



Drinking Water Funding Program

DWSRF Intended Use Plan/Prop1

Dat Tran, P.E., Chief

Drinking Water Technical Assistance Section

Division of Financial Assistance

Drinking Water Funding

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Drinking Water Funding

Introduction

- Safe Drinking Water State Revolving Fund (DWSRF)- \$83.221 million for Federal Fiscal Year (FFY) 2015
- Proposition 1 - Chapter 5, Section 79724 - \$260 million shall be available for grants and loans for public water system infrastructure improvements and related actions to meet safe drinking water standards, ensure affordable drinking water, or both.
- Two funding sources (Drinking Water SRF/Prop1)
- One program, One process

Drinking Water Funding

Funding Process

- Utilize the DWSRF Policy, applicable federal and state statutes, regulations, and guidance as described in the Draft SFY 2015-2016 DWSRF Intended Use Plan (IUP) to administer DWSRF and Prop 1 funds as one program
- Simplifies the funding process and allows the best possible financing package to be provided to applicants that are eligible for funds from the DWSRF, Prop 1, and other state sources

Drinking Water Funding Application and Requirements

- One Application for Drinking Water Funding
 - Four different packages (General, Technical, Environmental, and Financial)
 - Submit Application through Financial Assistance Application Submittal Tool (FAAST)
- All Applicants must comply with federal cross cutters
- All Applicants must demonstrate Technical, Managerial and Financial (TMF) capacity

Drinking Water Funding Eligibility

- Eligible Applicants
 - Public agencies
 - Nonprofit organizations
 - Public utilities
 - Mutual Water Companies
 - Federally recognized Indian tribes and State Indian tribes listed on the Native American Heritage Commission's California Tribal Consultation List
- Eligible Projects
 - Planning, Design, Construction of public water system infrastructure improvements and related actions to meet safe drinking water standards

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Definitions

- Grant - Prop 1
- Principle Forgiveness - DWSRF Grant
- Median Household Income (MHI) - the household income that represents the median value for the service area of a public water system
- Loans - any repayable financing instrument, including a loan, bond, installment sale agreement, note, or other evidence of indebtedness
- Disadvantaged Community (DAC) - the entire service area of a community water system in which the MHI is less than 80% of the statewide MHI
- Severely Disadvantaged Community (SDAC) - the entire service area of a community water system in which the MHI is less than 60% of the statewide MHI

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Median Household Income

2015 California Statewide MHI

\$61,094

Disadvantaged Community (DAC) MHI

\$48,874 (Less than 80% of the Statewide MHI)

Severely Disadvantaged Community (SDAC) MHI

\$36,655 (Less than 60% of the Statewide MHI)

State Water Board, DFA, utilizes the American Community Survey to determine MHI.

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Economically Distressed Area

Economically Distressed Area (Prop 1)

Population < 20,000 persons

MHI < 85% of Statewide MHI

Financial Hardship (Average Water Rate exceeds 1.5% of MHI)

And one or more of the following conditions:

1. Unemployment rate must be at least 2 percentage points above the statewide average
2. Low population density (<20 individuals per square mile)

Drinking Water Funding

Prioritization of Projects

- Eligible projects are funded in the order applications are completed and approved
- Priority given to
 - DWSRF Categories
 - Project benefiting a small community water system in a DAC or SDAC
 - Project that provides shared solutions for at least three communities with one being a DAC or SDAC
 - Project will result in consolidation of water system(s)

Drinking Water Funding

DWSRF Categories

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

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Grant Limits

- Up to \$500,000 Grant/Principle Forgiveness per Planning Project
- Up to \$5 Million Grant/Principle Forgiveness per Construction Project
 - \$25,000 per service connection maximum
- Up to \$20 Million maximum Grant/Principle Forgiveness funding amount for regional project, where at least one entity is DAC
 - \$50,000 per service connection maximum for regional projects

Drinking Water Funding Financing Package

- Grants and/or Principle Forgiveness are given to SDAC, DAC, Economically Distressed Area, and Schools as shown in Tables 1 and 2
- Local Cost Share Requirement shown in Tables 3 and 4
- Loans are available

Drinking Water Funding Financing Package

Table 1 - DWSRF and Prop 1 Principal Forgiveness and Grant Criteria for PWSs Serving Disadvantaged Communities

PWS Affordability Criteria		Maximum Principal Forgiveness, Grant or Combination from DWSRF and Prop 1	
Type of Community Served by PWS	Average Residential Water Rate as Percent of MHI	Percentage of Total Eligible Project Cost	Maximum Amount (Planning/Construction)
DAC	WMHI < 1.5%	Proposed Financing will Raise Rates to $\geq 1.5\%$	
	$1.5\% \leq \text{WMHI} < 2\%$	up to 65%	\$500K/\$5Mil
	$2\% \leq \text{WMHI} < 2.5\%$	up to 70%	\$500K/\$5Mil
	WMHI $\geq 2.5\%$	up to 80%	\$500K/\$5Mil
SDAC	NA	up to 100%	\$500K/\$5Mil

Drinking Water Funding Financing Package

**Table 2 - Prop 1 Grant Criteria for PWS
Serving an Economically Distressed Area**

PWS Affordability Criteria		Maximum Principal Forgiveness, Grant, or Combination from DWSRF and Prop 1	
Type of Community Served by PWS	Average Residential Water Rate as Percent of MHI	Percentage of Total Eligible Project Cost	Maximum Amount (Planning/Construction)
Economically Distressed Area	WMHI < 1.5%	Proposed Financing will Raise Rates to $\geq 1.5\%$	
	$1.5\% \leq \text{WMHI} < 2\%$	up to 65%	\$500K/\$5Mil
	$2\% \leq \text{WMHI} < 2.5\%$	up to 70%	\$500K/\$5Mil
	WMHI $\geq 2.5\%$	up to 80%	\$500K/\$5Mil

Drinking Water Funding Financing Package

- Prop 1 Local Cost Share
 - Minimum Local Cost Share for DAC and Economically Distressed Area shown in Tables 3 and 4
 - Local Cost Share may be in the form of
 - DWSRF repayable financing
 - Prop 1 Loan
 - Non-State funding

Drinking Water Funding Financing Package

Table 3 - Minimum Prop 1 Local Cost Share Criteria for PWS Serving DAC

Type of Community Served by PWS	Average Residential Water Rate as Percent of MHI	Minimum Local Cost Share (percentage of total project cost)
DAC	WMHI < 1.5%	100%
	1.5% ≤ WMHI < 2%	35%
	2% ≤ WMHI < 2.5%	30%
	WMHI ≥ 2.5%	20%
SDAC	NA	0%

Drinking Water Funding Financing Package

Table 4 - Minimum Prop 1 Local Cost Share Criteria For PWS Serving Economically Distressed Area

Type of Area Served by PWS	Average Residential Water Rate as Percent of MHI	Minimum Local Cost Share (percentage of total project cost)
Economically Distressed Area	$1.5\% \leq \text{WMHI} < 2\%$	35%
	$2\% \leq \text{WMHI} < 2.5\%$	30%
	$\text{WMHI} \geq 2.5\%$	20%

Drinking Water Funding Financing Package

- Loans are available at very low rates
 - Interest rate at 50% of general obligation bond rate (2015 Interest Rate is 1.663%)
 - 5 year term for Planning Loans
 - Maximum of 20 year term for Construction Loan for Non-DAC
 - Up to 30 year term for Construction Loan for DAC/SDAC
- Loans are available at 0% interest rate for DAC/SDAC that meets the following criteria:
 - Classified as a small community water system, and
 - Whose average residential water rates meet or exceed the target consumer rate of 1.5%

Drinking Water Funding Example

ABC Water Company's service area has 150 service connections, a MHI of \$48,000 and water rates of \$81 per month. The proposed project cost is \$6 Million. How much grant, principle forgiveness, loan are they eligible for?

Step 1: Are they a DAC?

MHI is less than \$48,874 so yes they are a DAC.

Step 2: Are they a SDAC?

MHI is more than \$36,655 so they are not a SDAC.

Drinking Water Funding Example

ABC Water Company's service area has 150 service connections, a MHI of \$48,000 and water rates of \$81 per month. The proposed project cost is \$6 Million. How much grant, principle forgiveness, loan are they eligible for?

Step 3: What is the water rate as a percentage of MHI?

$$\frac{\text{Monthly Water Bill} \times 12}{\text{Service Area MHI}} = \frac{\$81 \text{ per month} \times 12}{\$48,000}$$

$$= 0.02025 \times 100$$

$$= 2.025\%$$

Drinking Water Funding Example

ABC Water Company's service area has 150 service connections, a MHI of \$48,000 and water rates of \$81 per month. The proposed project cost is \$6 Million. How much grant, principle forgiveness, loan are they eligible for?

Step 4: Go to Chart
 DAC, Water Rate is 2.025% of MHI
 is eligible for Up to 70% grant,
 not to exceed \$25,000 per connection
 = $0.70 \times \$6 \text{ Million}$
 = \$4,200,000

Step 5: Check against connection cap
 = $\$25,000 \times 150 \text{ connections}$
 = \$3,750,000

PWS Affordability Criteria		Maximum Principal Forgiveness, Grant or Combination from DWSRF and Prop 1	
Type of Community Served by PWS	Average Residential Water Rate as Percent of MHI	Percentage of Total Eligible Project Cost	Maximum Amount (Planning/Construction)
DAC	WMHI < 1.5%	Proposed Financing will Raise Rates to $\geq 1.5\%$	
	$1.5\% \leq \text{WMHI} < 2\%$	up to 65%	\$500K/\$5Mil
	$2\% \leq \text{WMHI} < 2.5\%$	up to 70%	\$500K/\$5Mil
	WMHI $\geq 2.5\%$	up to 80%	\$500K/\$5Mil
SDAC	NA	up to 100%	\$500K/\$5Mil

Project is eligible for \$3.75 Million grant and \$2.25 Million in loan/local cost share

Drinking Water Funding Timeline

- Written comments on the Draft SFY 2015-16 DWSRF IUP/Prop 1 must be received by 12:00 noon on Tuesday, June 30, 2015

DrinkingWaterSRF@waterboards.ca.gov

- Comments will be addressed
- The Draft SFY 2015-16 DWSRF IUP/Prop 1 will be finalized and presented to the Board for adoption in August 2015
- DWSRF IUP/Prop 1 Financing Agreements may be issued immediately following Board adoption

Drinking Water Funding

How To Apply

- Applications are accepted on continuous basis
- Applications accepted online through Financial Assistance Application Submittal Tool (FAAST):

<http://faast.waterboards.ca.gov/>

- If this creates a hardship, technical assistance providers may be available to assist with electronic submittal
- FAAST tutorials are available online:

<http://www.waterboards.ca.gov/videos/faast.shtml>

- Help Desk: 1-866-434-1083 or
FAAST_ADMIN@waterboards.ca.gov

Drinking Water Funding

Contact Information

Drinking Water Funding Webpages

http://www.waterboards.ca.gov/drinking_water/services/funding/SRF.shtml

http://www.waterboards.ca.gov/water_issues/programs/grants_loans/proposition1.shtml

For more information please contact:

Dat Tran, P.E.

(916) 248-2719

Dat.Tran@waterboards.ca.gov

Uyen Trinh-Le, P.E.

(916) 440-7590

Uyen.Trinh-Le@waterboards.ca.gov

Brian Kinney, P.E.

(916) 449-5630

Brian.Kinney@waterboards.ca.gov