

CALIFORNIA STATE WATER RESOURCES
CONTROL BOARD
DIVISION OF FINANCIAL ASSISTANCE

SAFE DRINKING WATER STATE REVOLVING FUND
AND SOURCE WATER PROTECTION PROGRAM

BIENNIAL REPORT TO THE LEGISLATURE
STATE FISCAL YEARS: 2012-13 & 2013-14



TABLE OF CONTENTS

<u>TOPIC</u>	<u>PAGE</u>
<u>I.</u> <u>PREAMBLE</u>	3
<u>II.</u> <u>EXECUTIVE SUMMARY</u>	3
 <u>Volumes</u>	
<u>A.</u> <u>VOLUME I</u>	7 – 47
<u>B.</u> <u>VOLUME II</u>	49 – 85

Preamble

The Drinking Water Program was transferred to the State Water Resources Control Board (State Water Board) on July 1, 2014. The Safe Drinking Water State Revolving Fund (SDWSRF) program is now administered by the Division of Financial Assistance (DFA) of State Water Board. The State Water Board has adopted the SDWSRF Policy Handbook, scheduled to be in effect on January 1, 2015. Information on the new policy can be found at the following State Water Board website link:

http://www.waterboards.ca.gov/drinking_water/services/funding/documents/srf/dwsrf_policy/dwsrf_policy_final.pdf

For purposes of meeting the legislative mandate in accordance with Health and Safety (H&S) Code Sections 116760.30(b) and 116762.60(d), the State Water Board is pleased to provide this biennial report which encompasses the activities of the California Safe Drinking Water State Revolving Fund for State fiscal years (SFY) 2012-13 and 2013-14. The report reflects the activities of the State Water Board's predecessor, the California Department of Public Health (CDPH), which had primacy over the program for this reporting period. SFY 2012-13 is represented in Volume I of this report and SFY 2013-14 is represented in Volume II.

Executive Summary

CDPH was awarded two annual SDWSRF capitalization grants from the United States Environmental Protection Agency (USEPA) since the last report. The 2012 federal SDWSRF grant was awarded on September 20, 2012 in the amount of \$85,358,000. The required 20 percent match of \$17,071,600 was provided with funds from the sale of Proposition 84 bonds. The 2013 federal SDWSRF grant was awarded on September 26, 2013 in the amount of \$78,770,000. California provided the 20 percent state match of \$15,754,000 also with bond sales from Proposition 84 funds. All set-asides for administration, capacity development, and small water system technical assistance were placed in separate accounts. The total local assistance funding committed to planning and construction drinking water projects for SFYs 2012-13 and 2013-14 totaled \$621,812,242. The total project funding provided for SFYs 2012-13 and 2013-14 is referenced in each fiscal year's respective volume. As of June 30, 2014 the SDWSRF program had a federal unliquidated obligation (ULO) balance of \$255 million, including both project and set-aside funds, which was substantially lower than the federal ULO of \$455 million reported by USEPA in its Notice of Non-Compliance, dated April 19, 2013.

CDPH utilized a financial metric to evaluate the performance of its SDWSRF program, which was the ratio of cumulative SDWSRF funds committed to drinking water projects relative to the cumulative total of SDWSRF funds received over the life of the program. This metric is referred to as the SDWSRF fund utilization rate, or otherwise known as "pace." In SFY 2012-13, CDPH achieved a pace of approximately 95 percent (95%), which was approximately an eight percent (8%) increase over the prior year's pace. In SFY 2013-14 CDPH further increased its rate of funding commitments and achieved a pace of approximately 108 percent (108%) representing CDPH's over commitment of funds through advanced cash flow modeling. The significant increase in pace over each

SFY reported has been the result of various program improvements. A pace greater than 100 percent was due in great part to CDPH's implementation of a cash flow model under the objective of maximizing available SDWSRF loan funds for construction and planning projects through the advanced commitment of SDWSRF funds and the reduction and optimization of SDWSRF ULOs. A pace greater than 100 percent and the subsequent reduction of SDWSRF ULOs is also in accordance with USEPA policies as it relates to the timely and expeditious use of SDWSRF funds.

Federal law states that a portion of the federal funds may be used for specific activities in addition to providing financial assistance to public water systems (local assistance). These activities include: (1) administration of the SDWSRF financial assistance program, (2) technical assistance to small water systems, (3) water system capacity development and public water supervision, as well as (4) other local assistance initiatives. However, to provide as much funding to public water systems as possible, no more than 31 percent (31%) from the prior SDWSRF federal awards is set-aside for these activities.

The SDWSRF program is required to submit an annual Intended Use Plan (IUP) with its application for federal grant funds. The IUP includes a description of the program structure, the planned use of the funds, the criteria and methods to be used for distribution of the funds, the goals for the program, and a health-based Project Priority List (PPL) of drinking water projects, which includes the "Fundable List" of projects anticipated to be funded in a given fiscal year of the IUP. The IUPs reflective of this reporting period may be found at the following State Water Board website links:

[http://www.waterboards.ca.gov/drinking_water/services/funding/documents/srf/FinalSFY2011-2012IUP\(FFY2011DWSRFAllotment\)081711.pdf](http://www.waterboards.ca.gov/drinking_water/services/funding/documents/srf/FinalSFY2011-2012IUP(FFY2011DWSRFAllotment)081711.pdf)

http://www.waterboards.ca.gov/drinking_water/services/funding/documents/srf/iup%202013/FinalAmendedFFY2012IUP.doc

The SDWSRF is designed to address the infrastructure needs of California's public water systems. Many of California's public water systems have difficulty complying with drinking water standards and requirements largely due to a lack of sufficient financial resources as a result of inadequate water rate structures, a lack of a capital improvement plans and/or the sheer capital cost of treatment technologies combined with the associated operation and maintenance cost. In addition to numerous compliance issues that water systems face, many systems also must improve their source water capacity and treatment plants; replace old or inadequate pipelines and equipment; and improve their technical, managerial, and financial (TMF) capability. The magnitude of these needs is reflected in the "Needs Survey" conducted by CDPH and completed for the 2011 Needs Survey for USEPA. This survey indicated that California water systems would require approximately \$44 billion to make the necessary improvements through 2030. The State Board is currently preparing to conduct the 2015 Needs Survey which will be available in the next biennial report.

This page intentionally left blank.

SAFE DRINKING WATER STATE REVOLVING FUND
AND SOURCE WATER PROTECTION PROGRAM

BIENNIAL REPORT TO THE LEGISLATURE
Volume I
STATE FISCAL YEAR: 2012-13

TABLE OF CONTENTS

- I. INTRODUCTION.....9**
- II. MISSION.....9**
- III. GOALS AND ACCOMPLISHMENTS.....10**
 - A. Long Term Goals.....10**
 - B. Short Term Goals.....11**
- IV. STATE REVOLVING FUND FINANCIAL SUMMARY.....13**
 - A. USEPA 2012-13 Grant Award Summary.....14**
 - B. Cumulative Program Revenues.....15**
 - C. Disbursements.....16**
 - D. Funding Portfolio and Unliquidated Obligations.....20**
- V. ADMINISTRATIVE AND PROGRAMMATIC REQUIREMENTS.....21**
 - A. Environmental Review Process.....22**
 - B. Loan and Grant Tracking System.....22**
 - C. Project Priority List.....23**
 - D. Project By-Pass Process.....24**
 - E. Green Project Reserve.....25**
- VI. SOURCE WATER PROTECTION.....25**
 - A. Statutory Requirement for Report to the Legislature.....25**
 - B. Background.....26**
- VII. NOTICE OF NON-COMPLIANCE/CORRECTIVE ACTION PLAN.....27**
- VIII. SET-ASIDES.....28**
 - A. Administration.....29**
 - B. Small Water System Technical Assistance.....29**
 - C. Local Assistance.....30**
 - D. State Program Management.....31**
- IX. PERFORMANCE EVALUATION REPORT.....31**
 - A. Recommendations/Findings.....32**
- X. CONCLUSION.....33**

TABLES:

TABLE 1: FUND UTILIZATION	12
TABLE 2: 2012-13 SDWSRF ALLOCATION OF FUNDS AND INTENDED USES.....	15
TABLE 3: SDWSRF ALLOCATIONS.....	16
TABLE 4: SRF DISBURSEMENT SUMMARY.....	18
TABLE 5: ARRA DISBURSEMENT SUMMARY.....	19
TABLE 6: SDWSRF DISBURSEMENTS TOTALS.....	19
TABLE 7: FUNDING PORTFOLIO.....	21
TABLE 8: DBE FUNDING.....	22
TABLE 9: PRE-APPLICATIONS RECEIVED.....	23
TABLE 10: INVITATION AND RESPONSE RATE.....	24
TABLE 11: SOURCE WATER PROTECTION LOAN SET-ASIDES.....	27

APPENDICES:

A. Project Ranking Criteria.....	34
B. Executed Funding Agreements.....	36
C. SDWSRF Fundable List Status.....	38
D. Source Water Protection Loans Federal Assistance Awards History.....	42
E. Small Water System Program Plan Summary.....	43

I. INTRODUCTION

Although the State Water Resources Control Board (SWRCB) now has primacy over the Safe Drinking Water State Revolving Fund Program (SDWSRF) as of July 1, 2014, this report for State fiscal year 2012-13 represents the California Department of Public Health's (CDPH) effort with regard to the SDWSRF as the former State primacy agency. Within CDPH the California SDWSRF was managed by the Department's Division of Drinking Water and Environmental Management referred to as "CDPH"; except where specific program distinctions are necessary. Included in the SDWSRF is the American Recovery and Reinvestment Act of 2009 (ARRA), which was essentially completed this year, except for a few minor close-out activities. Instances in this report referring to SDWSRF include both SRF and ARRA, unless specifically noted.

The SWRCB is pleased to provide US EPA with information on the progress and many accomplishments of the program during the fiscal year 2012-13, covering July 1, 2012 to June 30, 2013.

This Annual Report for SFY 2012-13 describes the State's efforts to meet the long and short term goals and objectives of the SDWSRF. It provides a financial summary of revenues and disbursements and information on fund utilization. The report addresses administrative and programmatic issues including the Notice of Non-Compliance issued by USEPA and CDPH's Corrective Action Plan. The Report also covers the various "set-asides" and their utilization to further the State and Federal goals of an adequate supply of safe, clean and affordable drinking water, which is so essential for the protection of public health.

The SDWSRF program awarded \$265,739,107 in SFY 2012-13 to 35 projects and 4 amendments. This includes \$231,638,395 to disadvantaged communities with 26 of the 35 projects awards going to small community water systems including schools. The SDWSRF program including SRF and ARRA saw a total of 26 construction projects completed in 2012-13 SFY.

II. MISSION

The SDWSRF staff consists of analysts, engineers, scientists, office technicians, and management who collectively share and uphold the vision for healthy individuals and families in communities across the State, as well as the mission and dedication to optimizing health for all individuals residing in California.

The California SDWSRF program supports the National USEPA Strategic Plan Goal 2 (Clean and Safe Water), Objective 1 (Protect Human Health), Sub-Objective 1 (Water Safe to Drink). Specifically, California established and is managing the revolving loan fund to make low cost loans and provide other types of assistance to water systems to finance infrastructure projects to achieve or maintain compliance with Safe Drinking Water Act requirements. California SDWSRF activities support USEPA Program Reporting Measure SDW-4 Fund Utilization and SDW-5 SDWSRF projects that have initiated operations.

The SDWSRF continues to work closely with USEPA, the Administration, the Legislature, public water systems, sister State agencies and other interested parties to ensure that the funds entrusted are utilized responsibly and in the most expedient manner possible while meeting the mission of enhancing public health.

III. GOALS AND ACCOMPLISHMENTS

The goals of the SDWSRF are spelled out each year in the Intended Use Plan submitted as a part of the SRF application package submitted to US EPA. The goals reflect both federal and state legislative intent to provide funding to correct deficiencies that exist in many of California's public water systems. The Program seeks to ensure that all California residents served by public water systems have access to safe, clean and affordable drinking water.

A. Long-Term Goals

CDPH was committed to achieving its long-term goals that meet the federal and state legislative intent, as well as the general goals of CDPH and USEPA. CDPH made the following progress towards these goals:

1. Ensure that all public water systems provide an adequate, reliable supply of safe, clean drinking water, and achieve and maintain compliance with the SDWA and state standards
 - California exceeds the national average in terms of the percentage of the population receiving water that meets the National Primary Drinking Water Standards. It is calculated that over 98% of the population served by PWSs in the State are being provided safe drinking water.
 - CDPH had also recognized that the population served by small water systems only has a compliance rate of approximately 95%. CDPH was in its second year of a Small Water System Program which focuses on 183 non-compliant small community water systems. By the end of calendar year 2013 a total of 28 systems had either returned to compliance or had construction projects underway that will solve their water quality problems. More details on this project are provided in Appendix D
2. Ensure that the SDWSRF funds are available in perpetuity to all California public water systems
 - Over the preceding 3 year period, CDPH made significant progress in increasing the timely commitment of funds to projects and the rate at which funds are liquidated. By increasing the pace at which money is committed and similarly increasing the rate funds are liquidated to loan recipients, the rate that loan and interest repayments come back into

the fund will also increase. This allowed the fund to grow at a more rapid rate, thereby strengthening the viability of the fund into the future.

- CDPH made numerous program improvements to better control, manage and administer the funds, including development of new financial models to track and project the vitality of the SDWSRF.

3. Reduce the cost of drinking water

- CDPH provided low cost loans and grants to water systems thereby reducing capital costs. Also as a part of the application and funding process, CDPH incorporated requirements to improve the Technical, Managerial and Financial capacity of water systems receiving financial support. This helped to ensure that the water systems were better run in the future, thereby reducing costs.
- Water systems were encouraged to include energy efficiency and water conservation measures, including water meters, in their projects. Water meters encourage the conservation of water, and produce cost savings related to water production, treatment, storage and pumping.
- Additionally, CDPH encouraged the consolidation or regionalization of small public water systems that lack the capability or potential to be operated and maintained in a cost effective manner by providing incentives for consolidation projects and assisting the applicants through the funding process.

B. Short-Term Goals

As a part of the annual Intended Use Plan, CDPH committed to several short-term goals that work to achieve the stated long-term goals and that produce measurable results each year. Progress toward these goals is described below:

1. Increase the fund utilization rate (Pace)

- CDPH awarded \$265,739,107 with executed funding agreements and amendments.
- The SDWSRF increased the federal measurement of program pace (fund utilization rate) from 88 percent achieved in fiscal year 2012-13 to over 95 percent. The table below shows CDPH demonstrated consistent progress in Pace since SFY 2008-09.

TABLE 1 – FUND UTILIZATION

State Fiscal Year	Assistance Provided	Pace Goal (Percent)	Actual Pace Achieved (Percent)
SFY 2008-09	\$18,665,399	-	-
SFY 2009-10	\$155,245,307	-	68
SFY 2010-11	\$241,810,869	80	79
SFY 2011-12	\$261,567,490	85	88
SFY 2012-13	\$265,739,107	95	95
	*No pace goal in SFY 2008-09 and 2009-10 Executed funding agreements including amendments and adjustments for disencumber monies Not including ARRA in 2009-10. ARRA Pace was 100%		

At this point the California SDWSRF is in parity with the National average for states that do not leverage their program funds.

2. CDPH targeted close out at least two of the open grants by June 30, 2013. CDPH’s goal was to reduce the number of open grants to three in the next two years
 - During FY2012-13 CDPH closed out two old Capitalization Grants. CDPH was seeking to have only two open grants at the end of each new federal fiscal year.

3. CDPH anticipated liquidating \$140,000,000 from SDWSRF and essentially all funds from ARRA by June 30, 2013
 - At the close of the fiscal year, CDPH had liquidated \$161,287,310 from the loan portion of the SDWSRF. An additional \$12,486,980 was spent (liquidated) on SDWSRF set-asides.
 - Under ARRA, \$9,029,849 was disbursed from the loan portion. An additional \$728,803 disbursed for ARRA set-asides.
 - The unliquidated balance of the ARRA funds was drawn down to \$9,226,554 at the end of the fiscal year, less than 6 percent of the \$159,008,000 received. The balance included money disencumbered due to the fact that some projects were completed under budget and monies remaining in set-asides. A signed funding agreement is in place that will allow the disbursement of these remaining funds.
 - The total SDWSRF disbursements, including ARRA and set-asides, for SFY 2012-13 equaled \$183,532,943.

4. Provide at least 20 percent and not more than 30 percent of the 2012-13 Capitalization Grant as loan subsidy to eligible recipients (Disadvantaged Communities)
 - CDPH provided \$24,331,138 as loan subsidies (grants)
 - Compared to the \$85,358,000 received from USEPA, this equals 28.5 percent provided as loan subsidies.

- To understand CDPH's commitment to support small disadvantaged water systems, one must also acknowledge CDPH's Proposition 84 grant program that provided an additional \$31,176,927 to disadvantaged communities in 2012-13.
 - It should also be noted that \$231,638,395 of the SDWSRF money awarded in 2012-13 went to disadvantaged communities (Median Household Income less than 80 percent of the statewide average). This represents 87 percent of the total executed funding agreements issued through the SDWSRF.
5. Provide at least 15 percent of the funds to systems serving populations fewer than 10,000
- CDPH provided \$218,070,647 in aggregate to small water systems, compared to the cumulative \$1,768,932,501 committed in signed funding agreements, this equals slightly over 12 percent.
 - In the reporting year, \$27,851,131 or slightly over 10 percent of the funds awarded, went to small water systems.
 - In 2012-13, almost 75 percent of the executed funding agreements (26 of 35) were awarded to small water systems.
 - It should also be noted that many of the awards were for planning studies because the small disadvantaged communities often lacked readiness to proceed to construction. This helped to ensure small water system could submit construction funding application for projects in the future.
 - As with the goal above, Proposition 84 must again be noted, as it provided \$39,096,959 in funding to an additional 43 small water system projects, including schools.
6. Maintain the availability of State Match Funding for future grant awards on an ongoing basis as part of an effort to maintain the SDWSRF availability in perpetuity.
- In 2012 CDPH provided the 20 percent required State Match from Proposition 50 monies specifically allocated to be used for this purpose.
7. CDPH's continued effort to provide planning funding to public water systems provided substantial benefit to systems that otherwise lack the means to fund planning activities and identify cost effective long-term solutions.
- Between 2010-11 and 2012-13 SFY's, CDPH executed 66 planning funding agreements, of which 16 successfully completed planning activities and transitioned onto SDWSRF construction funding.

IV. STATE REVOLVING FUND FINANCIAL SUMMARY

This section of the report discusses and provides information on the financial status of the SDWSRF. This includes the information on the most recent grant award of the

reporting period, the funded project portfolio, revenues as well as disbursements. The figures represented below for prior years are in line with previous annual reports, but due to the significant effort CDPH put forth in 2013-14 to reconcile data within LGTS and NIMS reporting systems, this report does not display each of the various line-item adjustments that have been applied to the current financial records. The figures in this report were considered the new base-line for the SDWSRF.

A. USEPA 2012-13 GRANT AWARD SUMMARY

CDPH submitted a Capitalization Grant application and IUP. CDPH received a Capitalization Grant award in the amount of \$85,358,000 with the execution of the 2012 USEPA Grant Agreement. The “In-Kind (Northbridge - IT Contract)” represents \$300,000 of contractor services provided by US EPA in lieu of money to the State. The State Match of \$17,071,600 was provided from a combination of Prop 50 and Prop 84 monies. The Table 2 shows how the monies were allocated between various set-aside activities and the Loan Fund.

TABLE 2 – 2012-13 SDWSRF ALLOCATION OF FUNDS AND INTENDED USES

CATEGORY	Sources of Funds	Intended Use (Projected)
Federal Capitalization Grant FFY2012	\$85,358,000	
Set-aside programs (as % after In-Kind)		
Program Administration (4 %)		\$3,114,320
Program Administration - In-Kind Service (Northridge - IT Contract)		\$300,000*
Local Assistance - Capacity Development (3%)		\$2,560,740
Local Assistance - Legal Entity Formation and Pre-Planning Assistance (2%)		\$1,707,160
Small Water Systems Technical Assistance (2%)		\$1,707,160
State Program Management Activities - PWSS (10%)		\$8,535,800
State Match (20 %) for FFY2012	\$17,071,600	
Balance of Federal & State funds to SDWSRF Loan Fund		\$84,504,420
Total SDWSRF Funds (federal and state)	\$102,429,600	\$102,429,600

B. Cumulative Program Revenues

The sources of funding for the SDWSRF to date include 15 SDWSRF Assistance Awards, the required 20 percent state match for each Assistance Award, principal repayments from loans awarded to funding applicants, the interest generated from the loans awarded, interest earned from the Surplus Money Investment Fund (SMIF) and local match. The total revenues received by SDWSRF since inception surpassed \$2 billion this year. The revenue stream for the SDWSRF in SFY 2012-13 includes \$47,943,643 of principal repayments and \$13,074,402 of interest payments and late penalty payments and SMIF earnings of \$568,562.

Table 3 – SDWSRF Allocations shows how the funds were allocated between the loan portion of the account and the various programmatic set-asides. The loan portion totals \$1.856 billion, with an additional \$157 million allocated to the set-asides. In 2012-13, CDPH put 21 percent (\$17.9 million) of the Capitalization Grant into set-asides. CDPH was in the process of re-assessing the need for each of the various set-asides and reserved the ability to adjust these amounts in the future to apply more money to the loan portion of the fund.

Table 3 – SDWSRF ALLOCATIONS

Federal 2013 Reporting Year	Prior Years to June 30, 2012			Reporting Year 07/2012 through 06/2013		Cumulative
	SRF	ARRA	Prior Year Cumulative	SRF	ARRA	
Capitalization Grant Loan Funds (SRF and ARRA)	1,084,420,866	149,811,000	1,234,231,866	67,432,820	0	1,301,664,686
Loan Program Match	243,401,096	0	243,401,096	17,071,600	0	260,472,696
Loan Program from Revenues						
<i>Principal Repayment</i>	141,941,131	146,314	142,087,444	47,943,643	3,221,315	193,252,402
<i>Interest and Penalties</i>	73,329,321	457,016	73,786,337	13,074,402	621,546	87,482,285
<i>Surplus Money Investment Fund</i>	12,487,648	0	12,487,648	568,562	0	13,056,210
Subtotal Loan Programs	1,555,580,061	150,414,330	1,705,994,391	146,091,027	3,842,861	1,855,928,279
Administration Account (0625) (4%)	47,815,785	6,017,000	53,832,785	3,114,320	0	56,947,105
Small Water System Technical Assistance (0628) (2%)	22,546,762	3,180,000	25,726,762	1,707,160	0	27,433,922
State Program Management (up to 10%)						
<i>Capacity Development (0626)</i>	28,312,517	0	28,312,517	0	0	28,312,517
<i>Public Water System Supervision (7500)</i>	22,191,585	0	22,191,585	8,535,800	0	30,727,385
Local Assistance (up to 15%)						
<i>Capacity Development (0626)</i>	0	0	0	2,560,740	0	2,560,740
<i>SWAP Support (0627)*</i>	8,831,577	0	8,831,577	0	0	8,831,577
<i>Legal Entity Formation Assistance (0628)</i>	0	0	0	1,707,160	0	1,707,160
<i>Third Party Local Assistance Contracts (0628)</i>	0	0	0	0	0	0
In-Kind	168,553	0	168,553	300,000	0	468,553
Subtotal Set-Asides	129,866,779	9,197,000	139,063,779	17,925,180	0	156,988,959
Total Funds Allocated	1,685,446,840	159,611,330	1,845,058,170	164,016,207	3,842,861	2,012,917,238

* Includes 0627 SWAP loan

C. Disbursements

The SDWSRF remained committed to the timely disbursement of funds to the qualifying water systems of California. Disbursements were processed and issued to water systems with an executed funding agreement upon the submittal of a claim for reimbursement. Claims were carefully reviewed for eligible project costs and approved by CDPH engineers and financial analysts. Upon the submittal of a claim, CDPH acted upon the claim as quickly as possible to allow for the 30-day processing period of its Accounting Office and approximately 10 business days required by the State Controller’s Office (SCO).

SDWSRF disbursements in SFY 2012-13 totaled \$170,317,159 to funding recipients, including AARA. These disbursements were from over 325 claims for reimbursement from 78 water systems. CDPH was committed to ensuring all claims were processed timely so recipients would have the funds necessary to make continued progress on projects. An additional \$13,215,783 was disbursed under the set-asides. The aggregate SDWSRF and ARRA disbursed for SFY 2012-13 was \$183,532,943.

The balance of the ARRA funds remaining to be disbursed, including set-aside monies, was down to \$9,226,554 at the end of the fiscal year; less than 6 percent of the \$159,008,000 received. These included funds disencumbered because some projects were completed under budget. A signed funding agreement was in place that would allow the disbursement of these remaining funds in 2013-14 following validation of the final numbers by the CDPH Accounting Office.

The cumulative disbursements for the loan portion of the fund, including ARRA, through 2012-13 now totals \$1,212,017,952.

In regard to the set-aside portion of the SDWSRF, a total of \$156,988,959 has been allocated (see Table 3 above). The amount disbursed set-asides, including both SRF and ARRA, is \$121,383,151; which means approximately \$35.6 million or 22 percent is available to spend. However, the Administration set-aside for the SDWSRF portion only has \$3,327,033 remaining, less than 6 percent.

The combined total of all disbursements was \$1,333,401,104 for 2012-13.

TABLE 4 –SRF DISBURSEMENT SUMMARY

	Prior SRF Disbursement	SFY 2012-13	Cumulative
Large Water Systems (Standard Loans)	557,416,403	97,539,071	654,955,474
Large Water Systems (Disadvantaged)	188,254,214	46,385,079	234,639,293
	Prior SRF Disbursement	SFY 2012-13	Cumulative
Subtotal: Large Water Systems	745,670,616	143,924,151	889,594,767
Small Water Systems (Standard Loans)	94,684,929	9,577,467	104,262,397
Small Water Systems (Disadvantaged)	68,561,499	7,785,693	76,347,192
Subtotal: Small Water Systems	163,246,428	17,363,160	180,609,589
Total: Loan Funds Disbursed	908,917,045	161,287,310	1,070,204,355
Administration Account 4%	44,488,717	3,951,321	48,440,038
SWSTA 2%	20,465,516	1,510,161	21,975,677
Program Management (up to 10%)			
Capacity Development	20,197,856	1,792,220	21,990,076
PWSS	6,944,656	5,233,279	12,177,935
Local Assistance (up to 15%)			
SWAP Support (0627)*	8,831,577		8,831,577
Legal Entity Formation Assistance (0628)	0		
Third Party Local Assistance Contracts (0628)	0		
Total: Set Aside Funds Disbursed	100,928,322	12,486,980	113,415,302
Total Disbursements	1,009,845,367	173,774,291	1,183,619,657
Note: Table does not include ARRA			

TABLE 5 – ARRA DISBURSEMENT SUMMARY

System Size/Funding Type	Prior ARRA Disbursements	SFY 2012-13	Cumulative
Large Water Systems (Standard Loans)	43,261,236	5,544,657	48,805,893
Large Water Systems (Disadvantaged)	47,351,507	56,598	47,408,105
Subtotal: Large Water Systems	90,612,743	5,601,255	96,213,998
Small Water Systems (Standard Loans)	22,156,789	3,154,541	25,311,330
Small Water Systems (Disadvantaged)	20,014,216	274,053	20,288,268
Subtotal: Small Water Systems	42,171,005	3,428,594	45,599,599
Total: Loan Funds Disbursed	132,783,748	9,029,849	141,813,597
Administrative Costs	4,453,655	726,379	5,180,034
Small Water Systems Technical Assistance	2,785,392	2,423	2,787,815
Set-Aside Disbursement	7,239,047	728,803	7,967,849
ARRA TOTAL DISBURSEMENTS	\$140,022,794	9,758,652	149,781,446

TABLE 6 - SDWSRF DISBURSEMENTS TOTALS

	SRF Cumulative	ARRA Cumulative	Prior Years Cumulative	SRF	ARRA	Reporting Year Cumulative	Cumulative
Disbursed Funds							
Large Water System (Standard Loans)	557,416,403	43,261,236	600,677,639	97,539,071	5,544,657	103,083,728	703,761,367
Large Water System (Disadvantaged)	188,254,214	47,351,507	235,605,720	46,385,079	56,598	46,441,677	282,047,398
Subtotal Large Water Systems	745,670,616	90,612,743	836,283,359	143,924,151	5,601,255	149,525,405	985,808,765
Small Water Systems (Standard Loans)	94,684,929	22,156,789	116,841,719	9,577,467	3,154,541	12,732,008	129,573,727
Small Water System (Disadvantaged)	68,561,499	20,014,216	88,575,715	7,785,693	274,053	8,059,746	96,635,461
Subtotal Small Water Systems	163,246,428	42,171,005	205,417,433	17,363,160	3,428,594	20,791,754	226,209,187
Total Loan Funds Disbursed	908,917,045	132,783,748	1,041,700,793	161,287,310	9,029,849	170,317,159	1,212,017,952
Administration Account (0625) (4%)	44,488,717	4,453,655	48,942,372	3,951,321	726,379	4,677,700	53,620,073
Small Water System Technical Assistance (0628) (2%)	20,465,516	2,785,392	23,250,907	1,510,161	2,423	1,512,584	24,763,491
<i>Program Management (up to 10%)</i>							0
Capacity Development (0626)	20,197,856	0	20,197,856	1,792,220	0	1,792,220	21,990,076
Public Water System Security (7500)	6,944,656	0	6,944,656	5,233,279	0	5,233,279	12,177,935
<i>Local Assistance (up to 15%)</i>				0	0	0	0
Capacity Development (0626)	0	0	0				
SWAP Support (0627)*	8,831,577		8,831,577	0	0	0	8,831,577
Legal Entity Formation Assistance (0628)	0	0	0	0	0	0	0
Third Party Local Assistance Contracts (0628)	0	0	0	0	0	0	0
Total Set Aside Funds Disbursed	100,928,322	7,239,047	108,167,369	12,486,980	728,803	13,215,783	121,383,152
Total Disbursements	1,009,845,367	140,022,795	1,149,868,161	173,774,291	9,758,652	183,532,943	1,333,401,104

D. Funding Portfolio and Unliquidated Obligations

As shown in Table -7– SDWSRF Funding Portfolio, the SDWSRF has cumulatively committed to funding 256 projects totaling \$1,768,932,501. The SDWSRF has committed \$734,080,258 in funding towards communities designated as disadvantaged or severely disadvantaged. Almost 60 percent of the projects have been to small water systems. Encumbered amounts for the SDWSRF represent binding commitment amounts available to funding recipients; i.e., executed funding agreements. Of the 256 projects, about 80 were actively underway in 2012-13; incurring costs and submitting claims.

The loan interest rate is set on a calendar year basis. In the latter half of calendar year 2012, it was 2.03933 percent; and in the first half of 2013, it was 1.7875 percent.

CDPH had signed funding agreements for \$1,768,932,501 from the \$1,855,928,279 in the loan portion of the SDWSRF. This equals over 95 percent pace of fund utilization.

However, only \$1,212,017,952 of the funding was actually been disbursed. This is due to the slow pace of fund utilization in past years and, for the recent projects, the time it takes to bid, construct, certify project completion as well as submittal of final claims and disbursement of final payment. Since other future revenues will come into the SDWSRF, the amount yet to be disbursed to a recipient is views as available to the SDWSRF to commit to other eligible funding recipients. The difference between what has been disbursed and what has been received, is referred to as the “Unliquidated Obligation” (ULO).

A prudent capital reserve of \$160 million i targeted to be maintained for contingencies, and is factored into the cash-flow model. Use of this contingency amount is designed to mitigate funding delays with either the State or federal budgets; absorb large unanticipated claims when a project is completed ahead of schedule; or manage loan repayment delays or defaults by prior recipients.

CDPH also expected over \$140 million to be disbursed in 2013-14. With the additional \$356 million in signed funding agreements that CDPH was planning to execute by September 30, 2014, and the additional disbursements from these upcoming projects, CDPH was on track to eliminate the ULO problem noted in the USEPA Notice of Noncompliance within two years.

TABLE 7 – FUNDING PORTFOLIO

SDWSRF Funding Portfolio – Cumulative (not including set-asides)	Prior SDWSRF	Prior ARRA	SFY 2012-13 SDWSRF & ARRA	SDWSRF Total
Total Committed to Projects*	1,355,415,792	151,752,511	261,764,261	1,768,932,501
Total Disbursed	908,917,045	132,783,748	170,317,159	1,212,017,952
Disadvantaged Community Funding – Encumbrances (Cumulative)	609,126,202.72	42,173,245	231,638,395	734,080,258
Small Water System Projects (including ARRA)			26,748,566	218,070,647
* Note: Adjustments made for amendments and disencumbered funds				
SDWSRF Funding Portfolio – Cumulative (not including set-asides)	Prior SDWSRF	Prior ARRA	SFY 2012-13 SDWSRF & ARRA	SDWSRF Total
Large Water System Projects - Disadvantaged (>10,000 population)	16	11	2	29
Large Water System Projects Non-Disadvantaged (>10,000 population)	49	9	7	65
Small Water Systems Projects Disadvantaged (<10,000 population)	70	14	24	108
Small Water Systems Projects Non-Disadvantaged (<10,000 population)	35	17	2	54
TOTAL PROJECTS	170	51	35	256
The encumbered amounts reflect amendments and divestments				

V. ADMINISTRATIVE AND PROGRAMMATIC CONDITIONS

The 2012 Grant Agreement includes various administrative and programmatic requirements. These conditions include but are not limited to; completing various reporting requirements, compliance with federal cross-cutter rules, performing a program audit through an independent auditor in accordance with the OMB Circular A-133, timely disbursements, etc. In general, SDWRF is in compliance with all of these requirements.

CDPH is committed to continuing the progress of program improvement through the various reports to the USEPA, audits, participation in CIFA, collaboration with other State agencies and meetings with stakeholders and interest groups.

The required audit was conducted by the State Auditor General on January 6, 2014.

A total of 35 projects were excluded from federal cross cutting requirements in SFY2012-13, because they met State criteria. These projects were funded out of state match, repayments from SDWSRF loans, and interest or late payment penalties collected. CDPH only grants federal cross-cutting exclusions after considering potential environmental impacts; and when the water system serves less than 1,000 service connections and the project costs less than \$1,250,000.

For the two most recent semi-annual reporting periods, total funding distributed towards Disadvantaged Business Enterprise recipients are described below in Table 8 – DBE Funding Distribution.

TABLE 8 – DBE FUNDING

DBE	April 1, 2012 – September 30, 2012	October 1, 2012 – March 31, 2013
MBE	855,361	1,116,887
WBE	630,570	491,660

In this section of the Report, five programmatic activities are discussed in more detail as they are critical to meeting the goal of expediting the execution of funding agreements and the subsequently disbursing of SDWSRF monies. These include Environmental Review, the Loan and Grant Tracking System (LGTS), the Project Priority List and the Project By-Pass Process and Green Project Reserve.

A. Environmental Review

In SFY 2012-13, the CDPH Environmental Review Unit (ERU) staff reviewed 67 projects for compliance with the California Environmental Quality Act (CEQA) and “NEPA-like” federal regulations. This included working and coordinating with the United States Fish and Wildlife Service and the State Historic Preservation Office.

Of the applications submitted in SFY 2012-13, two received environmental clearance for a Notice of Application Acceptance (NOAA). A NOAA reserved funding for the applicant and a funding agreement subsequently issued upon the satisfaction of defined conditions. A total of 14 received a NOAA and clearance for issuance of a funding agreement. No projects went through the ERU process without being issued either a NOAA clearance or a combination NOAA and funding agreement clearance.

B. Loan and Grant Tracking System

The Loans and Grants Tracking System (LGTS) is the database of record for the SDWSRF program. LGTS provides the program with a centralized funding, tracking and reporting mechanism. It is imperative for the program to reconcile all of the information in LGTS. CDPH used the \$300,000 in-kind support from USEPA to work on identifying and resolving issues with LGTS. As a part of the Corrective Action Plan, CDPH submitted a detailed plan and schedule for completing the needed upgrades to LGTS.

LGTS is used to upload information to the National Information Management System (NIMS). NIMS is another required reporting database per the Grant Agreement. Relevant financial and program information is required to be submitted through NIMS for USEPA on an annual basis. CDPH was committed to ensure that LGTS functions to its fullest capacity providing an accurate and reliable source for information.

C. Project Priority List

CDPH utilized a public health risk-based ranking system to create a Project Priority List (PPL). In accordance with State and Federal law, CDPH sought to ensure that SDWSRF resources and funds are applied to the most significant public health and problems. The PPL is based on the submission of a pre-application by public water systems (PWS) using an online “Universal Pre-application”. Announcement notices of the annual open pre-application period are provided via the internet and the filing period is open for two months. Water systems are encouraged to submit separate pre-applications for each separate problem faced by the system. Following receipt of the pre-applications, CDPH staff reviewed and ranked each project into the appropriate category (See Appendix A).

Projects listed on the previous PPL remain on the Final 2013 PPL unless funded or the PWS requests removal from the PPL. The updated PPL consists of over 5,000 projects for approximately \$12 billion. CDPH recognized that the size of the list has become unwieldy, and rather than identifying current active projects that PWS’s are planning, it had become a predominately a collection of out-of-date projects. For example, the list includes over 2000 projects that were hastily submitted in 2008 in response to ARRA.

One change made in the 2012-13 IUP was that CDPH announced emergency projects would not have to wait for an open filing period, ranking and invitations to submit applications in an effort to more quickly address the PWSs urgent need.

Over 400 new pre-applications for projects were received by CDPH during the two open filing periods that occurred in 2012-13. Only 127 of these were in the fundable range of the PPL.

TABLE 9 – PRE-APPLICATIONS RECEIVED

Year	2012	2013	FY2012-13
Pre-Apps Ranked Category A-H	56	71	127
Pre-Apps	117	179	296

For the last several years, CDPH invited all projects in high ranking categories (A to G - the health based categories) to submit full applications. The 2012-13 the invitation was extended to Category H of the PPL, which included water meter projects. CDPH conducted two solicitations in 2012-13. This involved contacting approximately 600 -

700 public water systems, each time, who were eligible to submit applications for consideration; i.e., the high ranked projects. These potential applicants were asked to submit a Statement of Interest (SOI), informing CDPH if know they were still interested in moving forward with their project. Unfortunately, the SOI response rate as depicted in Table 10 below has been bleak. Those that responded positively were then provided a full application package and offered technical assistance to complete the required paperwork.

TABLE 10 – INVITATION AND RESPONSE RATE

Invite Sent Date	Categories Invited	Total Number of Invites Sent	Positive SOI Responses (See Sheet 2/3 for details)		
			Planning	Construction	Pln & Const
30-Nov-12	B-H	670	44	37	17
24-May-13	B-H	595	35	24	7
Total Invites Sent:		1265			

Between the two solicitations, and planning projects moving to construction; 77 substantially complete applications were receive by 12/26/13, the due date for the May SOI.

As a part of the Corrective Action Plan submitted to USEPA, CDPH committed to conducting a complete assessment of the ranking, prioritization and project invitation process. The goal was to develop a more efficient and transparent process for identifying high priority ready to proceed projects.

D. Fundable List and Project By-Pass Process

Appendix C of the Report includes the Fundable List of projects that were identified in the IUP. There were 77 potential projects on the list; 45 were planning and 32 were construction.

From the planning projects, 20 received executed funding agreements in SFY 2012-13. Another two had either a NOAA or an issued funding agreement that is pending execution. One project was determined to be ineligible, four were formally bypassed, two opted to take Proposition 50 funding instead of SDWSRF and one declined the NOAA/SDWSRF funding. The remaining 18 projects are all considered active and CDPH continued to work with the applicants. The most common reason for delay relates to financial issues; seven had pending income surveys, rate studies, or were going through the 218 process for voter approval of rate changes. Ownership issues were delaying two of the projects.

On the construction side, 10 funding agreement were executed in 2012-13. Of the remaining 22 projects, one declined to accept a loan, two were formally bypassed and

seven were determined to not be ready to proceed, including two that significantly changed the scope of work for their projects. All of the others are moving forward, with 4 that required a NOAA or the re-issuance of a NOAA and two that had financial issues pending resolution.

The active projects, both planning and construction, that were not funded in SFY 2012-13 will be carried forward and included in the SFY 2013-14 Fundable List.

When looking at the Executed Funding Agreements listed in Appendix C and comparing it to the Fundable List 27 of the 35 projects were on the fundable list; not counting the four amendments. This means eight projects “moved up” because they were more ready to proceed than the remaining ones on the Fundable List. It should be noted that two of these projects were very low cost planning studies and several of the others were being co-funded with Proposition 84 or Proposition 50.

E. Green Project Reserve

The SFY 2012-13 Cap grant from USEPA did not include a mandated for Green Projects. CDPH therefore did not track funding agreements or monies that included “green” elements. The most common green projects are water meters and these were included in a number of projects. The most significant change made by CDPH in this area was to amend the IUP to invite Category H projects to submit funding applications. This category includes water meter projects.

VI. SOURCE WATER PROTECTION PROGRAM

A. STATUTORY REQUIREMENT FOR REPORT TO LEGISLATURE

Section 116762.60(d) of the California Code of Regulations requires CDPH submit a biennial report to the Legislature on the implementation of the Source Water Protection Program. The language which mandates this report states:

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

B. BACKGROUND

1. DRINKING WATER STATE REVOLVING FUND

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

2. SOURCE WATER PROTECTION LOANS

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

As of SFY 2010, CDPH had set aside a total of \$24,889,390 from the 2000-2005 capitalization grants for this program, but, due to lack of demand from PWSs, subsequent federal grant amendments returned \$22,889,390 to the SDWSRF infrastructure loan fund. To date, \$2,000,000 has been expended for Land Acquisition Small Water Program (SWP) loans. SWP loans are a sub-account within the SDWSRF loan fund and are tracked using a separate cost accounting center. The amount of funds obligated for SWP activities reduces the funding available to the SDWSRF infrastructure improvement projects.

TABLE 11
SOURCE WATER PROTECTION LOAN SET-ASIDES

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

VII. NOTICE OF NON-COMPLIANCE/CORRECTIVE ACTION PLAN

On April 19, 2013, the USEPA issued a notice of non-compliance to CDPH in accordance with the U.S. Environmental Protection Agency grant regulation 40 CFR §35.3585. The USEPA made the determination that CDPH “has not timely and efficiently committed and expended funds in the SDWSRF, nor employed adequate financial resources to operate the SDWSRF in a sound financial manner...” CDPH did not dispute the findings and was already aware of many of the concerns listed in the notice, however, in fact, CDPH had already taken steps to begin to address these issues, as evidenced by the rate of Pace increase.

Per the notice of non-compliance, CDPH was given 60 days of the receipt of the notice of non-compliance to either remedy the specific issues addressed and/or submit a corrective action plan outlining the methods in which the issues would be addressed and resolved. On June 24, 2103, CDPH submitted to USEPA the required CAP and subsequently, at the request of USEPA, submitted a revised CAP on July 12, 2013. USEPA accepted and approved CDPH’s CAP on July 23, 2013.

CDPH successfully completed the following items as required by the USEPA notice:

1. Submitted a Corrective Action Plan within 60 days after the notice was issued
2. In accordance with CAP Item # 1, CDPH was currently utilizing the cash flow model developed in conjunction with the USEPA during the summer of 2012. This model has been in use as of April 2013 and continues to be refined and improved.

It should be noted that this model is now being used by USEPA as an example to assist other states.

3. In accordance with CAP Item #2 CDPH submitted a schedule of steps to ensure that the LGTS tracking system is updated and accurate and that reports to NIMS are submitted in an accurate and timely fashion.
4. In accordance with CAP Item #3, CDPH met regularly with USEPA funding program staff to discuss DWSRF issues and progress.
5. In accordance with CAP Item # 4, CDPH submitted a list of all funding agreements commitments made in SFY 2012-13 totaling approximately \$265 million, which exceeded the required commitment amount of \$240 million by more than \$25 million. This is also the largest amount the California DWSRF had ever issued in a single year both in terms of the dollar amount and number of funding Agreements.
6. In accordance with CAP Item # 5, CDPH submitted a Fundable List of projects for 2013-14 showing over \$356 million in projects which are likely to be funded before September 30, 2014
7. In accordance with CAP Item 6, CDPH submitted a schedule of anticipated cash draws for the 2013-14 fiscal year.

CDPH had met all of the CAP deadlines and fully expected to achieve subsequent CAP requirements that were laid out for SFY 2013-14.

VIII. SET-ASIDES

CDPH utilizes a percentage of each Grant Award to fund the administration of the grant plus other programs and activities critical to the success of the SDWSRF. These are referred to as “set-asides”. These set-asides include; Administration, Small Water Systems Technical Assistance (SWSTA), Local Assistance (LA), and Public Water System Supervision (PWSS) programs. Set asides collectively aid in the goal of providing funding to water systems that are in violation of SDWA standards and/or have known deficiencies which may be a health risk to the public. As stated in the 2012-13 Final IUP, CDPH intends to utilize 21 percent of the federal funds allotment awarded to California for the various set asides. The remaining 79 percent of funds, including all state match, interest gained, and repayments would be committed to fund water system infrastructure projects.

The SFY 2012-13 set-aside budget was \$17,925,180. USEPA allows unused set-aside money from prior years to be carried forward to the current year. Cumulatively, including ARRA, \$156,988,959 had been put into the set-aside budget. At the end of SFY 2012-13, \$121,383,152 had been spent leaving an unliquidated amount of \$35,605,807. A significant portion will be provided to Local Program Agencies (LPA's) to collect PWS information from small water systems via an electronic annual report. This information will be uploaded to SDWIS to provide a more complete inventory of the public water

systems in the State. CDPH had several other initiatives planned to make use of these funds or to roll any surpluses into the loan portion of the SDWSRF.

A. Administration

CDPH utilized the four percent Administrative set-aside for the management of the grant; including all activities necessary to award funding, oversee construction and reimburse claims. This also includes all tracking and reporting required by USEPA. In SFY 2012-13 this set-aside paid for the technical and administrative personnel who worked on funding applications, awards and claims processing. A portion of this set-aside also provided CDPH the ability to contract with other necessary agencies such as the Department of Water Resources (DWR), the State Auditor and the State Controller's Office. DWR provided assistance to CDPH with financial evaluations of a funding applicant and evaluates the ability of the applicant to repay the loan, as well as recommending the loan subsidy amount and preparing the funding agreement as approved and authorized by CDPH.

The Capitalization Grant funds for the Administrative set-aside activity totaled \$3.1 million plus \$300,000 of in-kind support from USEPA in SFY 2012-13. The cumulative allocation-to-date for the Administrative set-aside totals almost \$57 million, including ARRA. The remaining balance for this set-aside is \$3,327,032; less than six percent.

B. Small Water System Technical Assistance

The primary goals of the Small Water System Technical Assistance set-aside are: (1) reducing the instances of noncompliance with drinking water standards and requirements, (2) establishing and assuring safe and dependable water supplies, (3) improving the operational capability of small systems and (4) establishing or improving the Technical, Managerial, and Financial (TMF) capacity of small systems.

CDPH took two percent of the grant (\$1,707,160) for SWSTA primarily to contract with third party technical assistance providers who have on-staff engineers and certified operators qualified to run water systems. These contractors were; California Rural Water Association (CRWA), Rural Community Assistance Corporation (RCAC), and Self Help Enterprises (SHE). Together they provided on-site technical assistance to over 300 small public water systems. The assistance included helping small water systems to: identify problems and potential solutions; submit pre-applications and applications; conduct technical, managerial and financial assessment; evaluate potential grant eligibility based on medium household income; and conduct rate studies. These contractors also assisted small water systems after applications were submitted to work on their behalf to resolve ownership issues, right-of-way disputes, and intercede with adjacent water systems regarding potential interties and consolidation projects.

The aggregate taken for this set-aside is \$27,433,922 with a remaining balance of \$2,670,431.

C. Local Assistance

CDPH was authorized to take up to a maximum 15 percent of the Capitalization Grant in set-asides under the Local Assistance set-aside. In SFY2012-13 CDPH only took five percent; \$4,267,900. These set-aside funds were split between Capacity Development activities and a new program for Local Entity Formation and Pre-Planning. The latter initiative was put in place to assist small communities presently on private wells, with shared contamination problem, that were seeking to form and create new public water systems.

Under the USEPA set-aside rules Capacity Development funds can also be taken from the State Program Management set-aside line item. Historically CDPH had funded Capacity Development activities out of the State Program Management area, but in 2012-13 changed to take it out of the Local Assistance set-aside.

Cumulatively, CDPH had taken \$13,099,477 for Local Assistance activities, which includes \$2,560,740 for Capacity Development and \$1,707,160 for Local Entity Formation and Pre-Planning efforts in SFY 2012-13. The remaining \$8.8 million was taken for Source Water Assessment efforts prior to 2010. The available balance for this set-aside is \$ 4,267,900. An additional \$28,312,517 was taken in prior years out of the State Program Management set-aside. The total remaining balance available for Capacity Development activities was \$8,883,180.96.

Capacity Development monies are utilized to implement the Capacity Development Strategy that USEPA approved in 2000. This strategy is designed to assist public water systems in acquiring and maintaining the necessary amounts of TMF capacity. CDPH worked with the California Technical Assistance Providers (CalTAP) Committee, AWWA and other interested stakeholders to identify needs and opportunities to help small water systems.

To improve the TMF capacities of California's public water systems, CDPH had contracted with the RCAC to develop and conduct statewide onsite and online training workshops that focus on building the TMF capacity of public water systems. This reporting year, RCAC presented two CalTAP funding fairs which displayed and demonstrated the free services and materials available to the water systems and two Arsenic Symposia on arsenic treatment alternatives and case studies. The CalTAP fairs averaged 118 attendees and the Symposia averaged 46 attendees. In addition to these fairs, RCAC also presented 54 onsite and 56 online workshops. Board members, staff and operators from 1,170 individual water systems participated in these training events cumulatively. In a survey conducted by RCAC, of 3,129 responses received to its request for feedback regarding the value and usefulness of the workshops and training, 2,037 reported positively regarding the workshops and the information provided, 278 had neutral responses, and only four reported negatively to the workshops. These statistics demonstrate the effectiveness of these programs and workshops in general and gave CDPH a good indication of its effectiveness in communicating with the public and its ability to provide helpful information.

The pre-planning initiative was launched very late in the fiscal year. This effort was in response to environmental justice advocates requests and USEPA's new interpretation that SDWSRF monies can be used to assist private homeowners seeking to create a new public water system.

Between the Small Water Technical Assistance set-aside and the Capacity Development set-asides, CDPH provided over \$2.1 million per year to contractors to support and assist small, and primarily disadvantaged, water systems. The level of assistance provided may increase next fiscal year as the Pre-Planning efforts get further underway.

D. STATE PROGRAM MANAGEMENT

CDPH was authorized to utilize 10 percent of the Capitalization Grant set aside for State Program Management activities; including both Capacity Development and Public Water System Supervision. The Capacity Development activities are discussed in the previous section above.

Through SFY 2012-13, the CDPH had allocated \$30,727,385 cumulatively, for Public Water System Supervision (PWSS). This includes \$8,535,800 from the 2012-13 Grant Award. Cumulative disbursements total \$12,177,935 and the remaining available balance is \$18,549,450.

The PWSS portion of the set-aside is used to increase the frequency of inspections and surveys of smaller water systems, evaluate treatment and infrastructure improvement needs, review plans and specifications in relation to and for conformance with treatment requirements, and assist PWSs with compliance. These monies were also used to enhance emergency preparedness and terrorism/disaster response preparedness of CDPH and PWSs. CDPH also utilized this set-aside to enhance data reporting mechanism; Safe Drinking Water Information System (SDWIS).

IX. PERFORMANCE EVALUATION REPORT (PER)

In accordance with the Safe Drinking Water Act, USEPA provides funds to states to capitalize their Safe Drinking Water State Revolving Fund (SDWSRF) programs. EPA is required to conduct an annual oversight review of each state's DWSRF program. The purpose of the annual review process is to assess the cumulative program effectiveness; fiscal health; compliance with the statutes and regulations; Operating Agreement (OA); and grant conditions governing the state's DWSRF.

On May 13-17, 2013, USEPA conducted an on-site annual review of the California Safe Drinking Water State Revolving Fund (SDWSRF) base and ARRA program activities. EPA included a review of ARRA grant and project activities to ensure compliance with ARRA grant conditions and requirements. To ensure that the annual review addressed all of the major review elements for both base program and ARRA requirements, EPA staff completed the SRF Annual Program and Financial Review.

On December 23, 2013 USEPA issued to CDPH the PER for SFY 2012-13. Within the PER, USEPA identified both findings and recommendations which CDPH either addressed or considered.

A. Recommendations/Findings

USEPA concluded that the State of California met all program requirements for the review period, except the following actions, which are to be addressed in the SFY2013 Annual Report:

1. Funding Eligibility – *The SDWSRF program should develop a standard written reimbursement policy and procedure that specifies the types of expenditures that can receive reimbursement under the SDWSRF.*

In response to Section III A (1) of the 2012 PER, entitled “Funding Eligibility,” CDPH agreed to develop a standard written reimbursement eligibility policy that specifies the types of expenditures that can receive reimbursement under the SDWSRF. CDPH also agreed to develop this State policy in cooperation and coordination with the soon-to-be developed national USEPA SDWSRF eligibility guidance which are still under development.

2. Rules of Cash Draw and Improper Payments – *The SDWSRF program needs to enhance existing or develop new desk procedures that efficiently and effectively define the program’s expense allocation process and eligible project expenditures by June 2014.*

CDPH also acknowledged and agreed to enhance its existing desktop procedures to efficiently and effectively define the SDWSRF program’s expense allocation processes and procedures by June of 2015. While CDPH has in place an existing procedure manual, as well as certain desktop procedures for the performance of claims reviews, CDPH acknowledges that such procedures require periodic updating, currently underway. In addition, CDPH was in the process of redesigning and web-enabling its centralized SDWSRF funding database with the intent to digitize the SDWSRF claims review processes and procedures in order to further improve efficiency and effectiveness. In combination with revised desktop procedures, CDPH hoped the new, web-enabled centralized funding database, with its collaborative and efficient tools for managing claims reviews will mitigate and prevent any improper payments as well as facilitate future USEPA transaction tests.

CDPH also acknowledges and agrees that USEPA Region IX correctly identified \$7,184 in improper claims reimbursement payments, of which \$4,950 requires correction due to insufficient supporting documentation and one duplicate payment. Since the improper payments of reimbursement were for two projects that are still underway, CDPH corrected the improper payment amount by offsetting future reimbursement claims. CDPH offset Claim #12 of the Rio Linda project by \$188.24 and Claim #17 of the City of Delano project by \$4,762.09, as the means by which to correct both improper payments.

3. Use of Fees – *EPA recommends that CDPH prepare an implementation plan to justify and seek approval to assess an administrative fee on assistance agreements beginning as soon as possible.*

CDPH had acknowledged the need to establish an administrative fee and planned on taking steps necessary to establish such a fee in the future.

X. CONCLUSIONS

The SDWSRF program had been the subject of great scrutiny and some significant criticism in SFY 2012-13 from the media, environmental justice advocates, the legislature, the Governor's Office and the USEPA. CDPH was aware of most of the issues and concerns; and was already working to address these; to the extent it had staff resources and authority under the law.

CDPH fully appreciated the significant public health threat associated with very small water systems (less than 15 service connections) and private wells that lack safe drinking water. This was, and is, one of the major concerns for the environmental justice advocates, the legislature and the Governor's Office. Unfortunately, CDPH had no budget or legal authority to address this problem. The new Pre-planning initiative is a creative effort to use existing resources to begin to help the many people served by very small water systems or private wells.

The SDWSRF provided disadvantaged and small water systems with over \$2 million in free third party contractor assistance. Over 28 percent of the funds received from USEPA in 2012-13 were awarded to systems serving disadvantaged communities as grants, totaling \$24,331,138. Assistance to disadvantaged communities, when factoring in large systems serving disadvantaged communities into the overall funding the percentage increases this percentage to 87 percent for a grand total of \$231,638,395, awarded to systems serving disadvantaged communities.

CDPH, in addressing USEPA's Notice of Non-Compliance, has made great strides in generating funding commitments at a faster pace. In SFY 2012-13, SDWSRF awarded \$261,764,261 in new funding. Over the prior three years SDWSRF had executed \$769,117,466 in funding agreements and increased the pace of fund utilization from 68 percent to over 95 percent. In the Corrective Action Plan, CDPH committed to executing an additional \$356 million in funding agreements by September 30, 2014, bringing the 4 year total to over \$1.1 billion. As these projected projects receive funding, and other recently funded projects are completed, the unliquidated obligations will be rapidly drawn down.

The SDWSRF remains committed to ensuring that the entrusted funds are utilize responsibly in the most expedient manner possible; consistent with the mandated purpose of assisting public water systems in providing an adequate supply of safe, clean and affordable drinking water.

APPENDIX A - PROJECT RANKING CRITERIA

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

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

**APPENDIX B
EXECUTED FUNDING AGREEMENTS
(Including Amendments)**

#	Water System	Disadvantaged	Project Number	LWS/SWS	Agreement Number	Commitment Date	Cross Cutter	Amount
1	Plum Valley School	Yes	5200506-001P	SWS	SRF12P103	8/7/2012	No	\$13,000
2	Kettleman City	Yes	1610009-005P2	SWS	SRFP12305	8/28/2012	No	\$274,324
3	Anza MWC	Yes	3301180-001P	SWS	SRF12P302	9/26/2012	No	\$267,600
4	Lake County-Spring Valley	Yes	1710018-004C	SWS	SRF12CX107	9/12/2012	Yes	\$1,809,760
5	Jackson Valley Irrigation District	Yes	0300037-002P	SWS	SRF12P112	11/16/2012	No	\$500,000
6	Lewiston Valley WC	Yes	5301002-001P	SWS	SRF12P113	11/14/2012	No	\$360,000
7	Montara WSD	No	4110010-022C	SWS	SRF12CX109	11/14/2012	Yes	\$2,920,000
8	Rainbow MWD	No	3710016-004C	LWS	SRF12C106	11/16/2012	No	\$7,924,076
9	Rainbow MWD	No	3710016-008C	LWS	SRF12C107	11/16/2012	No	\$10,303,804
10	Baseline Gardens	Yes	3610007-007C	SWS	SRF12CX110	2/25/2013	Yes	\$3,000,000
11	City of Fresno A-1	No	1010007-026C	LWS	SRF11CX104	11/21/2012	Yes	\$11,405,432
12	Midway Height A-1	No	3110041-002C	SWS	SRF11C102	12/20/2012	No	\$333,400
13	North of the River	Yes	1510041-007C	SWS	SRF12C104	12/12/2012	No	\$498,212
14	City of Montague	Yes	4710007-002C	SWS	SRF13C103	4/26/2013	No	\$3,851,572
15	Rosamond CSD	Yes	1510018-007P	LWS	SRF13P108	5/21/2013	No	\$500,000
16	Madera #1	Yes	2000544-001P	SWS	SRF13P107	5/24/2013	No	\$130,000
17	City of Firebaugh (Las Deltas MWC)	Yes	1000054-002P	SWS	SRF13P106	5/3/2013	No	\$438,000
18	Allensworth	Yes	5400544-001P	SWS	SRF12P110	4/29/2013	No	\$390,000
19	Garberville SD	Yes	1210008-006C	SWS	SRF13CX103	5/10/2013	Yes	\$4,060,478
20	Madera #33	Yes	2000554-002P	SWS	SRF12P109	5/16/2013	No	\$322,000
21	Rancho Estates MWC	Yes	3700936-001P	SWS	SRF13P302	6/14/2013	No	\$500,000

#	Water System	Disadvantaged	Project Number	LWS/SWS	Agreement Number	Commitment Date	Cross Cutter	Amount
22	Camp Nelson	Yes	5410022-001P	SWS	SRF13P301	6/11/2013	No	\$139,000
23	Kit Carson	Yes	1600014-001C2	SWS	SRF13C104	6/14/2013	No	\$1,993,000
24	FCSA #30 and #32	Yes	1000019-002P /1000359-003P	SWS	SRF13P105	5/20/2013	No	\$725,000
25	Donner PUD	Yes	2910016-002P	SWS	SRF13P101	6/26/2013	No	\$172,903
26	Panoche	Yes	1000345-002P	SWS	SRF13P103	6/26/2013	No	\$385,000
27	Sequoia Union USD	Yes	5400709-001C	SWS	SRF13C102	5/3/2013	No	\$277,457
28	Springville PUD	Yes	5410011-004C	SWS	SRF13CX102	6/26/2013	Yes	\$1,706,600
29	Heritage Ranch CSD	No	4010012-003C	SWS	SRF13C101	6/14/2013	No	\$714,000
30	Tipton	Yes	5410014-003P	SWS	SRF13P109	6/26/2013	No	\$29,000
31	Tooleville	Yes	5400567-001P	SWS	SRF13P303	6/26/2013	No	\$454,380
32	City of Delano A-2	Yes	1510005-001C	LWS	2010CX105	6/26/2013	Yes	\$3,000,000
33	Trinity Center MWC A-2	Yes	5310003-001C	SWS	2012C301	3/28/2013	No	\$1,086,445
34	LADWP	Yes	1910067-031C	LWS	SRF13CX105	6/26/2013	Yes	\$102,281,674
35	LADWP	Yes	1910067-022C	LWS	SRF13CX104	6/26/2013	Yes	\$100,972,990
36	LADWP (Planning)	Yes	1910067-010P	LWS	SRF13P110	6/26/2013	No	\$500,000
37	LADWP (Planning)	Yes	1910067-011P	LWS	SRF13P112	6/26/2013	No	\$500,000
38	LADWP (Planning)	Yes	1910067-009P	LWS	SRF13P111	6/26/2013	No	\$500,000
39	Montara WSD	No	4110010-024P	SWS	SRF12P102	2/10/2012	No	\$500,000
SFY 2012-13 BINDING COMMITMENT								\$265,739,107

APPENDIX C SRF FUNDABLE LIST PROJECT STATUS

#	App received prior to FY 11-12	Water System Name	Category	Project Number	SFY 2012-13 Funding Outcome
PLANNING PROJECTS					
1	Yes	Azusa Springs	C	1909644-001P	Entity ownership and legal status in question
2	Yes	Jackson Valley Irrigation District - Lake Amador	C	0300037-002P	FA executed 11/16/2012
3	Yes	St. Francis Retreat Center WC	C	3500537-001P	Bypassed
4	Yes	Madera County-CSA #1	D	2000544-001P	FA executed 5/24/2013
5	Yes	Camp Nelson WC	D	5410022-001P	FA executed 6/11/2013
6	No	Lewiston Valley CSD	D	5301002-001P	FA executed 11/14/2012
7	Yes	Rancho Estates MWC	D	3700936-001P	FA executed 6/14/2013
8	Yes	Fresno County CSA # 30 - El Porvenir	D	1000019-002P	FA executed 5/20/2013
9	Yes	Fresno County CSA # 32 Cantua Creek	D	1000359-003P	FA executed 5/20/2013
10	Yes	Forest Springs	D	4400608-002P	Opted for Proposition 50 funds
11	Yes	Donner Summit PUD	D	2910016-002P	FA executed 6/26/2013
12	No	LADWP	D	1910067-010P	FA executed 6/26/2013
13	No	LADWP	D	1910067-011P	FA executed 6/26/2013
14	No	LADWP	D	1910067-009P	FA executed 6/26/2013
15	No	Downieville PUD	D	4610002-001P	Opted for Proposition 50 funds
16	No	Panoche	D	1000345-002P	FA executed 6/26/2013
17	Yes	Ruth Lake CSD – Recreational Area	D	5305004-001P	Bypassed
18	Yes	Ruth Lake CSD - Marina	D	5305003-001P	Bypassed
19	Yes	Madera County - CSA #33	E	2000554-002P	FA executed 5/16/2013
20	Yes	Anza MWC	E	3301180-001P	FA executed 9/26/2012
21	Yes	Barton Flats WC	E	3601048-001P	Declined NOAA and SDWSRF funding
22	No	Forest Ranch MWC	E	0400004-001P	Pending income survey
23	No	Las Deltas MWC	E	1000054-002P	FA executed 5/3/2013
24	Yes	Tooleville MWC	F	5400567-001P	FA executed 6/26/2013

#	App received prior to FY 11-12	Water System Name	Category	Project Number	SFY 2012-13 Funding Outcome
25	Yes	Garlen Court WS	F	2700686-006P	Ineligible for SDWSRF funding
26	No	Lemon Cove	F	5400616-001P	Pending income survey
27	Yes	Madera County CSA #8	G	2000561-002P	FA executed 8/29/2013
28	Yes	Land Project MWC	G	1910246-002P	Considering consolidation
29	Yes	Desert Lake CSD	G	1510027-001P	Pending water rate study
30	Yes	Keeler CSD	G	1400036-006P	FA unsigned
31	Yes	Locke Water Works WC	G	3400138-001P	FA executed 12/10/2013
32	Yes	Montara (24)	G	4110010-024P	FA executed 7/10/2012
33	Yes	Rosamond CSD	G	1510018-007P	FA executed 5/21/2013
34	Yes	Fresno County WWD #40 – Shaver Springs	G	1000042-002P	NOAA executed 10/4/2013
35	No	Allensworth CSD	G	5400544-001P	FA executed 4/29/2013
36	Yes	Bella Vista Mobile Lodge MP	G	4000512-002P	Pending financial resolutions
37	Yes	Westhaven CSD	G	1210024-003P	Project on hold
38	Yes	Boron CSD	G	1510002-001P	FA issued 11/13/2013
39	Yes	Vieira S Resort, Inc.	G	3400164-002P	Entity ownership status in question
40	Yes	Cobles Corner	G	5000033-001P	Possible income survey
41	No	Mesa Del Toro MWC	G	2701503-002P	Bypassed
42	No	Arvin CSD	G	1510001-002P	On hold. Proposition 84 planning study to complete January 2014
43	No	Grace Baptist Church	G	5100180-001P	Application received April 2013. Active project
44	No	Countryside Mobile Home Estates	G	5000086-002P	Pending income survey
45	Yes	Tract 92 CSD	D	5400903-002P	Pending 218 process
CONSTRUCTION PROJECTS					
46	Yes	Phoenix House School	C	3701478-001C	Water system refuses a loan
47	Yes	Olympia WD - San Lorenzo	C	4400581-001C	Active project
48	Yes	Tuolumne Utilities District - Columbia	C	5510013-009C	NOAA executed 9/16/2013
49	Yes	Amador Water Agency - Buckhorn	C	0310012-005C	Re-issued NOAA 11/8/13
50	Yes	Springville PUD	D	5410011-004C	FA executed 6/26/2013

#	App received prior to FY 11-12	Water System Name	Category	Project Number	SFY 2012-13 Funding Outcome
51	Yes	Rainbow Municipal Water District	D	3710016-004C	FA executed 11/16/2012
52	Yes	Rainbow Municipal Water District	D	3710016-008C	FA executed 11/16/2012
53	Yes	LADWP	D	1910067-022C	FA executed 6/26/2013
54	Yes	LADWP	D	1910067-031C	FA executed 6/26/2013
55	Yes	LADWP	D	1910067-038C	Project not ready in SFY 2012-13
56	Yes	LADWP	D	1910067-039C	Project not ready in SFY 2012-13
57	Yes	Montara	E	4110010-022C	FA executed 11/14/2012
58	Yes	Cutler PUD	E	5410001-003C	FA issued 11/13/2013
59	Yes	Lake County CSA 2 - Spring Valley	E	1710018-004C	FA executed 9/12/2012
60	No	Little Baldy WC	E	1900158-002P	FA issued 11/20/2013
61	Yes	Mattole Elementary School	E	1200684-003C	FA executed 11/6/2013
62	Yes	Descanso Community WD	E	3710009-003C	Project not ready in SFY 2012-13
63	Yes	Fresno County - CSA 51	E	1010061-001C	Bypassed
64	Yes	Arrowhead Manor WC	E	3610026-006C	Bypassed
65	Yes	City of Woodland	F	5710006-009C	Project scope changed
66	Yes	River Island Service Terr #1 [Del Oro Water Co.]	F	5400665-002C	Project not ready in SFY 2012-13
67	Yes	Amador County CSA# 3 - Lake Camanche	F	0310021-003C	NOAA executed 9-26-2013
68	Yes	Baseline Gardens MWC	F	3610007-007C	FA executed 2/25/2013
69	Yes	Kettleman City	G	1610009-005C	NOAA issued 8/21/2012
70	Yes	Kit Carson School	G	1600014-001C2	FA executed 6/14/2013
71	Yes	Bridgeport PUD	G	2610003-002C	Declined NOAA
72	Yes	Colusa Co WD #1 - GRIMES	G	0600008-001C	Project stalled in SFY 2012-13
73	Yes	AWA - Buckhorn WS	G	0310012-006C	NOAA executed 9/16/2013
74	Yes	City of Brawley	H	1310001-007C	Pending financial resolutions
75	Yes	City of Orange Cove	H	1010023-002C	Project scope changed
76	Yes	North of the River MWD	H	1510041-007C	FA executed 12/12/2012

#	App received prior to FY 11-12	Water System Name	Category	Project Number	SFY 2012-13 Funding Outcome
77	Yes	Del Rey CSD	H	1010035-004C	Pending income survey

APPENDIX D
Source Water Protection Loans Federal Assistance Awards History

Source Water Protection Loans through 06/30/2010

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

APPENDIX E

SMALL WATER SYSTEM PROGRAM PLAN SUMMARY 2013

CDPH had developed a Small Water System (SWS) Goal targeted to bring the compliance rate of small community water systems in the state from the present 92% to 95% (equivalent to approximately 63 systems), matching that of large community water systems. CDPH had developed an implementation plan that defines specific tasks to achieve the goal as well as measureable results of progress. Since many of these small systems lack the capital to solve their problem, CDPH made a focused effort to push systems toward funding, where systems can get a low interest loan or grant. Progress could be best measured by looking at the executed funding agreements and number of systems applying for funding. In 2013, CDPH made sure to invite all of the non-compliant systems to submit SRF applications during two separate rounds. As a result, CDPH had received more applications, and more systems now have found an affordable path to compliance.

SWS Program Plan Accomplishments in 2013

- Returned to compliance (RTC) – 8 systems
- Executed construction funding agreements – 20 systems
- Executed planning funding agreements – 18 systems
- Executed P84 emergency interim supply contracts – 11 systems
- Systems without active funding applications – decreased by over 20%

The chart below shows the number of systems by quarter that had either solved their problem or received funding to solve their problem. Other than the overall growth in numbers, the increase in construction funding agreements represents a very promising trend. Many of these systems didn't even have the funds to evaluate their best options, so, CDPH began issuing planning funds. In 2013, a lot of these planning projects concluded. With their CEQA-approved plans in place, the systems could transition into construction. Although the chart includes projects currently transitioning from planning to construction, it doesn't include the pending planning and construction applications under review, which represents an additional 30 systems. Considering the 50 systems with active planning projects, the trend of increasing construction funding will only continue for the next couple years.

In 2014, CDPH's planned to focus on helping the planning projects easily transition to construction while continuing to push systems into the funding process and provide technical assistance. Although most of the SWS Program Plan systems were on the correct path to compliance, some still need assistance. Of the 48 remaining non-compliant systems without active funding applications, about 80% do not qualify for grant funding due to their ownership type or because they serve non-disadvantaged communities. For the privately-owned water systems that do not qualify for grant on their own, CDPH could provide grant funding to a public system to consolidate the private system. CDPH began the Consolidation Incentive Program to encourage consolidation, which could help some of these small privately-owned water systems.

Below is a list of specific water systems that returned to compliance or received a funding agreement from CDPH in 2013.

Returned to compliance in 2013

System Name	County
Gleanings for the Hungry	Tulare
Lake Success Mobile Lodge	Tulare
Langley Cyn/Valle Pacifico	Monterey
Rancho Marina	Sacramento
Rancho Villa Mobile Acres	Butte
PG&E Helms Support Facility	Fresno
Shamrock MHP	Sonoma
Tahoma Meadows MWC	Placer

Received CDPH Construction Funding Agreement in 2013

System Name	County
Aerial Acres Water System	Kern County
Baseline Gardens MWC	San Bernardino
Caruthers CSD	Fresno
Clear Ridge WA	Monterey
Cuyama CSD	Santa Barbara
El Margarita MWC	Sutter
Fountain Trailer Park Water	Kern
Four Seasons MHP	Kings
Hamblin MWC	Kings
Lake Morena Oak Shores MWC	San Diego
Las Cumbres	Santa Cruz
LSID - El Rancho	Tulare
North Edwards Water District	Kern
Pratt MWC	Tulare
Rancho Chaparral MWC	Monterey
Rancho Villa Mobile Acres	Butte
Riverdale PUD	Fresno
Seventh Standard Mutual	Kern
West Goshen MWC	Tulare
Wildewood MWC	Sutter

Received CDPH Planning Funding Agreement in 2013

System Name	County
Allensworth CSD	Tulare County
Apple Avenue WS #03	Monterey
Century MHP	San Joaquin
County Water of Riverside	Riverside
El Adobe POA, Inc.	Kern
First Mutual Water System	Kern
Lakeview Ranchos MWC	Kern
Lands of Promise Mutual	Kern
Locke Water Works Company	Sacramento

Los Molinos CSD	Tehama
Lucky 18 on Rosamond, LLC	Kern
Maier MWC	Kern
MD #08 North Fork WS	Madera
Nord Road Water Association	Kern
San Lucas County WD	Monterey
William Fisher Memorial WC	Kern
Zonneveld Dairy	Fresno
60th Street Association WS	Kern

This page intentionally left blank.

SAFE DRINKING WATER STATE REVOLVING FUND AND
SOURCE WATER PROTECTION PROGRAM

BIENNIAL REPORT TO THE LEGISLATURE
Volume II
STATE FISCAL YEAR: 2013-14

TABLE OF CONTENTS

- I. INTRODUCTION.....50**
- II. MISSION.....50**
- III. GOALS AND ACCOMPLISHMENTS.....51**
 - A. Long Term Goals Follow-up.....51**
 - B. Short Term Goals Follow-up.....52**
- IV. SDWSRF REVENUES, DISBURSEMENTS & COMMITMENTS SUMMARY.....55**
 - A. USEPA FFY 13 Grant Award Summary.....56**
 - B. Revenue Summary.....56**
 - C. Disbursement Summary.....57**
 - D. Funding Commitment Summary.....59**
 - E. Small Water System Commitment Summary.....60**
 - F. Annual Additional Subsidy Summary.....61**
- V. SDWSRF SET-ASIDES.....61**
 - A. Administration Set-aside.....61**
 - B. Small Water System Technical Assistance Set-aside.....62**
 - C. Local Assistance Set-aside.....62**
 - D. State Program Management Set-aside.....63**
- VI. ADMINISTRATIVE AND PROGRAMMATIC Updates.....64**
 - A. Federal Cross-Cutters.....64**
 - B. Disadvantaged Business Enterprises Reporting.....64**
 - C. Project Priority List.....64**
 - D. Fundable List and Project Bypass.....66**
 - E. Green Project Reserve.....66**
 - F. American Iron and Steel.....66**
 - G. Legal Entity Formation Program.....67**
 - H. Consolidation Incentive Program.....67**
 - I. Claims Eligibility Guidance and Procedure Manual.....68**
- VII. NOTICE OF NON-COMPLIANCE/CORRECTIVE ACTION PLAN.....69**
- VIII. SOURCE WATER PROTECTION PROGRAM.....71**
 - A. Statutory Requirement for Report to Legislature.....71**
 - B. Background.....71**
- IX. CONCLUSION.....72**

TABLES:

TABLE 1: SDWSRF 2013 CAPITALIZATION GRANT BUDGET.....56
TABLE 2: SDWSRF REVENUE SOURCES.....57
TABLE 3: SDWSRF DISBURSEMENTS.....58
TABLE 4: SDWSRF FUND UTILIZATION RATE.....60
TABLE 5: SDWSRF SFY 13/14 COMMITMENTS BY PROJECT TYPE.....60
TABLE 6: DBE FUNDING.....64
TABLE 7: SDWSRF SFY 13/14 INVITATION AND RESPONSE RATE.....13
TABLE 8: SDWSRF CONSOLIDATION INCENTIVE APPLICATIONS.....68
TABLE 9: SOURCE WATER PROTECTION LOAN SET-ASIDES.....72

FIGURES:

FIGURE 1: SDWSRF HISTORICAL AND PROJECTED FEDERAL ULO.....59

APPENDICES:

A. PROJECT RANKING CRITERIA.....74
B. EXECUTED FUNDING AGREEMENTS.....76
C. SDWSRF FUNDABLE LIST STATUS.....77
D. SMALL WATER SYSTEM PROGRAM PLAN SUMMARY.....79
E. SDWSRF SOURCE WATER PROTECTION LOAN HISTORY.....84
F. NEW SDWSRF DISBURSEMENT REQUEST FORM AND SUMMARY.....85

I. INTRODUCTION

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

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

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

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

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

II. MISSION

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

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

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

III. GOALS AND ACCOMPLISHMENTS

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

A. LONG-TERM GOALS FOLLOW-UP

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

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

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

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

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

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

3. Reduce the cost of drinking water.

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

B. SHORT-TERM GOALS FOLLOW-UP

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

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

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

- CDPH was awarded the 2013 Capitalization Grant in the fall of 2013 and committed projects to the 2013 Capitalization Grant by June 30, 2014, almost three months in advance of the deadline to commit such funds per the CAP.

2. Achieve a loan commitment pace or fund utilization rate of approximately 103 percent (103%) by June 30, 2014.

- CDPH awarded \$356,159,566 in executed funding agreements and amendments in SFY 13/14.
- CDPH increased the fund utilization rate (Pace) of the SDWSRF from the 95 percent (95%) achieved in SFY 12/13 to over 108 percent (108%) in SFY 13/14.

3. Provide at least 20 percent and not more than 30 percent of the 2012-13 Capitalization Grant as loan subsidy to eligible recipients (Disadvantaged Communities)

- CDPH provided \$35,523,391 in loan subsidy (principal forgiveness) for equivalency projects representative of the 2011 and 2012 federal capitalization grants. The State Water Board intends to award the additional subsidy provided under the 2013 Capitalization Grant during state fiscal year 2014-2015.
- It should also be noted that \$250,795,109 of the SDWSRF funds awarded in SFY 13/14 went to disadvantaged communities (Median Household Income less than 80 percent of the statewide average). This represents 70.4 percent (70.4%) of the total executed funding agreements issued through the SDWSRF program by CDPH in SFY 13/14.

4. Provide at least 15 percent of the funds to systems serving populations fewer than 10,000 people.

- CDPH provided \$251,630,412 in aggregate SDWSRF funding to small water systems that were “ready to proceed” to a funding agreement, compared to the cumulative \$1,838,758,719 funding made available through the SDWSRF program, thereby constituting 13.7% of the SDWSRF, as calculated in USEPA’s National Information Management System (NIMS).
- In SFY 13/14, \$23,381,133 of SDWSRF funds, or slightly over 6.5 percent (6.5%) of the funds awarded, went to small water systems.
- However, in 2013-14, almost 83 percent (83%) of the SDWSRF funding agreements were awarded to small water systems.
- It should also be noted that many of the SDWSRF funding awards were for planning studies because small water systems often lack the “readiness to

proceed” to construction funding. Such planning funding will facilitate small water system construction projects in the future and thereby further contribute to the small water system funding goal of the SDWSRF program.

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

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

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

- CDPH provided \$7,139,678 in funding to four water meter projects in a continual effort to promote the SDWSRF Green Project Reserve.

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

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

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

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

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

- CDPH disbursed \$333,159,887 in SDWSRF projects funds during the period beginning with July 1, 2012 and ending June 30, 2014.

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

- As of May 31, 2014, CDPH had substantially reconciled and updated USEPA’s NIMS. The need to update such data was due to a change in the

reporting of “binding commitments,” from the previously employed “letters of commitments (NOAAs)” to the now currently employed “executed funding agreements.”

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

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

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

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

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

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

IV. SDWSRF REVENUES, DISBURSEMENTS AND COMMITMENTS SUMMARY

This section of the report discusses and provides information on the financial status of the SDWSRF program, including information on the latest grant award, the funded project portfolio, program revenues as well as project and set-aside disbursements. The following data is based upon the reconciliation of the SDWSRF funding portfolio as of June 30, 2014. The figures in this report should be considered the new base-line for the SDWSRF, until otherwise modified due to ongoing reconciliation.

A. USEPA FFY13 GRANT AWARD SUMMARY

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

TABLE 1 –SDWSRF 2013 CAPITALIZATION GRANT BUDGET

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

B. REVENUE SUMMARY

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

TABLE 2 – SDWSRF REVENUE SOURCES

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

* Includes 0627 SWAP loan

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

***Includes re-budgeting of \$2,105,955 of SPM-Capacity Development funding to SPM-PWSS for liquidation to local primacy agency grant agreements

C. DISBURSEMENT SUMMARY

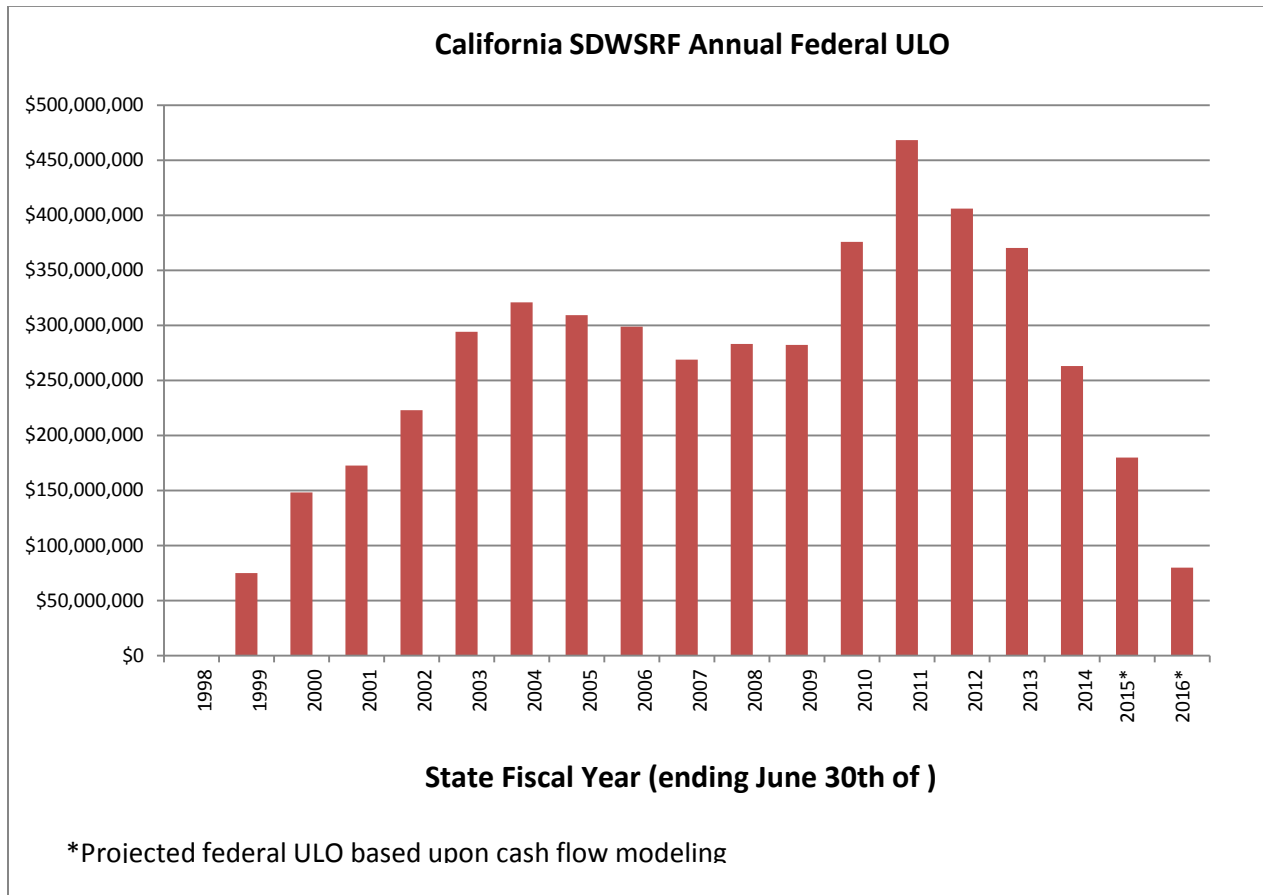
CDPH and the State Water Board remain committed to the timely disbursement of project loan funds to SDWSRF funding recipients as well as the timely and expeditious use of SDWSRF set-aside funds. In SFY 13/14, CDPH disbursed a total \$333,159,887 in SDWSRF project funding. An additional \$24,890,005 was disbursed under the SDWSRF set-asides in SFY 13/14. As of June 30, 2014, the SDWSRF federal ULO had decreased to approximately \$255 million from the \$455 million ULO reported in USEPA’s Notice of Non-Compliance in April of 2013. As a result of such disbursements and this year’s \$356 million commitment amount, the SDWSRF program remains on track to achieve a federal ULO less than \$160 million by June 30, 2016. See Figure 1 below for a representation of the SDWSRF’s historical federal ULO and a projection of such ULO based upon the current iteration of the SDWSRF program’s cash flow modeling.

Also, when considering a cumulative set-aside disbursement amount of \$155,791,877 as of June 30, 2014, the SDWSRF program’s set-aside spending rate was approximately 84.7 percent (84.7%), which far exceeded the 75 percent (75%) requirement of the CAP and is nearing the national average of approximately 89.1 percent (89.1%), as recently reported by USEPA. Table 3 below demonstrates the disbursements of project and set-aside funds.

Table 3- SDWSRF DISBURSEMENTS

Federal 2014 Reporting Year	Uses						
	Prior Years to June 30, 2013				Reporting Year 07/2013 through 06/2014		Cumulative Uses
	SRF	ARRA	Current Year Adjustment to Prior Years	Prior Year Cumulative	SRF	ARRA	
Capitalization Grant Loan Funds (SRF and ARRA)				0			0
Loan Program Match				0			0
Loan Program from Revenues							
<i>Principal Repayment</i>				0			0
<i>Interest and Penalties</i>				0			0
<i>Surplus Money Investment Fund</i>	0	0		0	0	0	0
Loan Program Disbursements	1,070,204,355	141,813,597	-10,686,963	1,201,330,989	176,357,419	7,988,810	1,385,677,218
Subtotal Loan Programs Disbursed	1,070,204,355	141,813,597	-10,686,963	1,201,330,989	176,357,419	7,988,810	1,385,677,218
Administration Account (0625) (4%)	48,440,038	5,241,698		53,681,736	3,586,915	107,774	57,376,425
Small Water System Technical Assistance (0628) (2%)	21,959,401	2,787,815		24,747,216	2,463,045	(3,523)	27,206,738
State Program Management (up to 10%)							
<i>Capacity Development (0626)***</i>	21,600,551	0		21,600,551	1,086,614	0	22,687,164
<i>Public Water System Supervision (7500)**</i>	12,563,303	0		12,563,303	17,753,431	0	30,316,734
Local Assistance (up to 15%)							
<i>Capacity Development (0626)</i>	0	0		0	0	0	0
<i>SWAP Support (0627)*</i>	8,831,577	0		8,831,577	0	0	8,831,577
<i>Legal Entity Formation Assistance (0628)</i>	0	0		0	0	0	0
<i>Third Party Local Assistance Contracts (0628)</i>	0	0		0	0	0	0
<i>Wellhead Protection</i>	0	0		0	0	0	0
In-Kind	0	0		0	0	0	0
Subtotal Set-Asides Disbursed	113,394,870	8,029,513	0	121,424,383	24,890,005	104,251	146,418,639
Total Funds Disbursed	1,183,599,225	149,843,110	-10,686,963	1,322,755,372	201,247,424	8,093,061	1,532,095,857

FIGURE 1 – SDWSRF HISTORICAL AND PROJECTED FEDERAL ULO



D. FUNDING COMMITMENT SUMMARY

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

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

complete listing of SDWSRF executed funding agreement and amendments for SFY 13/14 are included in Appendix B to this SDWSRF annual report to the USEPA.

TABLE 4 – SDWSRF FUND UTILIZATION RATE

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

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

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

E. SMALL WATER SYSTEM COMMITMENT SUMMARY

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

F. ANNUAL ADDITIONAL SUBSIDY SUMMARY

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

V. SDWSRF SET-ASIDES

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

A. ADMINISTRATION SET-ASIDE

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

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

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

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

B. SMALL WATER SYSTEM TECHNICAL ASSISTANCE SET-ASIDE

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

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

C. LOCAL ASSISTANCE SET-ASIDE

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

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

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

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

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

D. STATE PROGRAM MANAGEMENT SET-ASIDE

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

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

V. ADMINISTRATIVE AND PROGRAMMATIC UPDATES

A. FEDERAL CROSS-CUTTERS

In accordance with SDWSRF policy, as represented in the SFY 13/14 IUP, projects were exempted from the general federal cross-cutters in SFY 13/14 if their water system served less than 1,000 service connections or the project cost was less than \$1,250,000. As a result of such a policy, a total of 35 projects were exempted from the general federal cross cutting requirements. All other SDWSRF funded projects for SFY 13/14 had federal cross-cutters applied and represented in their SDWSRF funding agreements. All projects requiring federal cross-cutters were also reported as federal projects under the Federal Funding Accountability and Transparency Act.

B. DISADVANTAGED BUSINESS ENTERPRISES REPORTING

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

TABLE 6 – DBE FUNDING

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

C. PROJECT PRIORITY LIST

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

Projects listed on the previous year’s PPL remained on the PPL submitted with the SFY 13/14 IUP unless funded or otherwise removed at the request of the public water system,

or if later found ineligible for SDWSRF funding. The SFY 13/14 PPL consisted of over 4,800 projects for approximately \$12 billion in requested funding. CDPH recognizes that the PPL has become unwieldy due to its size, and rather than identifying current active projects for targeting SDWSRF funding, the PPL has predominantly become a collection of old and inactive projects. For example, the list includes over 2000 projects that were hastily submitted back in 2008 in response to ARRA.

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

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

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

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

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

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

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

D. FUNDABLE LIST AND PROJECT BYPASS

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

E. GREEN PROJECT RESERVE

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

F. AMERICAN IRON AND STEEL

The federal Consolidation Appropriations Act (Act) of 2014 included an American and Iron and Steel (AIS) requirement whereby SDWSRF funding recipients would be required to use iron and steel products that are produced in the United States for projects for construction, alteration, maintenance, or repair of a public water system if the project is funded through a funding agreement executed beginning January 17, 2014 through September 30, 2014. The Act also provided USEPA the authority to grant certain waivers to the AIS requirements. As such, on April 15, 2014, USEPA issued a nationwide waiver of the AIS requirements for eligible SDWSRF projects that had engineering plans and specifications submitted to an appropriate State agency prior to and including January 17, 2014, and that such plans and specifications were approved by the State agency between and including January 17, 2014, and April 15, 2014, under the normal course of such State agency’s business. Included in Appendix B of this SFY 13/14 SDWSRF annual report to USEPA is a listing of all projects that were either waived from the AIS requirements or had such requirements applied to their project because they did not qualify for the April 15, 2014 nationwide waiver.

G. LEGAL ENTITY FORMATION ASSISTANCE PROGRAM

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

H. CONSOLIDATION INCENTIVE PROGRAM

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

TABLE 8 – SDWSRF CONSOLIDATION INCENTIVE APPLICATIONS

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

I. CLAIMS ELIGIBILITY GUIDANCE AND PROCEDURE MANUALS

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

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

VI. NOTICE OF NON-COMPLIANCE/CORRECTIVE ACTION PLAN

On April 19, 2013, the USEPA issued a notice of non-compliance to CDPH, the department with primacy over the DWSRF Program at the time, in accordance with the USEPA grant regulation 40 CFR §35.3585. The USEPA made the determination that CDPH “had not timely and efficiently committed and expended funds in the DWSRF, nor employed adequate financial resources to operate the SDWSRF in a sound financial manner...” CDPH did not dispute the findings, and furthermore, implemented strategies well in advance to address these issues, as proven by the yearly gains made towards increasing the DWSRF fund utilization rate, which equals the total amount of funds committed, relative to the total amount of funds available for such commitments.

Per the notice of non-compliance, CDPH was given 60 days from the date of receipt of the notice of non-compliance to either remedy the specific issues addressed and/or submit a corrective action plan outlining the methods in which the issues would be addressed and resolved. On June 24, 2103, CDPH submitted to US EPA the required CAP and subsequently, at the request of USEPA, submitted a revised CAP on July 12, 2013. USEPA accepted and approved CDPH’s CAP on July 23, 2013. As of July 1, 2014, the State Water Board assumed primacy over the DWSRF and will fulfill all remaining commitments.

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

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

amount the California DWSRF has ever issued in a single year, both in terms of the dollar amount and number of funding agreements.

13. In accordance with CAP Item No. 5, CDPH submitted to US EPA on July 12, 2013, a Fundable List of projects for SFY 13/14 displaying over \$356 million in projects which were likely to be funded before September 30, 2014.
14. In accordance with CAP Item No. 6, CDPH submitted to US EPA on July 12, 2013, a schedule of anticipated cash draws for the 13/14 fiscal year.
15. In accordance with CAP Item No. 7, CDPH submitted to US EPA on July 30, 2014, a staffing plan which included job descriptions and a timeline designed to address the deficiencies identified by US EPA. All staffing aspects of the plan have been achieved within the designated timeline to the satisfaction of US EPA.
16. In accordance with CAP Item No. 8, CDPH submitted to US EPA on August 29, 2013, a work plan to access the project priority system focusing on ways to streamline and expedite project selection, including readiness to proceed and bypass procedures. The final deliverable associated with this CAP item is expected to be completed by the February 28, 2015 deadline.
17. In accordance with CAP Item No. 9, CDPH submitted to US EPA on May 30, 2013, a letter disclosing the appropriate commitment level for SFY2015 as projected, utilizing the cash flow model and applying relevant assumptions. Per a letter from US EPA dated July 9, 2014, US EPA approved CDPH's projected commitment level determination, fulfilling this commitment.
18. In accordance with CAP Item No. 10, CDPH submitted to US EPA on June 30, 2014, a list of all funding agreements commitments made in SFY 13/14, totaling approximately \$365 million, which exceeded the required commitment amount of \$260. CDPH exceeded US EPA's commitment requirement for SFY 13/14, by more than \$96 million. Per a letter from US EPA dated August, 2014, this CAP item commitment has been fulfilled.
19. In accordance with CAP Item No. 11, CDPH submitted to US EPA on June 30, 2014, the "Fundable List" of projects for SFY 14/15 displaying over \$115 million in projects. Per a letter from US EPA dated August, 2014, this CAP item commitment has been fulfilled.
20. In accordance with CAP Item No.12, CDPH submitted to US EPA on June 30, 2014, a schedule of anticipated cash draws for the 2014-15 fiscal year. Per a letter from US EPA dated August, 2014, this CAP item commitment has been fulfilled.
21. In accordance with CAP Item No.13, CDPH submitted to US EPA on June 30, 2014, confirmation that it disbursed \$333 million in cumulative funds during the period beginning with July 1, 2012 and ending June 30, 2014, exceeding the CAP

commitment of \$321 million. Per a letter from US EPA dated August, 2014, this CAP item commitment has been fulfilled.

22. In accordance with CAP Item No.14, CDPH submitted to US EPA on June 30, 2014, confirmation that it achieved a cumulative set-aside spending rate of over 78% prior to the deadline of June 30, 2014, again exceeding the CAP requirement. Per a letter from US EPA dated August, 2014, this CAP item commitment has been fulfilled.

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

VII. SOURCE WATER PROTECTION PROGRAM

A. STATUTORY REQUIREMENT FOR REPORT TO LEGISLATURE

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

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

B. BACKGROUND

1. SAFE DRINKING WATER STATE REVOLVING FUND

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

2. SOURCE WATER PROTECTION LOANS

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

As of SFY 2014, CDPH had set aside a total of \$24,889,390 from the 2000-2005 capitalization grants for this program. But, due to lack of demand from PWSs, subsequent federal grant amendments returned \$22,889,390 from the 2000-2005

capitalization grants to the SDWSRF infrastructure loan fund. As demonstrated in Table 9 below as well as Appendix E, \$2,000,000 has been committed and expended for SWP loans.

TABLE 9-SOURCE WATER PROTECTION LOAN SET-ASIDES

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

IX. CONCLUSIONS

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

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

disadvantaged” communities, constituting over 60 percent (60%) of available SDWSRF funding.

As demonstrated above, CDPH remain committed in SFY 13/14, and throughout the prior years of the program, to ensuring that the entrusted SDWSRF funds were utilized responsibly and in the most expedient manner possible; consistent with the mandated purpose of assisting public water systems in providing an adequate supply of safe, clean and affordable drinking water for all Californians.

**APPENDIX A
PROJECT RANKING CRITERIA**

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

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

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

APPENDIX C
SFY 13/14 SDWSRF FUNDABLE LIST PROJECT STATUS

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

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

APPENDIX D SMALL WATER SYSTEMS PROGRAM PLAN UPDATE

Summary:

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

Progress:

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

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

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

Systems Receiving Executed Construction Funding Agreement in June 2014:

- 4400581 – Olympia MWC (Santa Cruz County)

Systems Receiving Executed Planning Funding Agreement in June 2014:

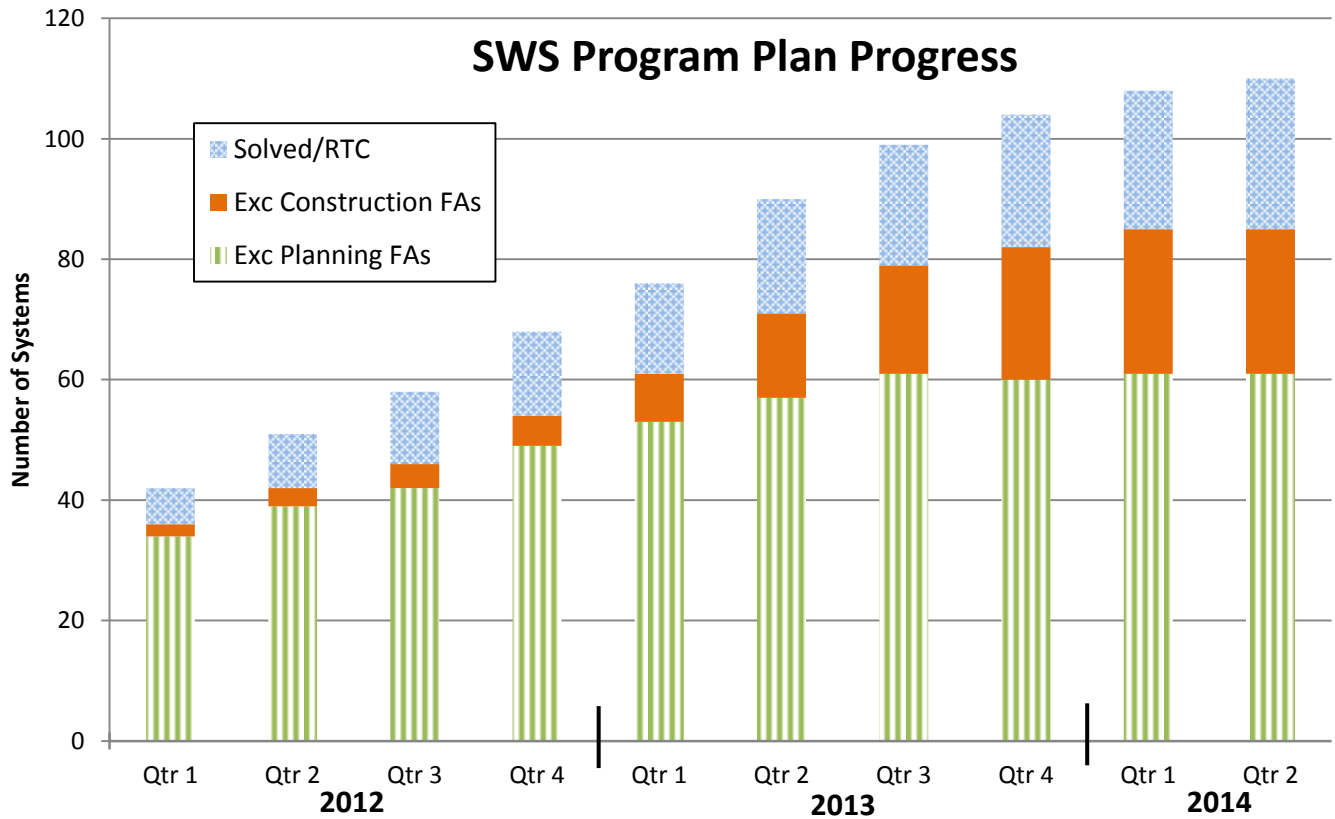
- None to report

Systems Solved in June 2014 :

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

Progress statistics through June 2014 are as follows:

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



Solved/Returned to compliance – 25

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

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

Under construction with CDPH funding – 24

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

Construction underway, privately financed – 2

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

Awaiting CDPH construction funds, complete application submitted – 23

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

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

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

Under planning contract – 51

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

****May require 2nd feasibility study for more time*

Awaiting CDPH planning funding, submitted complete app – 14

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

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

Source Water Protection Loans through 06/30/2014

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

APPENDIX F
NEW SDWSRF DISBURSEMENT REQUEST FORM AND GUIDANCE