumulative DWSRF Set-Aside Expenditures
Exhibit E	Disadvantaged Business Enterprise Report
Exhibit F	SFY 2021-22 DWSRF FFATA Projects

## EXHIBIT A: SFY 2021-22 DWSRF Funded Project List

Project Number	Funding Recipient	Project Name	Category	Population	Connections	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Green Project Reserve	Status
5410015-001C	Tulare, City of	Pratt Water System Improvement Project	C	63,515	18,130	\$4,276,440	\$0	\$4,276,440	\$0	Disadvantaged
3610012-007C	Chino, City of	1,2,3-TCP and Nitrate Treatment Plant	F	62,000	16,677	\$0	\$16,038,987	\$16,038,987	\$0	Non Disadvantaged
1910067-060C	Los Angeles, City of Acting by and through the Department of Water & Power	Headworks Flow Control Station	B	4,071,873	680,607	\$0	\$67,400,000	\$67,400,000	\$0	Non Disadvantaged
5010017-001C	Patterson, City of	Metering System Replacement Project	F	21,229	5,681	\$0	\$4,000,000	\$4,000,000	\$4,000,000	Non Disadvantaged
3610039-052C	San Bernardino, City of - Municipal Water Department	Seismic Retrofit of Steel Reservoirs	F	173,359	42,301	\$0	\$8,572,967	\$8,572,967	\$0	Non Disadvantaged

Project Number	Funding Recipient	Project Name	Category	Population	Connections	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Green Project Reserve	Status
8419-210	San Diego, City of	Pure Water North City Water Reclamation Plant Expansion	C	1,266,731	271,962	\$0	\$274,276,941	\$274,276,941	\$274,276,941	Non Disadvantaged
3810001-001C	San Francisco, Public Utilities Commission of the City and County of	Mountain Tunnel Improvement Project	F	2,700,000	175,000	\$0	\$238,218,951	\$238,218,951	\$0	Non Disadvantaged
3410021-001C	San Juan Water District	Hinkle Reservoir Rehabilitation Project	F	33,792	10,240	\$0	\$23,120,621	\$23,120,621	\$0	Non Disadvantaged
0910002-028C	South Tahoe Public Utility District	Keller Heavenly Water System Improvements Project	F	60,000	13,635	\$0	\$5,500,000	\$5,500,000	\$0	Non Disadvantaged
0910002-029C	South Tahoe Public Utility District	2019 Waterline Replacement Program	F	60,000	13,635	\$0	\$9,000,000	\$9,000,000	\$112,000	Non Disadvantaged
5010043-001C	Stanislaus Regional Water Authority	Surface Water Supply Project	F	118,032	30,332	\$0	\$184,924,000	\$184,924,000	\$0	Non Disadvantaged



Project Number	Funding Recipient	Project Name	Category	Population	Connections	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Green Project Reserve	Status
3710026-003C	Valley Center Municipal Water District	2020 Pipeline Replacement Project	F	25,572	9,704	\$0	\$8,500,000	\$8,500,000	\$0	Non Disadvantaged
3310007-002C	Coachella, City of	Mesquite Mutual Water Company Consolidation Project	C	38,406	7,460	\$25,000	\$0	\$25,000	\$0	Severely Disadvantaged
5810002-001C	Linda County Water District	Well 17 Project	F	10,000	3,975	\$5,900,000	\$6,187,000	\$12,087,000	\$0	Severely Disadvantaged
3110005-007C	Placer County Water Agency	Dutch Flat Mutual Consolidation	C	27,199	8,242	\$4,485,829	\$0	\$4,485,829	\$0	Severely Disadvantaged
5210004-001C	Red Bluff, City of	Gurnsey Avenue Mutual Water Company Consolidation	A	14,005	4,350	\$354,000	\$0	\$354,000	\$0	Severely Disadvantaged
1910017-001C	Santa Clarita Valley Water Agency	LARC Ranch Water Pipeline	A	111,000	28,014	\$359,400	\$0	\$359,400	\$0	Severely Disadvantaged

Project Number	Funding Recipient	Project Name	Category	Population	Connections	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Green Project Reserve	Status
2000727-001P*	Madera, County of (MD36 - Eastin Arcola)	MD36 Eastin Arcola - Eastin Arcola Water System Improvements Project	C	150	28	\$400,000	\$0	\$400,000	\$0	Disadvantaged
5010033-001P*	Modesto, City of	Grayson Water Infrastructure	C	1,100	275	\$653,200	\$0	\$653,200	\$0	Disadvantaged
1510014-004C*	Mojave Public Utility District	Cache Creek Pipeline Replacement Project	F	4,200	1,309	\$8,770,200	\$0	\$8,770,200	\$0	Disadvantaged
1010026-001P*	Pinedale County Water District	Pinedale County Water District - Water Meter Project	D	16,735	2,200	\$500,000	\$0	\$500,000	\$500,000	Disadvantaged
3910003-002C*	Escalon, City of	Well Site No. 1A Improvement Project	F	7,137	2,390	\$0	\$1,355,441	\$1,355,441	\$0	Non Disadvantaged
1610001-008C*	Armona Community Services District	Armona Community Services District Meter Project	F	4,143	1,236	\$3,624,500	\$0	\$3,624,500	\$3,624,500	Severely Disadvantaged

Project Number	Funding Recipient	Project Name	Category	Population	Connections	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Green Project Reserve	Status
1700546-001C*	Clear Water Mutual Water Company	Upper Storage Tank Replacement Project	C	250	93	\$1,364,000	\$0	\$1,364,000	\$0	Severely Disadvantaged
1610004-001C*	Corcoran, City of	Corcoran Water Meter Project	D	26,047	3,156	\$1,605,096	\$1,855,059	\$3,460,155	\$3,460,155	Severely Disadvantaged
5301002-004C*	Lewiston Community Services District	Water Distribution System Replacement & Well 8 Project	D	150	37	\$300,000	\$0	\$300,000	\$0	Severely Disadvantaged
5410010-018C*	Porterville, City of	Akin/Central Water Consolidation Project	C	221	67	\$4,787,664	\$0	\$4,787,664	\$0	Severely Disadvantaged
5410024-003C*	Richgrove Community Services District	Water System Improvement Project	A	2,698	528	\$8,764,900	\$0	\$8,764,900	\$0	Severely Disadvantaged

Project Number	Funding Recipient	Project Name	Category	Population	Connections	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Green Project Reserve	Status
2410018-001C*	Santa Nella County Water District	Santa Nella/Volta Water Quality Improvement Project	F	1,458	773	\$85,000	\$0	\$85,000	\$0	Severely Disadvantaged
4500195-007C*	Starlite Pines Mutual Water Company	Storage Capacity Improvements	C	510	160	\$2,247,000	\$0	\$2,247,000	\$0	Severely Disadvantaged
						\$48,502,229	\$848,949,967	\$897,452,196	\$285,973,596	

\* Indicates small water system.

**EXHIBIT B: SFY 2021-22 Small Community Grant and SADWF Project Funding List**

Funding Recipient	Project Number	Project Description	Category	SADWF Grant	SCG-DW Grant	SRF PF	SRF Loan	Total Funding
New Auberry Water Association	100006 3-005C	New Auberry Water Association Project	B	\$2,769,400	\$20,000	\$0	\$0	\$2,789,400
Kings Canyon Unified School District	100057 7-001C	Dunlap Leadership Academy Water Supply Upgrade and Consolidation Project	C	\$3,993,881	\$0	\$0	\$0	\$3,993,881
Pinedale County Water District	101002 6-001P	Pinedale County Water District - Water Meter Project	D	\$0	\$0	\$500,000	\$0	\$500,000
Tranquillity Irrigation District	101003 0-006C	Tranquillity Irrigation District Water Meters Project	D	\$0	\$1,382,500	\$0	\$0	\$1,382,500
Biola Community Services District	101004 9-008C	Biola CSD Water System Upgrades	D	\$0	\$4,090,000	\$0	\$0	\$4,090,000
Orland, City of	111000 1-005P	City of Orland Domestic Well and Ground Storage Tank	A	\$0	\$540,000	\$0	\$0	\$540,000
Myers Flat Mutual Water System, Inc.	120053 8-002C	Distribution System Improvement Project	F	\$0	\$2,071,078	\$0	\$0	\$2,071,078
Garberville Sanitary District	121000 8-008P	Wallan and Robertson Tank Replacement Project	D	\$0	\$325,000	\$0	\$0	\$325,000

Funding Recipient	Project Number	Project Description	Category	SADWF Grant	SCG-DW Grant	SRF PF	SRF Loan	Total Funding
Krista Mutual Water Company	150047 5-003C	Meter Installation, Well Site Improvements and Generator Installation Project	D	\$800,000	\$0	\$0	\$0	\$800,000
Lakeview Ranchos Mutual Water Company	150052 5-002P	Consolidation of Hillview Acres Mutual Water Company	F	\$0	\$440,500	\$0	\$0	\$440,500
Frazier Park Public Utility District	151000 7-002C	Frazier Park Public Utility District Meter Replacement Project and Emergency Well Supply Project	C	\$0	\$3,997,427	\$0	\$0	\$3,997,427
Mojave Public Utility District	151001 4-004C	Cache Creek Pipeline Replacement Project	F	\$0	\$0	\$8,770,200	\$0	\$8,770,200
Lake of The Woods Mutual Water Company	151002 3-002C	Lake of the Woods Waterline Replacement Project	C	\$0	\$3,500,000	\$0	\$0	\$3,500,000
California Rural Water Association	151005 2A	North Edwards Water District Full Scope Administrator		\$309,457	\$0	\$0	\$0	\$309,457
Hardwick Water Company	160050 7-002C	Safe Drinking Water Project	C	\$1,280,669	\$0	\$0	\$0	\$1,280,669
Armona Community Services District	161000 1-008C	Armona Community Services District Meter Project	F	\$0	\$0	\$3,624,500	\$0	\$3,624,500

Funding Recipient	Project Number	Project Description	Category	SADWF Grant	SCG-DW Grant	SRF PF	SRF Loan	Total Funding
Clear Water Mutual Water Company	170054 6-001C	Upper Storage Tank Replacement Project	C	\$0	\$0	\$1,364,000	\$0	\$1,364,000
Herlong Public Utility District	180500 7-001C	West Patton Water Distribution Project	F	\$0	\$2,398,127	\$0	\$0	\$2,398,127
Little Baldy Water Company	190015 8-001C	Transmission Pipeline Improvements	F	\$1,999,999	\$0	\$0	\$0	\$1,999,999
Santa Clarita Valley Water Agency	191001 7-001C	LARC Ranch Water Pipeline	A	\$0	\$3,572,591	\$359,400	\$0	\$3,931,991
Los Angeles, County of	191014 7-013C	Sativa Los Angeles County Water District Phase I	A	\$0	\$2,000,000	\$0	\$0	\$2,000,000
Madera, County of (MD36 - Eastin Arcola)	200072 7-001P	MD36 Eastin Arcola - Eastin Arcola Water System Improvements Project	C	\$0	\$0	\$400,000	\$0	\$400,000
Santa Nella County Water District	241001 8-001C	Santa Nella/Volta Water Quality Improvement Project	F	\$9,633,316	\$0	\$85,000	\$0	\$9,718,316
Placer County Water Agency	311000 5-007C	Dutch Flat Mutual Consolidation	C	\$0	\$0	\$4,485,829	\$0	\$4,485,829

Funding Recipient	Project Number	Project Description	Category	SADWF Grant	SCG-DW Grant	SRF PF	SRF Loan	Total Funding
Coachella Valley Water District	331000 1-009P	Highway 86 Phase 3 and 4 Preliminary Design Report Project	F	\$0	\$499,781	\$0	\$0	\$499,781
Coachella, City of	331000 7-002C	Mesquite Mutual Water Company Consolidation Project	C	\$1,550,100	\$0	\$25,000	\$0	\$1,575,100
Rural Community Assistance Corporation	34127	TA to implement the Backup Generator Program for Drinking Water Systems - North		\$3,001,727	\$0	\$0	\$0	\$3,001,727
California Rural Water Association	36498	TA to implement the Backup Generator Program for Drinking Water Systems-South		\$3,000,000	\$0	\$0	\$0	\$3,000,000
Borrego Water District	371003 6-001C	Water Pump Diesel Engine Upgrade and Tank Rehabilitation	F	\$2,048,362	\$0	\$0	\$0	\$2,048,362
Starlite Pines Mutual Water Company	450019 5-007C	Storage Capacity Improvements	C	\$0	\$0	\$4,176,834	\$0	\$4,176,834
Shasta, County of	451000 4-006C	CSA6-Jones Valley Water Meter Replacement, Backwash Pump Installation and SCADA Improvement Project	D	\$0	\$793,000	\$0	\$0	\$793,000
Downieville Public Utility District	461000 2-003C	Storage Tanks Replacement	F	\$0	\$1,560,555	\$0	\$0	\$1,560,555
Chatom Union School District	500025 5-001P	Mountain View Middle School Drinking Water Project	C	\$0	\$480,000	\$0	\$0	\$480,000



Funding Recipient	Project Number	Project Description	Category	SADWF Grant	SCG-DW Grant	SRF PF	SRF Loan	Total Funding
Monterey Park Tract Community Services District	500038 9-003P	Monterey Park Tract Community Services District Water Distribution Lines Project	F	\$0	\$101,360	\$0	\$0	\$101,360
Modesto, City of	501003 3-001P	Grayson Water Infrastructure	C	\$0	\$0	\$653,200	\$0	\$653,200
Red Bluff, City of	521000 4-001C	Gurnsey Avenue Mutual Water Company Consolidation	A	\$0	\$0	\$354,000	\$0	\$354,000
Lewiston Community Services District	530100 2-004C	Water Distribution System Replacement & Well 8 Project	D	\$0	\$1,928,127	\$300,000	\$0	\$2,228,127
Allensworth Community Services District	540054 4-001C	Water System Improvement Project	A	\$2,917,503	\$950,000	\$0	\$0	\$3,867,503
Porterville, City of	541001 0-018C	Akin/Central Water Consolidation Project	C	\$0	\$0	\$4,787,664	\$0	\$4,787,664
Earlimart Public Utility District	541002 1-001P	Replacement Well Project	C	\$0	\$584,506	\$0	\$0	\$584,506
Richgrove Community Services District	541002 4-003C	Water System Improvement Project	A	\$0	\$0	\$8,764,900	\$0	\$8,764,900
Tuolumne Utilities District	551003 3-001C	Curtis Creek Elementary School Water Main Extension Project	C	\$2,329,116	\$0	\$0	\$0	\$2,329,116
Self-Help Enterprises	D20170 17	Regional Private Domestic Water Well Abandonment, Repair, Replacement & Connection Program		\$15,153,253	\$0	\$0	\$0	\$15,153,253
Coachella Valley Water District	D21170 01	Oasis Mobile Home Park Emergency		\$66,279	\$0	\$0	\$0	\$66,279

Funding Recipient	Project Number	Project Description	Category	SADWF Grant	SCG-DW Grant	SRF PF	SRF Loan	Total Funding
		Drinking Water Project						
Fort Bragg, City of	D2117004	City of Fort Bragg Emergency Drought Response 2021		\$691,796	\$0	\$0	\$0	\$691,796
Orleans Community Services District	D2118002	Orleans Community Services District (CSD) Tank Liner Project		\$71,216	\$0	\$0	\$0	\$71,216
Cutler-Orosi Joint Unified School District	D2118101	Orosi High School - Orosi PUD Service Connection Project		\$514,383	\$0	\$0	\$0	\$514,383
				<b>\$52,130,457.00</b>	<b>\$31,234,552.00</b>	<b>\$38,650,527.00</b>	<b>\$0.00</b>	<b>\$122,015,536.00</b>

## EXHIBIT C: SFY 2021-22 Non-Funded Projects

Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Description	Population	Service Connections	Comment/ Reason not funded in SFY 2020-21
Los Angeles, City of Acting by and through the Department of Water & Power	F	1910067-058C	Construction		\$62,468,400	City Trunk Line North Unit 2	4,071,873	680,607	Environmental issues-withdrawn
Redwood Terrace Water System	B	4100510-003P	Construction		\$108,000	Planning Update for Surface Treatment	75	75	Withdrawn
Livingston, City of	C	2410004-004C	Construction		\$12,000,000	Livingston 1,2,3-TCP Removal Treatment System Project	13,795	2,948	Transferred/ managed by OSWS
Alameda County Water District	F	0110001-001C	Construction		\$36,375,767	Advanced Metering Infrastructure Phase-3 Project	324,796	79,362	Withdrawn
Coachella Valley Water District	F	3310001-013C	Construction		\$19,760,000	Tri-Palms Phase 1, Sun City Phase 2, and Adams Street Water Main Replacement Project	244,472	97,789	Withdrawn
Los Angeles, City of Acting by and through the Department of Water & Power	F	1910067-056C	Construction		\$46,840,000	Century Trunk Line Unit 2	4,071,873	680,607	Project is on hold. Removed from Fundable List
Los Angeles, City of Acting by and through the	F	1910067-057C	Construction		\$9,000,000	Manhattan Wellfield On-site Hypochlorite Generation Station	4,071,873	680,607	Est FA in FY 2022-23

Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Description	Population	Service Connections	Comment/ Reason not funded in SFY 2020-21
Department of Water & Power									
California American Water Company	F	7844-110	Construction		\$279,200,000	Monterey Peninsula Water Supply Project	98,500	37,850	Unlikely to progress- removed from the fundable list
Casitas Municipal Water District	F	5610024-001C	Construction		\$15,520,270	Ventura-Santa Barbara Counties Intertie (ASADRA)	10,471	3,184	Will be funded with ASADRA. Est in FY2022-23
Coachella Valley Water District	F	3310001-012C	Construction		\$12,500,000	Talavera Phase 1, Booster Station 05513/05514 Upgrade and Tank 5514-2	244,472	97,789	Withdrawn
Los Angeles County Waterworks District 29	F	1910204-003C	Construction		\$3,500,000	Owen Tank Replacement	27,807	7,733	Withdrawn
Los Angeles, City of Acting by and through the Department of Water & Power	F	1910067-059C	Construction		\$112,800,000	City Trunk Line North Unit 1	4,071,873	680,607	Env under review- SHPO/tribal issues- removed from fundable list
Montecito Water District	F	4210007-001C	Construction		\$18,093,000	Montecito Water Resilience Project (ASADRA)	13,500	4,529	Will be funded with ASADRA. Est in FY 2022-23
San Bernardino, City of - Municipal Water Department	F	3610039-053C	Construction		\$3,406,000	Water Distribution Mainline Replacement	173,359	42301	Est FA in FY 2022-23

Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Description	Population	Service Connections	Comment/ Reason not funded in SFY 2020-21
San Diego, City of	F	3710020-077C	Construction		\$38,180,000	Morena Pipeline	1,266,731	271,962	Est FA in FY 2022-23
San Diego, City of	F	3710020-079C	Construction		\$86,800,000	Alvarado 2nd Pipeline Extension	1,266,731	271,962	Est FA in FY 2022-23
Santa Ana, City of	F	3010038-002C	Construction		\$10,117,365	Automated Meter Infrastructure	353,428	44,610	Est FA in FY 2022-23

## EXHIBIT D: Cumulative DWSRF Set-Aside Expenditures

### DWSRF Administrative Set-Aside

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

<b>FFY</b>	<b>Final Cap Grant Amount (incl. In-Kind)</b>	<b>Budget Amount</b>	<b>In-Kind Amount</b>	<b>Expenditure Amount</b>	<b>Balance</b>
2018	\$97,991,000	\$3,919,640	\$0	\$3,919,640	\$0
2019	\$97,072,000	\$3,882,880	\$0	\$3,882,880	\$0
2020	\$97,134,000	\$3,885,360	\$0	\$3,828,452	\$56,907
2021	\$97,047,000	\$3,881,880	\$0	\$2,284,790	\$1,597,089
<b>Total</b>	<b>\$2,250,923,585</b>	<b>\$88,349,890</b>	<b>\$1,365,420</b>	<b>\$85,330,473</b>	<b>\$1,653,997</b>

### Small Water Technical Assistance Set-Aside

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

<b>FFY</b>	<b>Final Cap Grant Amount (incl. In-Kind)</b>	<b>Budget Amount</b>	<b>In-Kind Amount</b>	<b>Expenditure Amount</b>	<b>Balance</b>
2012	\$85,358,000	\$1,707,160	\$0	\$1,707,160	\$0
2013	\$78,770,000	\$1,575,400	\$0	\$1,575,400	\$0
2014	\$83,221,000	\$1,664,420	\$0	\$1,664,420	\$0
2015	\$82,674,000	\$1,653,480	\$0	\$1,653,480	\$0
2016	\$78,215,000	\$1,564,300	\$0	\$1,564,300	\$0
2017	\$77,545,000	\$1,550,900	\$0	\$1,550,990	\$0
2018	\$97,991,000	\$1,959,820	\$0	\$1,959,820	\$0
2019	\$97,072,000	\$1,941,440	\$0	\$331,751	\$1,609,689
2020	\$97,134,000	\$1,942,680	\$0	\$0	\$1,942,680
2021	\$97,047,000	\$1,940,940	\$0	\$0	\$1,940,940
<b>Total</b>	<b>\$2,250,923,585</b>	<b>\$42,834,449</b>	<b>\$0</b>	<b>\$37,341,230</b>	<b>\$5,493,309</b>

### State Program Management Set-Aside

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



<b>FFY</b>	<b>Final Cap Grant Amount (incl. In-Kind)</b>	<b>Budget Amount</b>	<b>In-Kind Amount</b>	<b>Expenditure Amount</b>	<b>Balance</b>
2007	\$67,105,000	\$4,934,400	\$0	\$4,934,400	\$0
ARRA 2009	\$159,008,000	\$0	\$0	\$0	\$0
2008	\$66,424,000	\$4,882,164	\$0	\$4,882,164	\$0
2009	\$66,424,000	\$4,882,164	\$0	\$4,882,164	\$0
2010	\$126,958,000	\$9,318,717	\$0	\$9,318,717	\$0
2011	\$86,698,000	\$8,669,800	\$0	\$8,669,800	\$0
2012	\$85,358,000	\$8,535,800	\$0	\$8,535,800	\$0
2013	\$78,770,000	\$7,089,300	\$0	\$7,089,300	\$0
2014	\$83,221,000	\$8,322,100	\$300,000	\$8,022,100	\$0
2015	\$82,674,000	\$8,267,400	\$0	\$8,267,400	\$0
2016	\$78,215,000	\$7,821,500	\$0	\$7,821,500	\$0
2017	\$77,545,000	\$7,754,500	\$0	\$7,754,500	\$0
2018	\$97,991,000	\$9,799,100	\$0	\$9,799,100	\$0
2019	\$97,072,000	\$9,707,200	\$0	\$9,707,200	\$0
2020	\$97,134,000	\$9,713,400	\$0	\$9,610,761	\$102,638
2021	\$97,047,000	\$9,704,700	\$0	\$310,610	\$9,394,089
<b>Total</b>	<b>\$2,250,923,585</b>	<b>\$137,219,102</b>	<b>\$300,000</b>	<b>\$127,422,374</b>	<b>\$9,496,728</b>

### Local Assistance Set-Aside

<b>FFY</b>	<b>Final Cap Grant Amount (in- kind included)</b>	<b>Budget Amount</b>	<b>In-Kind Amount</b>	<b>Expenditure Amount</b>	<b>Balance</b>
1997	\$75,565,707	\$6,831,577	\$0	\$6,831,577	\$0
1998	\$77,108,200	\$0	\$0	\$0	\$0
1999	\$80,816,700	\$0	\$0	\$0	\$0

<b>FFY</b>	<b>Final Cap Grant Amount (incl. In-Kind)</b>	<b>Budget Amount</b>	<b>In-Kind Amount</b>	<b>Expenditure Amount</b>	<b>Balance</b>
2000	\$83,993,100	\$2,000,000	\$0	\$2,000,000	\$0
2001	\$84,340,000	\$0	\$0	\$0	\$0
2002	\$82,460,900	\$0	\$0	\$0	\$0
2003	\$81,966,200	\$0	\$0	\$0	\$0
2004	\$85,027,600	\$0	\$0	\$0	\$0
2005	\$84,847,500	\$0	\$0	\$0	\$0
2006	\$67,153,678	\$0	\$0	\$0	\$0
2007	\$67,105,000	\$0	\$0	\$0	\$0
ARRA 2009	\$159,008,000	\$0	\$0	\$0	\$0
2008	\$66,424,000	\$0	\$0	\$0	\$0
2009	\$66,424,000	\$0	\$0	\$0	\$0
2010	\$126,958,000	\$0	\$0	\$0	\$0
2011	\$86,698,000	\$2,600,940	\$0	\$2,600,940	\$0
2012	\$85,358,000	\$4,267,900	\$0	\$4,267,900	\$0
2013	\$78,770,000	\$2,507,007	\$0	\$2,507,007	\$0
2014	\$83,221,000	\$4,993,260	\$0	\$4,993,260	\$0
2015	\$82,674,000	\$8,267,400	\$0	\$8,267,400	\$0
2016	\$78,215,000	\$7,821,500	\$0	\$7,821,500	\$0
2017	\$77,545,000	\$5,428,150	\$0	\$5,428,150	\$0
2018	\$97,991,000	\$9,799,100	\$0	\$9,799,100	\$0
2019	\$97,072,000	\$9,707,200	\$0	\$9,707,200	\$0
2020	\$97,134,000	\$9,713,400	\$0	\$9,630,233	\$83,167
2021	\$97,047,000	\$9,704,700	\$0	\$0.00	\$9,704,700
<b>Total</b>	<b>\$2,250,923,585</b>	<b>\$83,642,134</b>	<b>\$0</b>	<b>\$73,854,267</b>	<b>\$9,787,867</b>

## EXHIBIT E: Disadvantaged Business Enterprise Report

	<b>MBE</b>	<b>WBE</b>	<b>TOTAL</b>
<b>Annual Disbursements by Category</b>	\$3,522,026	\$802,554	\$4,324,580
<b>Total Disbursements</b>			\$209,611,725
<b>Percentage to Total Disbursements</b>	<b>1.68%</b>	<b>0.38%</b>	<b>2.06%</b>

Note: Percentage of DBE participation is determined by taking the funds disbursed to MBE and WBE compared to the total disbursements for the period October 1, 2021 through September 30, 2022. DBE reports are collected annually based on the FFY.

## EXHIBIT F: SFY 2021-22 DWSRF FFATA Projects

Funding Recipient	Project Number	Agreement Date	FFATA Reporting Due	Actual Date Reported	FFATA Reporting Amount
San Francisco Public Utilities Commission	3810001-001C	4/27/2022	5/31/2022	5/31/2022	\$238,218,951
				<b>Total:</b>	<b>\$238,218,951</b>

Note: For FFY 2021 Capitalization Grant of \$97,047,000.

## VII. APPENDICES

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

## APPENDIX A: Short-Term Goals

This section describes the State Water Board’s efforts to meet the following short-term goals established in the SFY 2021-22 DWSRF IUP. These goals provided the framework for the State Water Board’s decision-making, maximization, and prioritization of staff and funding sources.

	<b>Short-Term Goal</b>	<b>Comments</b>
1	Identify public health issues and evaluate solutions for SWSs, including technical assistance and consolidation where feasible.	<ul style="list-style-type: none"> <li>DFA coordinated with DDW and Local Primacy Agencies to ensure that available drinking water funding sources are targeted to expeditiously address the most significant public health and compliance issues. The State Water Board maintains a list of systems in violation of their water permits and staff regularly meet to determine if there are additional steps that can be taken to assist these systems with returning to compliance. DFA prioritizes financing for TA, planning and construction that address public health issues.</li> </ul>
2	Reduce instances of noncompliance with drinking water standards by providing technical and consolidation assistance to SWSs with significant SDWA violations, including those PWSs that are violating the arsenic maximum contaminant level (MCL).	<ul style="list-style-type: none"> <li>The State Water Board continued to provide a suite of technical assistance in SFY 2021-22 to SWSs, especially those with significant SDWA violations, but in SFY 2021-22, DFA began using the SADW Fund instead of the DWSRF set-asides for the purpose of funding third-party contractors for TMF capacity development assistance to SWSs. See Section IV.G for more information on DWSRF technical assistance.</li> <li>DFA also continued to fund technical assistance for a variety of projects using Prop 1.</li> <li>DFA and DDW provided direct technical assistance to SWSs with significant SDWA violations. Examples of direct technical assistance included: (a) meeting with DDW Consolidation Specialists and applicants to discuss project concepts before applications were submitted; (b) reviewing applications with minimal material submitted and guiding applicants to complete additional application packages; and (c) helping funding recipients properly prepare and submit reimbursement claims.</li> </ul>
3	Continue marketing and outreach efforts to PWSs, including application status reports, Spanish translation services, newsletters, and	<ul style="list-style-type: none"> <li>DFA continued to participate in various PWS marketing and outreach efforts in SFY 2021-22. Specifically, DFA marketed the DWSRF program at four (4) California Financing Coordinating Committee events, two CalTAP fairs, two symposia (treatment certification and distribution) that focused on treatment certification and distribution, as well as 119 other online and onsite workshops and outreach events.</li> </ul>

	social media to advertise the availability of technical assistance to assist small, and disadvantaged communities as well as large PWSs.	
4	Continue regular staff level finance/audit coordination meetings to ensure the immediate and long-term financial health of the DWSRF.	<ul style="list-style-type: none"> <li>DFA and DAS staff conducted regular finance/audit coordination meetings on July 23, 2021, October 22, 2021, January 28, 2022, and May 20, 2022 to ensure oversight of the DWSRF's finances. Standing topics at finance/audit coordination meetings included (a) reviewing cash flow of projects under contract, short and long-term cash flow projections, and cash flow needs for upcoming projects; (b) comparing actual performance with target performance measures; and (c) reviewing audit issues, program control issues, tax compliance issues, and planning for upcoming audits.</li> </ul>
5	Continue to maximize all available DWSRF state match sources, including DWSRF Local Match financing options.	<ul style="list-style-type: none"> <li>DFA continued to employ remaining Prop 1 Drinking Water funds as State Match for DWSRF. The State Water Board are also allocated up to \$85 million of General Fund provided under SB 170 as match for the SRFs through the FFY 2022 capitalization grants, of which \$35 million was allocated for the DWSRF..</li> </ul>
6	Coordinate with Environmental Finance Center and stakeholders on completing a program management review of the CWSRF and DWSRF Programs to identify potential efficiencies, improvements, or enhancements that would facilitate review processing, and execution of	<ul style="list-style-type: none"> <li>DFA is also currently working with the Environmental Finance Center (EFC) at California State University, Sacramento on a program management review of California's CWSRF program. The findings from this review will be beneficial to the DWSRF program because the State Water Board administers the DWSRF program using many of the same staff and essentially similar processes used to administer the CWSRF program. EFC has developed a draft report in coordination with stakeholders and State Water Board staff and expects to deliver a final report and recommendations in Summer 2022. The report will identify potential efficiencies, improvements, or enhancements that would facilitate application reviews and execution of loan agreements and disbursements.</li> <li>On June 30, 2021, the Joint Legislative Audit Committee initiated an audit of the State Water Board that focused</li> </ul>

	loan agreements and disbursements. (Fall 2021).	primarily on funding programs for safe drinking water. The audit report is expected Summer 2022.
7	Apply for and accept the FFY 2021 Capitalization Grant; commit the FFY 2021 Capitalization Grant, including the associated state match, by June 30, 2021, so that federal funds are used efficiently and timely in accordance with 40 CFR §35.3550(c).	<ul style="list-style-type: none"> <li>• The State Water Board finalized its FFY 2021 Capitalization Grant application June 2, 2021. USEPA awarded the FFY 2021 Grant on July 29, 2021, in the amount of \$97,047,000. The State Water Board will provide \$19,409,400 in matching funds through Prop 1 Drinking Water funds to satisfy the state match requirement.</li> <li>• With a total commitment of approximately \$97.45 million in SFY 2021-22 to a combination of planning and construction projects, DFA obligated the FFY 2021 Capitalization Grant, with the exception of set-aside funds, before June 30, 2022. SFY 2020 Capitalization Grant loan funds were ninety-six point eight percent (96.8%) disbursed during SFY 2021-22.</li> </ul>
8	Liquidate DWSRF capitalization grants within 2 to 3 years of their award.	<ul style="list-style-type: none"> <li>• The State Water Board maintained a DWSRF federal ULO balance in SFY 2021-22 less than the sum of the two most recent Capitalization Grants consistent with USEPA's DWSRF ULO Reductions Strategy. Specifically, California's DWSRF federal ULO was \$120.78 million as of June 30, 2022, \$74.22 million less than the maximum \$195 million.</li> </ul>
9	Review cash forecasts of existing and potential commitments to ensure that DWSRF can satisfy its obligations timely and to also evaluate the need for leveraging or other actions to regulate cash outflows.	<ul style="list-style-type: none"> <li>• State Water Board staff regularly reviewed the DWSRF's cash balances to ensure that sufficient cash would be available to meet all disbursement requests.</li> <li>• Staff evaluated the cash flow impact of each new project during the financing approval process.</li> </ul>



## APPENDIX B: Long-Term Goals

	<b>Long-Term Goal</b>	<b>Comments</b>
1	Address Significant Risks to Public Health	<ul style="list-style-type: none"> <li>• The State Water Board helped PWSs address significant public health risks in SFY 2021-22 by funding construction and planning as well as technical assistance.</li> <li>• More than 50 percent (50%) of the projects funded by the DWSRF and its complementary funding sources addressed primary drinking water standards. This result was attributable to close coordination between DFA and DDW. OSWS staff met regularly with DDW District staff and management to prioritize funding for small DACs and the technical assistance needed by PWSs to obtain DWSRF and complementary funding.</li> <li>• DFA also updated DDW staff monthly on the status of applications for projects to address arsenic violations, including outstanding application items; the progress of technical assistance; recently executed funding agreements; and anticipated compliance dates.</li> </ul>
2	Promote SDWA Compliance	<ul style="list-style-type: none"> <li>• DFA continued to coordinate with DDW to prioritize DWSRF and complementary funding for projects that reestablish compliance or prevent non-compliance.</li> <li>• DFA staff continued to make technical assistance available to help SWSs apply for planning and construction funding.</li> <li>• DDW also continued its permitting, inspection, monitoring and enforcement activities for compliance with the SDWA.</li> </ul>
3	Improve Affordability and Sustainability	<ul style="list-style-type: none"> <li>• The State Water Board continued to provide below market financing and principal forgiveness in SFY 2021-22 to make funding affordable for communities throughout California. The average interest rate for SFY 2021-22 was one and one tenths of one percent (1.1%), below market rates. DWSRF principal forgiveness was combined with other drinking water grant funding in certain cases to further reduce costs for California's small DACs.</li> <li>• Approximately \$34 million in DWSRF principal forgiveness and grant funds were awarded to small DACs in SFY 2021-22.</li> </ul>

4	Use revenue and capital effectively	<ul style="list-style-type: none"> <li>• DFA continued to monitor cash and financing forecasts to determine whether additional capital would be needed. DFA determined that additional capital was not needed during SFY 2021-22 for the DWSRF program, and the State Water Board did not issue revenue bonds or other debt in SFY 2021-22.</li> </ul>
5	Maintain financial integrity	<ul style="list-style-type: none"> <li>• State Water Board staff analyzed the creditworthiness of all applicants to ensure DWSRF loans are repaid on time and in full and imposed special conditions where appropriate on applicants to lower the credit risk.</li> <li>• Approvals and transactions associated with individual DWSRF projects were documented in each project's file. In general, a hard-copy file was established and maintained for each project, and duplicate electronic records were also maintained for each project in the "Loans and Grants Tracking System," the DWSRF's data management system.</li> <li>• Each approval and transaction in SFY 2021-22 required multiple reviews and signoffs from staff and management to ensure accuracy and validity. Written internal procedures for the DWSRF program were also maintained.</li> <li>• State Water Board staff also surveilled financing recipients with outstanding obligations. Recipients are generally required to provide ongoing financial information after loan closing or to complete public outreach if there was significant public disapproval during their rate setting process.</li> <li>• DFA staff maintained its "watch list" of financing recipients and potential applicants that show signs of financial weakness. Financial weakness was assessed using the financing recipients' annual financial statements, a variety of news outlets, and periodic interactions with applicants, the DDW District Offices, and the public.</li> <li>• DFA staff monitored payments of all outstanding agreements in SFY 2021-22 to identify late payments and prevent delinquent payments, that is payments greater than 10 days past the payment due date, especially payments on agreements that have been pledged to repay DWSRF revenue bonds.</li> <li>• State Water Board staff prepared financial statements for the DWSRF, and the financial statements were audited by an independent auditor in accordance with Government Auditing Standards. A copy of the audited</li> </ul>

		<p>financial statements is included in this report (Appendix E) and is posted on the State Water Board's DWSRF website.</p> <ul style="list-style-type: none"> <li>• Designated State Water Board supervisors and managers were required to file an annual "Statement of Economic Interest" with the California Fair Political Practices Commission. In addition, State Water Board supervisors and managers completed conflict of interest training and are required to complete ethics training biennially.</li> </ul>
6	Provide good customer service with a special emphasis on assisting SDACs and DACs.	<ul style="list-style-type: none"> <li>• The OSWS continued to focus its efforts on small SDACs and small DACs, and to provide grant funds to those communities in SFY 2021-22 for safe and affordable drinking water projects.</li> </ul>
7	Ensure the timely commitment and disbursement of DWSRF funds.	<ul style="list-style-type: none"> <li>• The State Water Board prioritized staff and financial resources to the maximum extent possible to ensure that it can quickly and fully disburse DWSRF funds to existing obligations.</li> <li>• The State Water Board also managed its staff to ensure that new obligations will be made to eligible projects so that future commitments and disbursements are timely.</li> </ul>
8	Maximize cash flow and the disbursement of funds	<ul style="list-style-type: none"> <li>• The State Water Board continued to commit DWSRF funds based on its cash-flow model. Commitments were made based on future disbursements being made with future repayments, Capitalization Grants, or other sources, including bonds or loans secured with future revenues.</li> <li>• DFA also focused on recipients that were "ready to proceed" to both a funding agreement and construction. Because the State Water Board focused on "ready-to-proceed" projects that addressed public health priorities, the State Water Board successfully managed the DWSRF's finances to ensure compliance with USEPA's ULO reduction strategy.</li> <li>• The DWSRF set-asides were also employed in SFY 2021-22 for the administration of the DWSRF and the State Water Board's PWSS program managed by DDW, as well as provide for TMF and SWS technical assistance.</li> </ul>

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

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

### **1. Assistance Activities**

The State Water Board continued to provide DWSRF funding to eligible PWSs in SFY 2021-22 for projects needed to achieve or maintain compliance with safe drinking water standards. All activities funded were eligible under Section 35.3520 of Title 40 of Code of Federal Regulations. A total of \$897.5 million in new DWSRF funding was awarded to thirty (30) projects in SFY 2021-22. DWSRF funds were provided to eligible recipients to enhance drinking water treatment, distribution, storage, installation of meters, as well as ensure water system reliability through the installation of interties and the consolidation of PWSs. Water quality issues such as arsenic and nitrate contamination, as well as groundwater under direct influence, and disinfection by-product formation continued to be addressed in SFY 2021-22. Eligible recipients included privately and publicly owned community and non-profit non-community PWSs. The projects and PWSs funded in SFY 2021-22 are further detailed in Exhibit A.

The SFY 2021-22 DWSRF IUP Comprehensive List, consisting of three hundred and forty five (345) projects, included projects that might be funded by the DWSRF or from other complementary funding sources. The SFY 2021-22 DWSRF IUP Fundable List included seventy-five (75) non-disadvantaged or large PWSs and all small DACs were considered automatically part of the Fundable List. However, many projects listed in the SFY 2021-22 DWSRF Fundable List were not funded by the DWSRF during the SFY 2021-22 for various reasons as noted in Exhibit C, including options for other funding. The high demand for drinking water improvement funding in California required the State Water Board to prioritize projects based upon their public health benefits as well as the recipient's readiness to proceed to a funding agreement.

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

The State Water Board continued to provide below-market financing and additional subsidy in SFY 2021-22 for projects ranked in Categories A-F of the DWSRF public health prioritization scheme. The State Water Board also generally prioritized higher ranked public health categories and projects benefiting small DACs in SFY 2021-22. Types of assistance included loans and installment sale agreements for the planning, design, and construction of drinking water infrastructure projects.

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

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

The State Water Board demonstrated the source of its twenty percent (20%) state match requirement (\$19.4 million) for the FFY 2021 Capitalization Grant (\$97.047 million) in SFY 2021-22 through appropriations provided under Chapter 5, Section 79724 of Prop 1 Drinking Water. As of June 30, 2022, approximately \$115 million of Prop 1 Drinking Water funds had been appropriated and encumbered as State Match. In total, as of June 30, 2022, California had disbursed approximately \$426.349 million in cumulative state match funds to the DWSRF program through a combination of state general fund and general obligation bond proceeds/appropriation, local match, and short-term financings with the IBank.

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

The State Water Board continued to commit DWSRF funding to projects in an amount equal to or greater than one hundred and twenty percent (120%) of each federal payment within one year of receipt of that payment. As of June 30, 2022, executed funding agreements totaled approximately \$4.51 billion, or 222 percent (222%) of the approximately \$2.032 billion in federal payments received for DWSRF loans.

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

The State Water Board continued to make timely and expeditious use of DWSRF funds, especially federal capitalization grant funds in accordance with USEPA's ULO reduction strategy. USEPA's ULO reduction strategy generally requires that no more than two federal capitalization grants remain undisbursed at any one time. As of June 30, 2022, the State Water Board had only \$120.783 million in undisbursed FFY 2019, FFY 2020, FFY 2021 Capitalization Grant funds, of which approximately 41 percent (41%) were predominantly set-aside funds already allocated for eligible uses.

This timely and expeditious use of federal capitalization grant funds was substantially achieved through cash-flow modeling and the over-commitment of DWSRF funds in SFY 2021-22 and prior fiscal years. In SFY 2021-22, there was no minimum funding agreement amount to ensure optimal use of DWSRF funds

without leveraging. Therefore, the State Water Board exceeded the minimum commitment amount by awarding approximately \$259.2 million in DWSRF funds by June 30, 2022. As described in the SFY 2021-22 IUP, the minimum commitment amount depended upon projected funding disbursements relative to existing fund balances and projected future revenues such that the DWSRF fund balance did not substantially decrease below \$100 million.

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

The State Water Board continued to draw federal funds in SFY 2021-22 from the United States Treasury via the Automated Standard Application for Payments (ASAP) system as warrants are issued by SCO. ASAP is a request and delivery system of federal funds developed by the Financial Management Service of the United States Treasury and the Federal Reserve Bank. By using ASAP, the State Water Board draws funds from USEPA for expenditures incurred by the DWSRF program in an expeditious and timely manner. Draw requests are made within one week of an issued warrant. Requested funds are also deposited electronically the next business day to account(s) specified by the State Water Board. For the DWSRF set-aside accounts, federal draws are typically requested through ASAP monthly for the prior month's costs.

To further enable the timely and expeditious use of DWSRF funds, the State Water Board encumbered most loan balances to DWSRF federal funds to ensure the prompt liquidation of federal capitalization grants as claims for reimbursement were processed. As of June 30, 2022, approximately \$27.977 million of DWSRF financings had been encumbered, but not yet liquidated, to available DWSRF federal funds (\$120.783 million), constituting a 1:4 ratio.

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

Effective October 1, 2019, USEPA approved a temporary exception to suspend the fair share objective requirement for the DWSRF program. Additional

information regarding the temporary exception can be found at <https://www.epa.gov/grants/rain-2019-g10>. For FFY 2021, funding recipients reported participation as 1.68 percent for Minority Owned Business Enterprises (MBE) and 0.38 percent for Women Owned Business Enterprises (WBE). The overall DBE participation was 2.06 percent. Exhibit E provides a detailed analysis of DBE participation. The State Water Board will continue to monitor participation to ensure that the “positive effort process” is followed by funding recipients.

All DWSRF funded projects were required to comply with Davis-Bacon prevailing wage requirements in SFY 2021-22. Each funding agreement included provisions requiring applicants to follow Davis-Bacon requirements. DFA conducted a variety of surveillance activities throughout SFY 2021-22 to ensure each recipient’s compliance with Davis-Bacon requirements. Such surveillance activities included (1) reviewing recipient and sub-recipient reports and compliance certifications; (2) tracking compliance with federal annual monitoring requirements; and (3) annually reviewing quarterly site inspection reports to verify the adequacy of site inspections and other control activities.

DWSRF funding recipients were also required to use American-made iron and steel products in SFY 2021-22 pursuant to [USEPA guidelines for projects involving the construction, alteration, maintenance, or repair of a PWS or public treatment works](#). DWSRF funding recipients were only exempt from this AIS requirement if the project qualified under a national or project-specific AIS waiver from USEPA. To ensure compliance with AIS requirements, the AIS provisions were included in DWSRF financing agreements and DFA examined recipient records for AIS certifications and/or any AIS waivers.

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

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

The State Water Board continued to provide the maximum amount of available additional subsidy in the form of principal forgiveness in SFY 2021-22 for the benefit of SWSs and ESCWSs serving DACs and SDACs. Since the inception of the DWSRF program, federal regulations have allowed for up to thirty five percent (35%) of a capitalization grant to be provided as additional subsidy (i.e., principal forgiveness) to DACs, regardless of the size of the PWS. In 2020, Congress added a fourteen percent (14%) additional subsidy allotment, separate from the thirty percent (35%) additional subsidy allocation for DACs.

The State Water Board’s SFY 2021-22 IUP directed that the maximum amount of additional subsidy allowed under federal rules and regulations be awarded to

SWSs and ESCWSs serving DACs and SDACs in the form of principal forgiveness. Table 9 shows the amounts necessary for compliance with rules governing the allotment and use of DWSRF principal forgiveness. Exhibit A identifies 12 additional subsidy projects funded in SFY 2021-22.

Besides additional subsidy, the State Water Board may also allocate a portion of a capitalization grant to projects with “green” benefits (Green Project Reserve). While funding of GPR projects has been discretionary since FFY 2012, funds made available by capitalization grants may be used for GPR eligible projects. In SFY 2021-22, a total of \$285,973,596 was committed to Green Projects. Table 10 shows the amount of GPR projects assigned to the FFY 2021 Cap Grant, which is lower than the amount committed. Since all GPR commitments could not be assigned to the FFY 2021 Cap Grant, the State Water Board chose to assign 10%, the same GPR percentage required for the CWSRF Program. Table 10 shows the amount of DWSRF funding assigned to current and prior year capitalization grants to satisfy the optional DWSRF Green Project Reserve.



**Table 9: Additional Subsidization Funding**

FFY Grant	SFY	Grant Award Amount	Minimum Subsidy Amount by FFY Grant <sup>6</sup>	Maximum Subsidy by FFY Grant	Committed Subsidy Amount by FFY Grant Assignment <sup>6</sup>	Uncommitted Subsidy Amount by FFY Grant Assignment <sup>7</sup>	Disbursed Subsidy Amount by SFY <sup>8</sup>	Undisbursed Subsidy Amount by SFY <sup>9</sup>
2010	10-11	\$126,958,000	\$38,087,400	\$38,087,400	\$38,087,400	\$0	\$475,501	\$0
2011	11-12	\$86,698,000	\$26,009,400	\$26,009,400	\$26,009,400	\$0	\$6,383,940	\$0
2012	12-13	\$85,358,000	\$17,071,600	\$25,607,400	\$25,607,400	\$0	\$9,295,930	\$0
2013	13-14	\$78,770,000	\$15,754,000	\$23,631,000	\$23,631,000	\$0	\$12,441,320	\$0
2014	14-15	\$83,521,000	\$16,704,200	\$24,966,300	\$24,966,399	\$0	\$16,150,458	\$0
2015	15-16	\$83,674,000	\$16,534,800	\$24,802,200	\$24,802,200	\$0	\$29,333,158	\$0
2016	16-17	\$78,215,000	\$15,643,000	\$39,107,500	\$39,107,500	\$0	\$33,844,212	\$0
2017	17-18	\$77,545,000	\$15,509,000	\$38,772,500	\$38,772,500	\$0	\$28,910,020	\$0
2018	18-19	\$97,991,000	\$19,598,200	\$48,995,500	\$22,838,304	\$0	\$25,021,785	\$0
2019	19-20	\$97,072,000	\$19,414,400	\$48,536,000	\$14,906,926	\$0	\$37,300,284	\$0
2020	20-21	\$97,134,000	\$19,426,800	\$47,595,660	\$22,634,803	\$24,960,857	\$17,746,066	\$168,208,285
2021	21-22	\$97,047,000	\$19,409,400	\$47,553,030	\$0	\$47,553,030	\$0	\$47,553,030
Totals		<b>\$1,089,983,000</b>	<b>\$239,162,200</b>	<b>\$433,663,890</b>	<b>\$361,150,102</b>	<b>\$72,513,887</b>	<b>\$216,902,674</b>	<b>\$216,494,475</b>
<b>Grand Totals:</b>						<b>\$433,663,890</b>		<b>\$433,663,890</b>

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

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

<sup>7</sup> In accordance with USEPA procedures, these amounts represent the additional subsidy balances under the maximum authority of the respective DWSRF capitalization grant that have not been committed to eligible DWSRF projects as of 6/30/2021.

<sup>8</sup> These amounts represent the additional subsidy disbursements of the assigned projects per SFY. In accordance with USEPA Policy, the additional subsidy is encumbered and expended from any available funding sources within the DWSRF (i.e., federal capitalization grants, state match, repayment funds).

<sup>9</sup> This amount represents the total encumbering balance as well as the additional subsidy authority not yet encumbered as of 6/30/2021.

**Table 10: Green Project Reserve Funding**

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

<sup>10</sup> USEPA required the State Water Board to commit and expend a minimum amount of DWSRF capitalization grant to projects that qualify under the rules and requirements of USEPA’s “Green Project Reserve.” This minimum amount became discretionary beginning in FFY 2012.

<sup>11</sup> In accordance with USEPA procedures, these amounts represent the DWSRF project amounts assigned under the Green Project Reserve authority of the respective DWSRF capitalization grant as of 6/30/2021. Actual GPR commitments exceed the amounts shown as assigned (e.g. FFY 2021). The State Water Board chose to report 10% of the capitalization grant as GPR for FFY 2021.

<sup>12</sup> These amounts represent the Green Project Reserve disbursements for each respective SFY. Per USEPA policy, the Green Project Reserve funding is not necessarily encumbered and liquidated from DWSRF capitalization grants.

<sup>13</sup> This amount represents the total encumbering balance of Green Project Reserve funding as well as the minimum Green Project Reserve Authority not yet encumbered as of 6/30/2021.

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

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

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

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

## **10. Single Audit Act**

The State Water Board continued to require recipients receiving an executed agreement in SFY 2021-22 to comply with applicable provisions of the federal Single Audit Act of 1984 and 2 CFR Part 200, subpart F, and updates or revisions, thereto. The State Water Board included the applicable Single Audit Act requirements in all DWSRF financial assistance agreements executed in SFY 2021-22 and required reporting by funding recipients if the recipient received more than \$750,000 in combined federal funds for a given fiscal year. DAS also issued to DWSRF recipients in the Summer of 2020 a summary of federal funds disbursed to those recipients in SFY 2019-20. DFA and DAS assisted the State Treasurer's Office in securing any required SFY 2019-20 Single Audit Act reports from DWSRF funding recipients by the deadline of March 2021. DFA and DAS also coordinated with DWSRF funding recipients and the State Treasurer's Office on any compliance concerns with the use of DWSRF federal funds disclosed in a Single Audit Act report. Additionally, a Single Audit is conducted by an independent auditor as part of the DWSRF financial audit each year.

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

As of this SFY 2021-22 DWSRF Annual Report, USEPA Region 9 has not yet provided the State Water Board with the 2021 Performance Evaluation Report. The State Water Board will respond to USEPA Region 9 in a separate letter should there be any items identified requiring follow-up action.

**APPENDIX E: SFY 2021-22 Audited Financial Statement**