

WATER RECYCLING FUNDING PROGRAM GUIDELINES

Amended on June XX, 2015



**California State Water Resources Control Board
Division of Financial Assistance**

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Definitions

This section supplements the definitions located in the current Policy for implementing the Clean Water State Revolving Fund (CWSRF Policy). Please see the CWSRF Policy for additional definitions:

(http://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/finalpolicy0513.shtml).

1. Construction Financing Plan: An applicant's document that demonstrates the financial capability to design, construct, operate and maintain a project.
2. Cost-Effectiveness Analysis: An analysis to determine which project alternative will result in the lowest cost of resources (including opportunity costs) over time to meet the project objectives, including local, state and federal requirements.
3. Economic Analysis: The procedure to determine the total monetary costs and benefits of all the resources committed to a project regardless of who in the society contributes them or who in the society receives the benefits.
4. Eligible Water Recycling Project: A water recycling project that is cost-effective based on the project objective when compared to the appropriate alternatives to achieve the objective. The project shall comply with applicable water quality standards, policies, and plans.
5. Existing user: An entity that is using fresh water prior to the project initiation-of-operations date or an entity that would be expected to use fresh water if recycled water were not made available.
6. Future user: An entity that is not prepared or equipped to use recycled water at the time the project initiates operations.
7. Local Public Agency: Any city, county, district, joint powers authority, or any other local public body or other political subdivision of the state created by or pursuant to state law and involved with water or wastewater management. State agencies and departments are not included in this term.
8. Municipality: Municipality shall have the same meaning as in the federal Clean Water Act (33 U.S.C. Sec. 1251 et. seq.) and shall also include the state or any agency, department, or political subdivision thereof.
9. Planning Period: The period over which a water development project is evaluated for cost-effectiveness. This period is not necessarily the same as the useful lives of the facilities under consideration. The planning period begins with the system's initial operations and is defined to be 30 years for the Water Recycling Financing agreement Program.
10. Recycled Water: Water which, as a result of treatment of waste, is suitable for a direct beneficial use or a controlled use that would not otherwise occur and is therefore considered a valuable resource. This term is synonymous with "reclaimed water" (as defined in California Water Code, § 13050(n))
11. Water Recycling: The process of treating wastewater to produce water for beneficial use, the storage and distribution of recycled water to the place of use, and the actual use of recycled water.

SECTION I: INTRODUCTION

The State Water Resources Control Board (State Water Board) provides funding for the planning, design, and construction of water recycling projects that offset or augment state fresh water supplies. The Water Recycling Funding Program (WRFP) is administered by the Division of Financial Assistance (Division). These Guidelines establish the requirements to obtain WRFP funding.

The guidelines are divided into three sections:

- Section I is introductory and applies to all water recycling planning and construction projects applying for funding through the State Water Board;
- Section II describes the planning grant process;
- Section III describes construction grant and construction financing process.

Projects seeking funding under the WRFP shall comply with the "*Policy for Implementing the Clean Water State Revolving Fund (CWSRF Policy)*" in addition to the specific requirements of these Guidelines. These Guidelines and the CWSRF Policy are complementary and describe the complete funding requirements for water recycling projects. If a discrepancy exists between these Guidelines and the CWSRF Policy, these WRFP Guidelines shall control.

The Deputy Director of the Division may update and amend the WRFP Guideline's Appendices and create new Appendices as necessary for administrative or procedural changes not in conflict with these Guidelines or state or federal law or regulation.

A. WRFP Funding Sources

Water recycling projects may be funded through grants or financing agreements. Low interest financing agreements may be state bond funded or CWSRF funded. Applicant and project eligibilities may vary based on the funding source. The primary sources of funding for water recycling projects are noted below.

1. The Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act (2000 Bond Law, Proposition 13). Proposition 13 primarily provides for water recycling facilities planning grants. These planning grants are funded through a small revenue stream generated by repayments from previously financed projects. Periodically, construction grants and loans may be available, but are extremely limited.
2. The Water Quality, Supply, and Infrastructure Improvement Act of 2014; (2014 Bond Law, Proposition 1). Proposition 1 provides grant and low interest financing for water recycling projects. One percent of the funding allocated to recycled water and the repayments from the construction financing are dedicated to recycled water research and development.
3. The CWSRF program provides low interest (generally one half the State of California's most recent general obligation bond rate) financing for planning, design, and construction activities.

B. Special Assistance

Division staff will provide additional application assistance to disadvantaged communities upon request. Staff may travel to provide one-on-one application assistance.

SECTION II: PLANNING GRANT

This section discusses the application requirements for obtaining a planning grant. Detailed requirements are provided in Appendix A. The purpose of the planning grant is to assist agencies or regions¹ with completing feasibility studies for water recycling projects using treated municipal wastewater and/or treated groundwater from sources contaminated by human activities. The outcome of a feasibility study (Study) is a project report that fulfills the requirements of Appendix B. In addition to encouraging new recycling planning studies, these funds are intended to supplement local funds and enhance the quality of local planning efforts. Receipt of a planning grant does not constitute a commitment to providing subsequent project financing.

A. Eligibility

1. Grants are provided for studies to determine the feasibility of using recycled water and selecting a recommended alternative to offset and augment the use of fresh/potable water from state and/or local supplies. Pollution control studies, in which water recycling is an alternative, are not eligible.
2. Only local public agencies are eligible to receive a planning grant.
3. An agency may receive more than one planning grant from the State Water Board. However, each proposed study must be independent in Study Scope and study area from previously-funded studies. The applicant should confer with Division staff regarding its particular study in relation to previous studies prior to applying for additional planning grants.
4. Grant Amount: Grants are provided for facilities planning studies to determine the feasibility of using recycled water to offset the use of fresh/potable water from state and/or local supplies. Pollution control studies, in which water recycling is an alternative, are not eligible. The grant will cover 75 percent of eligible costs up to \$75,000.
5. Each grant must result in a project report which if the alternatives analysis determines that water recycling is infeasible, the applicant must document this determination in the final project report.
6. The grant agreement will contain a time limit for the applicant to complete the study. The final project report must be submitted within two years of the grant agreement. For good cause, Division staff may approve an extension of up to 12 months from the date specified in the grant agreement. If the deadline is

¹ Regions are groups of agencies related by a Joint Powers Agreement, memorandum of understanding, or other formal collaborative governance agreement.

not met, the grant agreement will expire and the remaining undisbursed funds will be de-obligated and made available for other applicants.

7. Planning costs incurred prior to the eligible start date of the agreement are ineligible. The eligible start date is when the planning Study Scope is approved by Division staff.

B. Planning Grant Funding

Planning grant funding is provided for feasibility studies through Proposition 1 and Proposition 13.

1. Application

- a. Applicants must submit a complete planning grant application (application) to receive a planning grant. The application may be found in Appendix A. Division staff may request additional information from the applicant regarding the Study Scope and other application components. Applications for planning grants are accepted on a continuous basis.
- b. The Study Study Scope will describe the activities necessary to complete the study and develop the Project Report. The project report must include the appropriate sections listed in the Recommended Outline for Recycled Water Project Reports (Appendix B). The applicant should confer with Division staff regarding the sections that will be relevant to their project report.
- c. The Study Study Scope will be used to determine the expenses for grant funding.

2. Grant Agreement

- a. The Division will develop a grant agreement for signature by the Deputy Director of the Division and the applicant's Authorized Representative after the application satisfies the requirements of these Guidelines and is determined to be complete .
- b. The Grant Agreement will require the submittal of a draft project report and a final project report that fulfills the objectives identified in the study scope, and may include appropriate conditions and expiration dates to ensure that studies are completed expeditiously in conformance with applicable requirements².

3. Draft Project Report

The feasibility study will include the development of a draft project report. In general, the draft project report is submitted to the Division for review within one year of the grant approval. The draft shall be submitted when the analysis of alternatives is complete. Appendix B provides an outline of the project report and the appropriate level of analysis and due diligence for a thorough feasibility study.

² See the State Water Board website:

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

4. Midcourse Meeting

Planning Grant recipients shall conduct a mid-course meeting to review the progress of the study. The meeting should include applicant staff, the principal consultants, Division staff, and any other interested or appropriate persons. The meeting should be scheduled after completion of the market assessment, the analysis of recycled water alternatives, and submittal of the draft project report to the Division. Division staff may provide comments on the draft report, and will acknowledge its review of the draft Report after the mid-course meeting.

5. Final Project Report

- a. The recipient shall submit a final project report, stamped by an Engineer registered in the State of California, on or before the due date established in the grant agreement.
- b. The final project report must include an analysis of all of the essential components of potential project alternatives with the selection of a recommended project or a determination that a recycling project is not feasible.
 - i. The recommended project should clearly delineate its service area.
 - ii. Each alternative must include an economic analysis. The results of the economic analysis must be expressed in dollars per acre-foot of recycled water produced or delivered³.
 - iii. If the alternatives analysis determines that water recycling is infeasible, the applicant must document this determination in the final project report.
 - iv. The uncertainty of future rate increases, political or social acceptance, or other unpredictable factors may not be the basis for determining that water recycling is infeasible.
- c. The final Project Report shall address the comments provided by Division staff during the review of the draft project report. The report will be consistent with the Study Scope.
- d. Division staff may request additional information regarding the final Project Report and will acknowledge its acceptance.

6. Disbursement of Funds

- a. Grant funds will be provided in two disbursements.
 - i. Disbursement of actual costs up to 50 percent of the total estimated grant may be approved after approval of the draft project report by Division staff.
 - ii. A final disbursement of actual costs up to the grant amount may be approved after Division staff approve the final project report.

³ The State Water Board provides two economic analysis models that the applicant may use. These models are freely available for downloading from the State Water Board website.

- b. If the alternatives analysis determines that water recycling is infeasible, the applicant must document this determination in the final project report. The grant amount will be adjusted to reflect the actual costs involved in the study, and the remainder of the original grant value will be de-obligated and become available for other applicants.

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SECTION III: CONSTRUCTION FUNDING

The Water Recycling Funding Program provides grants and financing to eligible applicants for the construction of water recycling facilities. Construction projects may be funded with grants and low interest financing from a state bond, a CWSRF financing agreement, or combinations of funding sources.

Agencies applying for construction funding must provide a project report meeting the requirements of Section II of these Guidelines.

A. Eligibility

1. General

- a. Eligible applicants are local public agencies, nonprofit organizations, public utilities, federally recognized Indian tribes, state Indian tribes listed on the Native American Heritage Commission's California Tribal Consultation List, and mutual water companies.

A project proposed by a utility serving the public and regulated by the Public Utilities Commission (CPUC), or a mutual water company, shall have a clear and definite public purpose and shall benefit the customers of the water system and not the investors. A private, for-profit public water system applicant must be actively regulated by the CPUC in order to be eligible.

- b. Water recycling projects shall offset and augment state fresh water supplies. Grants and/or financing for recycled water projects can be used for recycled water components and beneficial reuse. Funding provided by other State Water Board sources for water quality, pollution control or drinking water aspects of the project is encouraged.
- c. Projects may receive a grant or combination of grant and low interest construction financing. The applicant is required to submit one application per project to be considered for grant or low interest construction financing. Construction grant funding will be made available on an individual project basis and will depend upon the availability of grant funds and the applicant's readiness to proceed.
- d. At least 50 percent local cost share match must be provided. Local cost share match may be reduced for communities that meet the Disadvantaged Community criteria established in the CWSRF Policy.
- e. Consideration for water recycling construction funding is determined by submitting an application using the State Water Board Financial Assistance Application Submittal Tool (FAAST). All applications shall comply with the latest amendment of the *Policy for Implementing the Clean Water State Revolving Fund* (CWSRF Policy).

2. Construction Grants

- a. Limits: Water recycling projects may receive grant funds in the amount of 35% of actual eligible construction costs incurred up to a maximum of \$15 million, including construction allowances. Based on an assessment of economic need, Disadvantaged Communities may receive grant funds in the amount of up to 40% of the actual eligible construction costs up to a maximum of \$20 million.
- b. Timing: Eligible agencies may submit an application for funding water recycling projects based on the following provisions:
 - Eligibility of Proposition 1 funds begins July 1, 2015 for remaining eligible construction costs thereafter, and,
 - Aggregate value of any and all water recycling grant funds administered by the State Water Board and committed to a project may not exceed 35% of eligible construction costs or \$15 million, whichever is less.
- c. Prioritization: Available grant funding is distributed to projects that meet the requirements of these Guidelines and are ready to proceed with the execution of a funding agreement. Funding will be available until the funding source is completely committed. If the grant funding requests exceed the annual appropriation of funds available, then State Water Board staff will prioritize funding using the following process:
 - Providing preferences for projects that provide benefit to and/or are submitted by a disadvantaged community and/or abide by the State of California policy that every human being has the right to safe, clean, affordable, and accessible water.
 - Prioritizing applications based on the project type as follows (In order of funding priority):
 - i. Direct Potable Reuse (when authorized by the State Water Board)
 - ii. Indirect Potable Reuse
 - iii. Recycled Water Distribution System
 - (A) Component of a Regional Distribution System
 - (B) Local Distribution System
 - iv. Groundwater Recharge Facilities (when associated with protection of groundwater quality)
 - v. Recycled Water Treatment Facilities

Projects with multiple components will be prioritized based on the highest-ranking project type identified in the project list categories. The highest priority projects will be recommended to receive an agreement. Agreements will be executed on a readiness to proceed basis.

In future years the maximum grant amount per project may be reduced when Proposition 1 repayment revenues decrease to the point where the maximum grant benefit can no longer be awarded.

- d. Distribution: Construction grants will be awarded according to the geographic location of the project. Funds will be geographically allocated to the following counties:
 - i. A minimum of 40 percent of the funds to projects within, Los Angeles County, Orange County, Riverside County, San Bernardino County, San Diego County and Ventura County.
 - ii. A minimum of 40 percent of the funds distributed to projects within the remaining counties.
 - iii. The remaining 20 percent will be distributed to any county.
- e. Allowances: Eligible construction costs to support the grant value may include construction allowances. Allowances may include engineering during construction, construction management, and contingencies limited to 15% of the construction grant value. Project cost increases incurred after the amended funding agreement date will not be considered.

3. Construction Financing

Construction financing through Proposition 1 or the CWSRF must follow the CWSRF Policy. Financing may provide up to 100 percent of the eligible construction funding. Financing is available at one half the state's most recent general obligation bond rate with up to a thirty year term or as set by the board.

Repayments of CWSRF financing may be used as all or part of the local match. The balance of the match may be drawn from any other source.

B. Construction Funding

Financing for construction of water recycling projects is primarily provided from Proposition 1, and the CWSRF program. These Guidelines provide direction for projects financed using Proposition 1 funds. Water recycling projects financed through the CWSRF program should adhere to the latest amendment of the *Policy for Implementing the Clean Water State Revolving Fund for Construction of Wastewater Treatment Facilities* (CWSRF Policy). Where there are conflicts, these Guidelines will take precedence over the CWSRF Policy.

1. Application

Applicants for water recycling construction project financing should submit an application using the State Water Board Financial Assistance Application Tool (FAAST). Applications are accepted continuously. All applications for water recycling construction projects must follow the latest amendment of the CWSRF Policy. Where there are conflicts, these guidelines will take precedence over the CWSRF Policy. Submittal of an application is not a commitment to provide financing. Appendix D and the State

Water Board website provide detailed application guidance.

2. Project List

Water recycling projects submitted for financial assistance will be placed on the Project List. Water recycling projects are categorized according to how the project proposes to use recycled water. The categorization schema is presented in Appendix D. The project list identifies applicants applying for water recycling for assistance from CWSRF and bond funding. Projects prioritization and funding source will be displayed on the approved list. The Division will post the Project List on the CWSRF web page.. Project list updates are in accordance with the CWSRF Policy and may occur quarterly. Placement of a project on the Project List does not constitute a commitment to provide financing.

A project is not required to be on the project list to receive a planning grant (see Section II)

For routine, noncontroversial projects on the Project List, the Executive Director, Deputy Director of the Division, or designee is authorized to approve financing. Non-routine, or controversial projects will be presented to the Board for approval of funding.

3. California Environmental Quality Act (CEQA)

The applicant must provide adequate and complete environmental documentation to allow the State Water Board to fulfill its responsibilities under the California Environmental Quality Act (CEQA). The application includes the environmental package which follows the CWSRF Policy Appendix I. As part of the application review, division staff will determine if the project must also follow the requirements relating to federal cross-cutters.

4. Recycled Water Market Assurances and User Connection Schedule

Recycled Water Market Assurances are documentation of the commitment of user participation in the project. Initial Recycled Water Market Assurances are as follows:

- For Existing Users, either an adopted mandatory use ordinance or letters of commitment to execute a user contract. Detailed descriptions of mandatory use ordinances and user contracts are contained in Appendix F.
- For Future Users, a description of each user, the expected recycled water demand and the schedule for connection.

Submittal of letters of commitment or notifications of users may be waived by the Division staff for users with sites already plumbed and metered for use of recycled water, but temporarily using potable water.

The applicant must submit a user connection schedule for water recycling projects. No more than 50% of the volume of recycled water can be allocated to future users (see minimum use requirements below).

5. Project Elements Eligible for Funding

The following items are eligible for funding:

- a. Construction cost of recycled water treatment, storage, pump stations, and distribution pipeline systems, provided that: Facilities are located as appropriate to serve best the function of the funded recycled water system, including on a use site.
- b. Recycled water distribution pipeline systems, from the source of supply to the reuse sites. Eligibility of a pipeline system on the user's property is limited to: Recycled water service line up to and including the water meter if the meter is located in the proximity of the property line. Recycled water service line to the main storage facilities serving the user on the reuse site that is publicly maintained and owned.
- c. Recycled water distribution pipeline with a terminal point serving a user that is committed by mandatory use ordinance or by user contract to take recycled water. If only a portion of a pipeline serves users secured by a firm commitment, then eligibility extends to the most downstream user secured by a commitment.
- d. The capacity of a project used within ten years of completion of construction. Pump station wet wells and pipelines capacity documented by a market assessment showing the 20-year service area, and corresponding uses, and flows.
- e. Reasonable costs to provide an emergency backup water supply for the recycled water system.

Eligible capacities are measured in terms of annual recycled water deliveries determined by recycled water market assurances. At least 50 percent of the eligible project capacity must serve users that will be Existing Users by the time of Initiation of Operations. Eligible sizes of facilities components are based on reasonable design criteria to serve these annual deliveries. Eligible costs for partially eligible capacity will be determined on an incremental cost rather than pro-rata cost basis. Applicants constructing pipelines or treatment facility capacity, in excess of that which can be utilized within five years of completion of construction, must demonstrate that adequate recycled water supply and demand will be available to support that future capacity.

C. Other Requirements

1. Minimum Use Requirements

Projects are expected to reach the following minimum use requirements:

- The total eligible project capacity, in accordance with the user connection schedule provided in the application, shall be delivered within 5 calendar years of operation from the date of initiation of operations.
- In all cases the applicant must deliver no less than 25% of the eligible project capacity within the first calendar year of operation from the date of initiation of operations.

2. Annual Reporting

The agency shall submit annual reports on recycled water use data, with the first report due on February 28th following one full year of operations. Annual reporting will continue

for up to 5 years at the discretion of Division Staff. For guidance on preparing the annual report see Appendix G.

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APPENDIXES

- A. Water Recycling Facilities Planning Grant
- B. Recommended Outline for Recycled Water Project Reports
- C. Guidelines on Force Account Eligible Costs
- D. Water Recycling Construction Financial Assistance Application for Proposition 1 Bond Funded Grants and Financing agreements
- E. Sample Authorized Representative Resolution
- F. Market Assurances
- G. Annual Report Requirements

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Appendix A. Water Recycling Facilities Planning Grant Application

The Water Recycling Funding Program provides grants to local public agencies for feasibility studies. The Water Recycling Facilities Planning Grant application, detailed instructions and sample submittal documents are provided in this appendix and may also be found online at the State Water Board website under the Division of Financial Assistance webpage.

The purpose of the planning grant is to assist agencies in performing feasibility studies for water recycling using treated municipal wastewater and/or treated groundwater from sources contaminated due to human activities. In addition to encouraging new recycling feasibility studies, these funds are intended to supplement local funds and enhance the quality of local planning efforts.

A. Funding Criteria

1. Eligible Projects:

Grants are provided for facilities planning studies to determine the feasibility of using recycled water to offset the use of fresh/potable water from state and/or local supplies. Pollution control studies, in which water recycling is an alternative, are not eligible. The grant will cover 75 percent of eligible costs up to \$75,000.

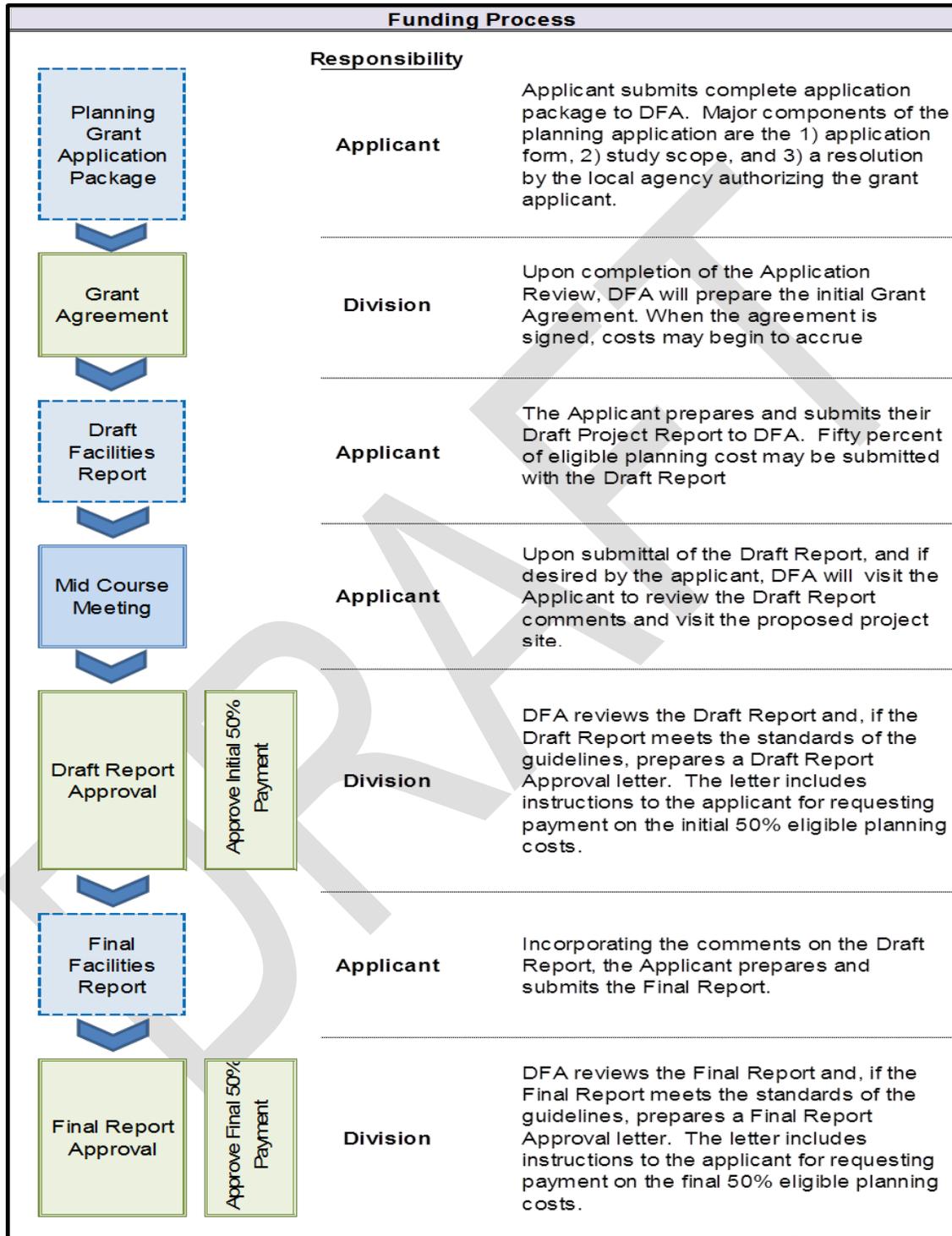
2. Eligible Applicants:

Only local public agencies are eligible to receive a facilities planning grant. An agency may receive more than one facilities planning grant from the SWRCB. However, each proposed study must be independent in scope of work from previously-funded studies.

A. Facilities Planning Grant Financing Process

Figure 1 provides graphical guideline for the project report grant financing process. This graphic may also be found at the state board website where there are embedded links to the application and sample documents.

Figure 1- Facilities Planning Grant Process



Applicants who want to receive funding should submit a complete planning grant application (application). The application consists of:

- Study Scope (see WRFP Guidelines for suggested format)
http://www.waterboards.ca.gov/water_issues/programs/grants_loans/water_recycling/docs/tbl1.pdf
- Authorizing Resolution/ Ordinance (see attached example)
- Compliance with the Division (CWSRF Policy Appendix H) Water Conservation Plan
- Proof of Submittal of an Urban Water Management Plan to DWR
- Proof of Compliance with Demand Management Measures and Best Management Practices
<http://www.water.ca.gov/wateruseefficiency/docs/compliance-ab1420.pdf>
- Certification for Compliance with Water Metering
- Relevant Service, Management, Operating or Joint Powers Agreements (if applicable)
- Other supporting documents

As part of the review, division staff may request additional information from the applicant regarding the Study Plan and other application components. The Division will issue a grant agreement once the application review has been completed in accordance with these WRFP requirements. The applicant will be given a timeframe of approximately 3-years to complete the study and prepare the final facilities project report.

B. Study Scope

The study scope must address the following 15 components.

1. A description of the recycled water service area that will be studied.
2. The potential sources of recycled water and a brief summary of the unit processes currently in use at existing treatment facilities.
3. A description of the current disposal/reuse of the wastewater that is proposed to be recycled.
4. A map of the study area showing the sources of recycled water and potential service area(s). The map should clearly show the study area boundary and boundaries of other associated agencies, such as community or sewer services districts, municipalities and water supply agencies.
5. General description of current sources of fresh water, including quantity and potential future demand.
6. Identification of the water and wastewater agencies having jurisdictions over the sources of recycled water and/or the potential service area.
7. A general description of water recycling and potable water supply alternatives that may be evaluated.
8. A description of the opportunities for stakeholder participation, for example, public meeting with

the local community members, potential recycled water users, and other agencies that have a stake in the study.

9. A schedule with the start and completion dates of major tasks associated with the project report study.
10. A list of potential problems that may cause delay in the progress of the study and description of the proposed actions to reduce the impact of these potential problems.
11. Identification of the entities that will be conducting the study and description of their roles. This may include a description of proposed subcontracts with consultants or interagency agreements with other agencies, and any force account work.
12. Proposed budget for the study, including estimated costs of specific tasks including the recycled water market assessment, alternatives development and analysis, recommended project, facilities project report, quality control and the total study cost.
13. Sources of financing, and sources of funds for cash flow until grant reimbursement.
14. Proposed study outline. The applicant should consult guideline appendix B for a suggested outline and list of required study subject areas⁴.
15. Proposed project timeline or schedule.

⁴ The list of study areas is comprehensive and intended to be applicable to the full range of possible water recycling facilities reports that could be developed in California. The applicant should review the list of study areas and develop their own report outline based on this list and include other subject areas relevant and appropriate to their study.

Appendix B. Recommended Outline for Recycled Water Project Reports

This facilities project report outline emphasizes the information relevant to water recycling and its application for water supply purposes. The outline is inclusive and not all items may be applicable to every project. The applicant should discuss their planned study with staff to assist in identifying the outline components that should be addressed by the study.

Project Report

A. Maps and Diagrams

1. Vicinity Map.
2. Detailed map and GIS shape file of study area boundaries.
3. Topographic map.
4. City boundaries.
5. Wholesale and retail water supply entity boundaries within study area and adjacent to study area.
6. Wastewater agency boundaries within and adjacent to study area.
7. Existing recycled water distribution pipelines, storage, and customers.
8. Ground water basin boundaries, major streams, streams receiving waste discharges.
9. Present and projected land use.
10. Each recycled water facilities alternative (including recommended project), showing locations of potential customers and approximate pipeline routes.
11. Wastewater treatment schematic--existing and proposed.

B. Study Area Characteristics

1. Hydrologic features.
2. Ground water basins, including quantities extracted by all users, natural and artificial recharge, losses by evapotranspiration, inflow and outflow of basins, and safe yield or overdraft.
3. Water quality - ground water and surface water.
4. Land use and land use trends.
5. Population projections of study area.
6. Beneficial uses of receiving waters and degree of use, portion of flow that is effluent.

C. Water Supply Characteristics and Facilities

1. Description of all wholesale and retail entities.
2. All sources of water for study area and major facilities, their costs, (costs should be broken down into fixed and variable), subsidies, and customer prices.
3. Capacities of present facilities, existing flows, estimated years when capacities to be reached for major components (water treatment plants, major transmission and storage facilities).
4. Ground water management and recharge, overdraft problems.
5. Water use trends and future demands, prices and costs.
6. Quality of water supplies.
7. Sources for additional water and plans for new facilities (for both the local entity and the wholesalers).

D. Wastewater Characteristics and Facilities

1. Description of entities.
2. Description of major facilities, including capacities, present flows, plans for new facilities, description of treatment processes, design criteria.
3. Water quality of effluent and any seasonal variation.
4. Additional facilities needed to comply with waste discharge requirements.
5. Sources of industrial or other problem constituents and control measures.
6. Existing recycling, including users, quantities, contractual and pricing arrangements.
7. Existing rights to use of treated effluent after discharge.
8. Wastewater flow variations - hourly and seasonal.

E. Treatment Requirements for Discharge and Reuse

1. Required water qualities for potential uses.
2. Required health-related water qualities or treatment requirements for potential uses, operational and on-site requirements (such as backflow prevention, buffer zones).
3. Wastewater discharge requirements, anticipated changes in requirements.
4. Water quality-related requirements of the RWQCB to protect surface or ground water from problems resulting from recycled water use.

F. Recycled Water Market

1. Description of market assessment procedures.
2. Descriptions of all users or categories of potential users, including type of use, expected annual recycled water use, peak use, estimated internal capital

investment required (on-site conversion costs), needed water cost savings, desire to use recycled water, date of possible initial use of recycled water, present and future source of water and quantity of use, quality and reliability needs, and wastewater disposal methods.

3. Summary tables of potential users and related data.
4. Definition of logical service area based on results of market assessment.

G. Project Alternative Analysis

1. Planning and design assumptions:
 - a. Delivery and system pressure criteria.
 - b. Peak delivery criteria.
 - c. Storage criteria.
 - d. Cost basis: cost index, discount rate, useful lives, etc.
 - e. Planning period.
2. Water Recycling Alternatives to be Evaluated
 - a. Treatment alternatives:
 - i. Alternative levels of treatment.
 - ii. Alternative unit processes to achieve a given level of treatment.
 - b. Pipeline route alternatives.
 - c. Alternative markets:
 - i. Based on different levels of treatment.
 - ii. Geographical areas.
 - d. Alternative storage locations.
 - e. Sub alternatives of selected alternative:
 - i. Marginal analysis for selected alternative for certain categories of users or certain geographic areas.
 - ii. Varying storage, pump rates, and pipeline diameters.
 - iii. Use of water blending during peak irrigation months.
2. Non-recycled water alternatives.
 - a. Discussion of other potentially viable new sources of water.
 - b. Provide economic costs.
3. Water conservation/reduction analysis.
 - a. Analysis.
 - b. Impact on recycling, if any.
 - c. Recommendation.
 - d. Implementation.
4. Pollution control alternatives (if applicable) needed to comply with waste discharge requirements, and possible allocation of costs between recycling and pollution control.

5. No project alternative.
6. Information supplied for each alternative to include, but not be limited to:
 - a. Cost tables for each alternative with breakdown of costs by total capital (without grants), O&M, unit processes, and with equivalent annual cost and per acre-foot cost.
 - b. Lists of potential users assumed for each alternative.
 - c. Economic analysis.
 - d. Energy analysis for each alternative, including direct and construction energy.
 - e. Water quality impacts:
 - i. Effect on receiving water by removing or reducing discharge of effluent, including effect on beneficial uses resulting from reduced flow.
 - ii. Ground water impacts.
7. Comparison of above alternatives and recommendation of specific alternative.

H. Recommended Project

1. Description of all proposed facilities and basis for selection.
2. Preliminary design criteria and refined pipeline routes.
3. Cost estimate based on time of construction.
4. List of all potential users, quantity of recycled water use, peak demand, and commitments obtained.
5. Reliability of facilities as compared to user requirements.
6. Implementation plan:
 - a. Coordination with water suppliers, determination of recycled water supplier and needed agreements or ordinances.
 - b. Ability and timing of users to join system and make on-site investments.
 - c. Tentative water recycling requirements of RWQCB.
 - d. Commitments from potential users.
 - e. Water rights impact.
 - f. Permits, right-of-way, design, construction.
 - g. Detailed schedule.
7. Operational plan - responsible people, equipment, monitoring, irrigation scheduling, etc.

I. Construction Financing Plan and Revenue Program

1. Sources and timing of funds for design and construction.
2. Pricing policy for recycled water.
3. Costs that can be allocated to water pollution control.
4. Annual projection of:
 - a. Water prices for each user or category of users.

Appendix B – Recommended Outline for Recycled Water Project Reports

- b. Recycled water used by each user.
 - c. Annual costs (required revenue) of recycling project.
 - d. Allocation of costs to users.
 - e. Unit costs to serve each user or category of users.
 - f. Unit price of recycled water for each user or category of users.
 - g. Sensitivity analysis assuming portion of potential users fail to use recycled water.
5. Sunk costs and indebtedness.

J. Appendices

1. Tables of all abbreviations.
2. Copies of letters of interest or intent from recycled water users, or other documentation of support from potential users.
3. Draft of recycled water mandatory use ordinance or model user contract.
4. Drafts of necessary agreements, such as wholesale-retail agreement, joint powers agreement
5. Hydraulic calculations

Appendix C. Guidelines on Force Account Eligible Costs

A. Force Account

"Force Account" as used in the Water Recycling Construction Program and Water Recycling Facilities Planning Grant Program, means the use of the Agency's own employees for the planning, design, construction, or construction-related activities on a Study or Project and the direct purchase by the Agency of materials or equipment for the Project. Costs for directly identifiable Study or Project activities are eligible for state funding. However, a general policy is that there should be no payments for Agency costs that would be incurred even if the Agency were not working on the state-funded study or project. Indirect costs of the Agency are not an eligible cost.

The following discussion should assist in determining financing agreement or grant eligibility. Any Study or Project cost that is otherwise eligible shall also be reviewed by the State Board Study or Project Manager to ensure that the costs were incurred, were reasonable in amount, and were necessary for completion of the work.

B. Direct Costs.

Direct costs incurred by the Agency are generally eligible and are defined as those costs that can be identified specifically with the eligible Study or Project or that can be directly assigned to the Study or Project with a high degree of accuracy. Typical direct costs are: compensation of employees for performance of work under the state contract, the costs of materials consumed or expended in the performance of such work, costs of project equipment and other approved capital expenditures, and other items of expense incurred for the Study or Project, including extraordinary utility consumption.

All personnel services costs will be treated as a direct labor salary cost. Included in this cost are payroll taxes, workers compensation, holidays, vacation, sick leave, and other fringe benefits applicable to direct labor. Similarly, incidental costs related to rental or pool equipment, such as automobiles, will be considered a direct cost.

C. Indirect Costs.

Indirect costs are those incurred for a common or joint purpose benefiting more than one cost objective and are not readily identifiable to the cost objectives of the specific Study or Project. These costs include telephone, rent, consumable supplies, indirect salaries, interest, repairs, insurance, taxes, depreciation, etc.

D. Management Costs.

Management costs will be considered as part of the ordinary operating expenses of the Agency and/or an indirect cost and, therefore, will not normally be an eligible Study or Project cost. However, management employees may be required to expend their time incidentally but directly related to the study or project to resolve difficult problems that cannot be handled by non-management Agency staff. Such costs may be considered

eligible costs. The State Board Study or Project Manager will determine eligibility for each specific request.

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Appendix D. Water Recycling Construction Financial Assistance Application for Proposition 1 Bond Funded Grants and Financing agreements

Funding for the construction of water recycling facilities is primarily provided from Proposition 1, and the CWSRF financing agreement program. This appendix provide direction for projects financed through Proposition 1 funds. Water recycling projects financed through the CWSRF program should adhere to the latest amendment of the *Policy for Implementing the Clean Water State Revolving Fund for Construction of Wastewater Treatment Facilities* (CWSRF Policy). Where there are conflicts between the CWSRF Policy and these guidelines, the guidelines will take precedence.

The steps for funding consideration for the construction of water recycling facilities are shown in Figure 2 below.

Financial assistance applications may be filed online through the Financial Assistance Application Submittal Tool (FAAST). All application supporting documents may be filed electronically through FAAST.

A. Confidentiality:

Once an application has been submitted to the SWRCB, any privacy rights as well as other confidentiality protections afforded by law with respect to the application package will be waived. Financial assistance application information submitted may be used for program marketing.

B. Labor Code Compliance:

Applicants receiving funds from the State Water Board are required to comply with applicable provisions of the Labor Code regarding prevailing wages and shall monitor all contracts and subcontracts subject to reimbursement with public funds. Current Department of Industrial Relations (DIR) requirements may be found at: <http://www.dir.ca.gov/lcp.asp>. For more information, please refer to DIR's Public Works Manual at: <http://www.dir.ca.gov/dlse/PWManualCombined.pdf>.

C. Related Litigation:

Grant agreements funded by the SWRCB will specify that under no circumstance may a Grantee use funds from any disbursement under the grant agreement to pay costs associated with any litigation the Grantee pursues against SWRCB or any Regional Water Quality Control Board (RWQCB), regardless of the outcome of any such litigation, and notwithstanding any conflicting language in the grant agreement, the Grantee agrees to complete the Project funded by the grant agreement or to repay the grant funds plus interest.

D. Legal Requirements:

Appendix D – Water Recycling Construction Financial Assistance Application for Proposition 1 Bond Funded Grants and Financing agreements

Applicants must comply with certain legal requirements in order to qualify for grants or financing. Specific requirements are provided in the Appendixes and on the application.

E. Grant and Low Interest Financing Agreement Application

The State Water Board uses one construction financial assistance application regardless of the final source of funding used.

An agency wishing to apply for construction financing should submit their project through the Financial Application Assistance Submittal Tool (FAAST) for placement on the Project List. Projects should be placed on the project list as soon as an agency is reasonably certain that the project may be constructed. This may be several years before the actual construction date. Early listing does not constitute a commitment on either the part of the agency or the state board, but it does provide the state board with vital funding program planning information.

All proposed projects must be placed on the SWRCB's Project List to be considered for financial assistance. Projects placed on the Project List are assigned a prioritization.

If a proposed project is not listed on the adopted Project List and SWRCB staff determines that the project meets the WRFPP funding requirements, the proposed project will be added to the next adopted Project List.

A. Signage

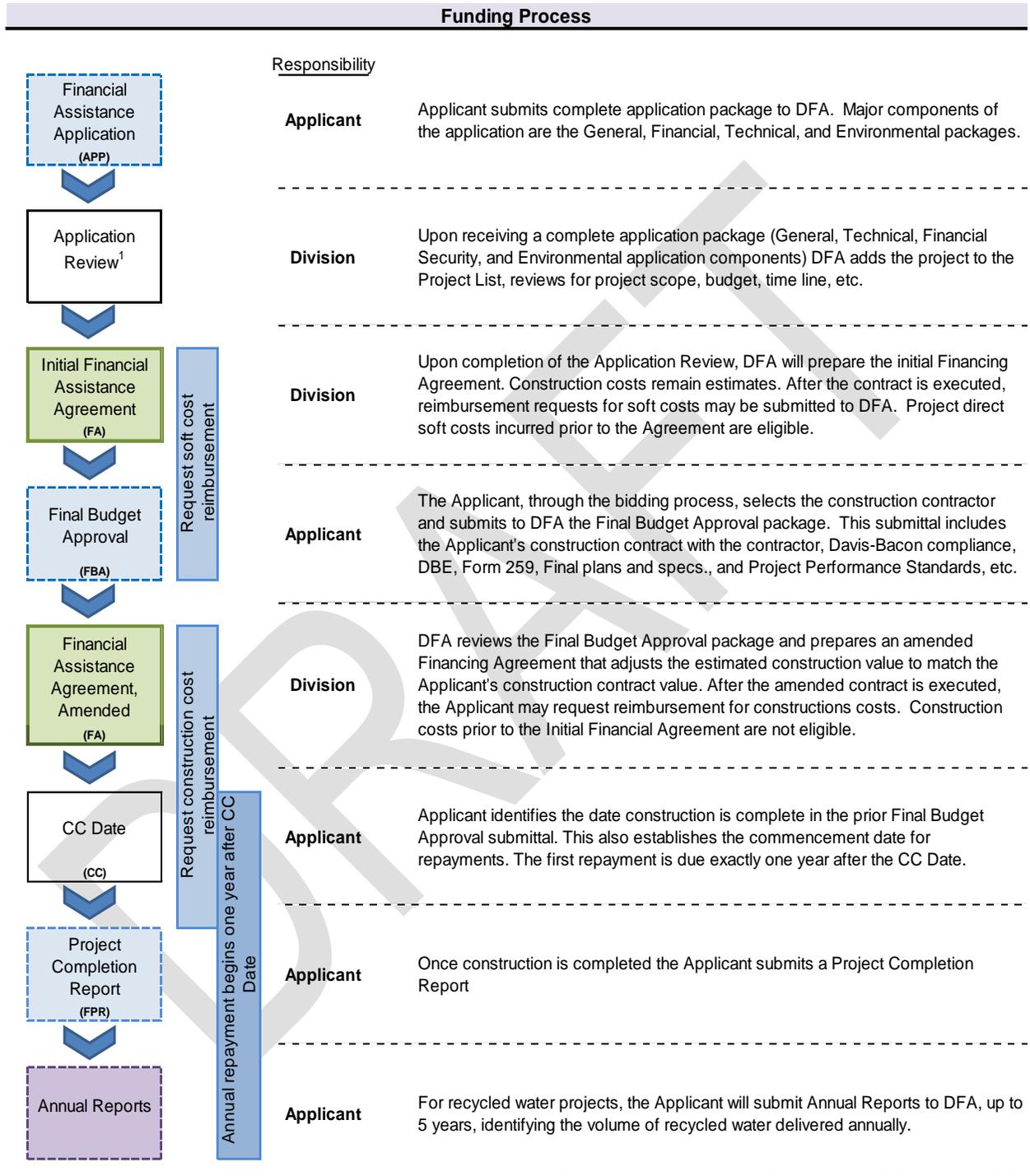
To the extent practicable, projects funded, in part or wholly, by Proposition 1 should include signage information the public that the project received funds from the Water Quality, Supply, and Infrastructure Act of 2014.

B. Project Report

All water recycling construction applications must submit a project report regardless of the source of funding. The project report must follow the guidance in Section II above, and the Recommended Outline for Water Recycling Projects located in Appendix B.

Appendix D – Water Recycling Construction Financial Assistance Application for Proposition 1 Bond Funded Grants and Financing agreements

Figure 2 - Funding Process Overview



¹ Non-routine, controversial projects must receive State Water Board Approval.

C. Environmental Documents for State Bond Funded Projects

Environmental documents must meet all requirements of the CEQA review process. Applicants must additionally meet specific CEQA requirements where a state agency is the “responsible agency” as defined in CEQA.

The applicant must submit the draft environmental documents directly to the Governor’s Office of Planning and Research, State Clearinghouse (SCH) for distribution to State agencies for comments. To ensure that responsible agencies will receive copies of the environmental documents for review, the applicant should send them directly to the agencies in addition to the SCH. The applicant is also responsible for sending copies of the environmental documents to any local or federal responsible agency with jurisdiction over any part of the proposed project. Under some circumstances, a project may qualify for a statutory or categorical exemption from CEQA requirements. In these cases, a Notice of Exemption (NOE) should be completed and included with the project application along with supporting information. Once the applicant has approved the project, it should file the NOE with the county clerk.

After the comment period, the applicant must submit the following to the SWRCB:

- one copy of the Final EIR or adopted Negative Declaration;
- any comments received on the CEQA document and the applicant’s responses;
- the adopted mitigation monitoring plan when mitigation measures are included;
- the local resolution certifying or adopting the final environmental document; and,
- a Notice of Determination filed with the county clerk.

The agreed upon mitigation measures must be in place prior to the execution of the final financing agreement. Compliance with the mitigation plan is a condition of the final agreement/contract.

Use of previously prepared environmental documents is also acceptable, provided the procedures and guidance in Sections 15153, 15162-15164, 15168, or 15221 of the State CEQA Guidelines are followed.

For further guidance on environmental review requirements for both state bond and CWSRF funded projects, applicants should refer to the SWRCB’s “Environmental Review Process Guidelines for State Revolving Fund Financing agreement Applicants,” which is included in Appendix I of the CWSRF Policy. This document describes requirements for compliance with CEQA as well as additional environmental review requirements for CWSRF projects.

D. Ineligible Costs

The following costs are not eligible for construction funding:

- Costs of planning for a project;

Appendix D – Water Recycling Construction Financial Assistance Application for Proposition 1 Bond Funded Grants and Financing agreements

- Costs of applying for funding;
- Costs of on-site retrofit facilities, that is, facilities to convert to recycled water use;
- Costs of on-site irrigation facilities;
- Costs of land, easements, and rights of way;
- Costs for operation and maintenance of project facilities;
- Legal and court costs resulting from violation of state and federal laws or as a result of the CEQA process, excluding the cost of capital facilities required to be built as a condition or result of a legal or court settlement;
- Indirect costs of construction performed by the funding recipient's work force⁵.

E. Miscellaneous

Multiple-purpose projects are eligible in proportion to the costs allocated to water recycling. Projects utilizing supplemental sources of water are partially eligible based on the costs allocated to the recycled water. (An example of a multiple-purpose project would be a ground water recharge project that percolates both stormwater runoff and treated wastewater.) For projects using multiple sources of water, costs will be allocated to each source on a pro rata basis.

F. Construction

- a. Pre-construction Conference: The recipient should notify the SWRCB as soon as a pre-construction conference with the selected construction contractor is scheduled. SWRCB staff may choose to attend.
- b. Interim Construction Inspections: The SWRCB may conduct interim inspections during construction.
- c. Completion of Construction Date: The completion of construction date will be established for the purpose of determining a financing repayment schedule, when applicable. The date will be established by mutual agreement between the SWRCB and the recipient and shall be included in the executed final financing or grant agreement. Those projects receiving Proposition 1 and CWSRF financing shall have the same completion of construction date unless approved otherwise by the State Water Board.
- d. Quarterly Construction Reports: Recipients must submit reports on the status of construction activities at least quarterly starting with the agency's issuance of the

⁵ A more detailed discussion of force account cost eligibility may be found in Appendix C "Guidelines on Force Account Eligible Costs."

Appendix D – Water Recycling Construction Financial Assistance Application for Proposition 1 Bond Funded Grants and Financing agreements

Notice-to-Proceed to the contractor. At minimum, the quarterly report will contain the following information:

- A summary of progress to date including a description of progress since the last report, percent construction complete, percent contractor invoiced, and percent schedule elapsed.
 - A listing of change orders including amount, description of work, and change in contract amount and schedule.
 - Any problems encountered, proposed resolution, schedule for resolution and status of the previous problem resolutions.
- e. Final Inspection: SWRCB staff will conduct a final project inspection within eight months of Initiation-of Operation for all grant and financing funded projects to verify compliance with financing/grant agreement requirements.

G. Operation Reporting Requirements

The Agency must submit annual reports on recycled water use data collected for up to five (5) consecutive calendar years following the project's Initiation of Operation date established in the funding agreement.

- (a) Reports must be submitted in hard copy and/or electronically and should be limited to 8 ½ x 11 inch paper.
- (b) The first annual report is due on February 28th following the first full calendar year of operation and shall cover the period from the completion of construction through the end of the first full calendar year of operation. Subsequent annual reports are due by February 28th following the calendar year covered. The annual reports shall be prepared in accordance with the Water Recycling Funding Program Guidelines.
- (c) The annual report shall include the following:
 1. The total planned recycled water use volume (provided by the Agency in the funding application-user connection schedule).
 2. Provide a breakdown of the total annual recycled water deliveries by month and the respective type of use categories. Present this data in a table (provided by the Division) showing type of use vs. month. If the recycled water deliveries are supplemented with potable or fresh water by the Agency, provide the monthly and total amounts.
 3. Provide operation and maintenance costs of the project for the year.
 4. Compare the cost or rate (to the end user) of recycled water vs potable/fresh water during the year.
 5. Review the funding agreement and address any outstanding special conditions for the project.

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6. If the project is not meeting its planned recycled water use, provide a brief discussion on the progress being made towards achieving the remaining system capacity.
- (d) Once the recycled water deliveries for the project have reached the total planned recycled water use volume, no further annual reports will be required by the Division.

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Appendix E. Sample Authorized Representative Resolution for Planning Grant

MODEL PLANNING GRANT RESOLUTION

BE IT RESOLVED by the _____ (Governing Board of the Agency) that the _____ (Title of Representative) or his/her designee is hereby authorized and directed to sign and file, for and on behalf of the _____ (Agency Name), a Water Recycling Facilities Planning Grant Application for a grant from the State Water Resources Control Board in the amount not to exceed (Amount)* _____ for a facilities planning study of _____ (Study Title or Description), and

BE IT RESOLVED that the _____ (Agency Name) hereby agrees and further does authorize the aforementioned representative or his/her designee to certify that the Agency has and will comply with all applicable state statutory and regulatory requirements related to any state grant funds received, and

BE IT FURTHER RESOLVED that the _____ (Authorized Representative) or his/her designee of the _____ (Agency Name) _____ is hereby authorized to negotiate and execute a grant contract and any amendments or change orders thereto on behalf of the _____ (Agency Name).

CERTIFICATION

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the _____ (Governing Board of The Agency) held on _____ (date).

(Clerk or Authorized Record Keeper of the Governing Board of the Agency)

* It is suggested that the Agency enter the maximum allowable grant of \$75,000 even if the requested grant amount, Section C.2 of the grant application, based on the study budget, is for a lesser amount. This will prevent the need to obtain a new resolution from the governing board if a grant increase is requested during the course of the study.

Appendix F. Market Assurances

Mandatory Use Ordinances

A mandatory use ordinance is a local law adopted by a retail water purveyor requiring the use of recycled water in place of another source of water. For the ordinance to be acceptable, it should contain the following:

- Specification of the types of use of water for which recycled water must be used;
- Specification of the conditions under which recycled water must be used or new development must be plumbed for future recycled water use;
- Procedures for determining the water users required to either convert to recycled water service or be plumbed to accept recycled water upon new water service;
- Procedure to provide notice to potential users that they are subject to the ordinance and specification that the notice include information about the project, the responsibilities of the users under the ordinance, the price of the recycled water, and description of the on-site retrofit facilities requirements.
- Procedures for request by the users for a waiver.
- A penalty for noncompliance with the ordinance. Acceptable penalties are discontinuance of fresh/potable water service, a fresh/potable water rate surcharge of at least 50 percent of the freshwater rate, or an equally effective penalty.

If the applicant implementing the recycled water project does not have the legal authority to enforce a mandatory use ordinance (for example, a sewerage agency), the mandatory use ordinance may be implemented by the retail water purveyor.

User Contracts

A user contract is a binding agreement between recycled water purveyors and users, signed by both parties. An acceptable contract must contain the following provisions:

- A commitment to use the recycled water for a minimum period of 10 years or for the duration of the financing agreement contract, if applicable;
- The annual amount of recycled water the user agrees to use;
- The sites and the types of recycled water uses;
- Specification of the conditions and water quality of recycled water use;
- The price of the recycled water;
- Description of the regulatory and water purveyor requirements for on-site retrofit facilities needed to convert from freshwater to recycled water.
- Date when recycled water use will commence.

User contracts are required from sufficient users such that in aggregate they represent most of the recycled water deliveries for water users that will exist by the time of completion of construction. A Special assessment district formed for the purpose of using recycled water may be considered as a user assurance. Division staff will make the determination regarding the eligibility of a special assessment district to be accepted as a user assurance.

Appendix G. Annual Report Requirements

The Agency must submit annual reports on recycled water use data collected for up to five (5) consecutive calendar years following the project's Initiation of Operation date established in the funding agreement.

- (a) Reports must be submitted in hard copy and/or electronically and should be limited to 8 ½ x 11 inch paper.
- (b) The first annual report is due on February 28th following the first full calendar year of operation and shall cover the period from the completion of construction through the end of the first full calendar year of operation. Subsequent annual reports are due by February 28th following the calendar year covered. The annual reports shall be prepared in accordance with the Water Recycling Funding Program Guidelines.
- (c) The annual report shall include the following:
 - 1. The total planned recycled water use volume (provided by the Agency in the funding application-user connection schedule).
 - 2. Provide a breakdown of the total annual recycled water deliveries by month and the respective type of use categories. Present this data in a table (provided by the Division) showing type of use vs. month. If the recycled water deliveries are supplemented with potable or fresh water by the Agency, provide the monthly and total amounts.
 - 3. Provide operation and maintenance costs of the project for the year.
 - 4. Compare the cost or rate (to the end user) of recycled water vs potable/fresh water during the year.
 - 5. Review the funding agreement and address any outstanding special conditions for the project.
 - 6. If the project is not meeting its planned recycled water use, provide a brief discussion on the progress being made towards achieving the remaining system capacity.
- (d) Once the recycled water deliveries for the project have reached the total planned recycled water use volume, no further annual reports will be required by the Division.

