

CALIFORNIA DEPARTMENT OF PUBLIC HEALTH
INFORMATION REGARDING FEDERAL ECONOMIC RECOVERY FUNDS
FOR DRINKING WATER PROJECTS

February 2, 2009

The California Department of Public Health (CDPH) is soliciting pre-applications for projects to be funded by the anticipated Federal Economic Recovery program. All community water systems and non-profit noncommunity water systems in California may submit pre-applications for funding eligible projects. Available funds will be administered by CDPH through its existing Safe Drinking Water State Revolving Fund (SDWSRF) program. CDPH intends to create a special subset of the SDWSRF Project Priority List (PPL) consisting of those eligible projects for which pre-applications are submitted in response to this notice. Eligible projects must be ready to proceed. Such projects are frequently referred to as “shovel ready” projects.

Why This May Interest You

- 1. If you have an eligible project which has not been invited for funding in prior years due to its relatively low priority on the SDWSRF Project Priority List.**
- 2. If your eligible project exceeded limitations of our annual SDWSRF program requirements such as our annual cap of \$20 million per project or \$30 million per water system.**
- 3. If due to California’s budget difficulties, other sources of funding for your project may not be currently available and may not be available for some time.**
- 4. If due to unfavorable conditions on the bond markets, you are unable to utilize normal mechanisms to address funding for your system’s critical infrastructure needs.**

Background on the Federal Economic Recovery Program

On January 28, 2009, the United States House of Representatives passed H.R. 1, the American Recovery and Reinvestment Act of 2009. This legislation, if adopted into law, is intended to address the nation's need to bolster the economy and create jobs. It is anticipated that this bill, or some form of economic recovery legislation, will be submitted to the President for signature in February 2009.

Some key aspects of the anticipated funding:

- The California SDWSRF could receive approximately \$160 million or more. The final bill, once signed by the President, may include additional funding for drinking water systems and thus this amount may increase.

- All SDWSRF program requirements will apply to these projects. This includes the Federal Cross-Cutting Authorities (see attachment) and the California Environmental Quality Act (CEQA). All applicable SDWSRF laws and regulations regarding project eligibility will apply to projects funded by the economic recovery package.

Submittal of Pre-Applications

In order to be considered for Economic Recovery funding, interested applicants must submit a universal pre-application this February (2009). CDPH will use its web based universal pre-application for water systems that want to pursue economic recovery funds. The universal pre-application will be available at the following CDPH internet site on February 2, 2009.

<http://www.cdph.ca.gov/certlic/drinkingwater/Pages/UniversalPreapplication.aspx>

Please note the following:

- All pre-applications must be to CDPH by February 27, 2009
- A pre-application should be submitted for each potential project.
- Only pre-applications submitted via this process will be considered for 2009 Economic Recovery funding. We will not consider pre-applications submitted prior to February 2, 2009.
- Applicants with projects impacted by the freeze of the state bond funds (Proposition 50 or 84) are recommended to submit Economic Recovery pre-applications for such projects in order to be considered for this additional funding opportunity.

Ranking of Pre-applications / Preparation of Project Priority List

Projects determined to be eligible for Economic Recovery funds will be ranked within that subset of projects using SDWSRF standard ranking criteria.

The list of SDWSRF ranking categories is attached. Projects will be included on the PPL in accordance with the following:

1. Only projects that are ready to proceed will be included.
2. Projects will be ranked into a health-based category based on the problem to be addressed.
3. Additional ranking within each category will be based on median household income, consolidation of water systems, and population served.

CDPH will prepare an Economic Recovery PPL using the universal pre-applications submitted and will post it on the website below. CDPH anticipates that the economic recovery PPL will be posted in early April (2009).

<http://www.cdph.ca.gov/certlic/drinkingwater/Pages/DWPfunding.aspx>

Eligible Projects for this Funding

Only projects that are ready to proceed will be considered for this funding. CDPH will consider the following criteria in determining whether a project is “**ready to proceed**”:

1. If invited to apply for project funding, water systems must be able to submit a complete application by the deadline specified by CDPH (anticipated to be in June 2009).
2. The complete application must include final plans and specifications.
3. The project must comply with the following environmental requirements at the time of application:
 - a. The project must be determined to be excluded from the federal “NEPA-like” environmental review and exempt from further review under the California Environmental Quality Act (CEQA) ; **OR**
 - b. All final CEQA documents and filings must be complete, and the project must be adopted and approved by the CEQA Lead Agency. Additionally, the applicant must be able to complete the federal requirements of Section 7 of the Endangered Species Act and Section 106 of the National Historic Preservation Act within 60 days from submission of the full application for funding.

Additional Information for Invited Projects

1. A funding agreement cannot be issued and construction cannot begin until the project has final environmental clearance (CEQA and NEPA like).
2. Construction must begin within the timeframe specified by CDPH. This may be as early as 60 days from receipt of an executed funding agreement.
3. An applicant must demonstrate that it has adequate Technical, Managerial, and Financial (TMF) capacity to undertake and maintain the project. CDPH has developed assessment forms for this evaluation, which are posted on the on the CDPH website at:

<http://www.cdph.ca.gov/certlic/drinkingwater/Pages/TMF.aspx>

For further information regarding these requirements contact the local CDPH District Office.

4. The funding available will be low interest loans, with some forgiveness of principal (grants) as allowed by federal and state statute and regulations.
5. If the applicant is regulated by the California Public Utilities Commission (CPUC), all applicable CPUC approvals must be obtained prior to issuance of a funding offer.
6. If the dedicated source of repayment and/or pledge of security for an SDWSRF loan are designated as rates, fees and/or charges, any Proposition 218

requirement for a rate increase must be met prior to issuance of a funding agreement by CDPH.

Applications for Funding

Once the Economic Recovery PPL is finalized, CDPH will invite water systems to submit complete applications for projects from the list based on available funding. Please note the following regarding these invitations:

- The applicant must submit the application within the timeframe specified by CDPH. This may be as early as 60 days from date of invitation.
- CDPH will process applications in the order received and will commit funds to eligible projects it deems immediately ready to proceed. CDPH will continue to process applications in this manner until all available funds have been allocated. Please note this process may give funding priority to projects ranked lower on CDPH's Project Priority List because the applications for such projects were timely received and the projects deemed ready to proceed. Thus applicants are urged to submit applications immediately upon receipt of an invitation.
- Once CDPH has confirmed project eligibility and determined the amount of funding for the project, CDPH intends to issue a funding agreement within 60 days of that determination.
- The funding application and required documents will be posted on our website (noted below) in February.

Additional Information and Guidance

Please be advised that CDPH is releasing this notice in anticipation of California's award of a Federal Economic Recovery SDWSRF capitalization grant and in order to assure timely utilization of such economic recovery funds. The provisions of this notice are based on information available to date, including information from the U.S. Environmental Protection Agency; however, the terms and conditions and the availability of federal Economic Recovery funds may change in the coming weeks and months and is outside of CDPH's control. CDPH reserves the right to modify all or any provision of this notice.

CDPH is preparing a "Frequently Asked Questions" document to provide additional information for applicants. CDPH will update this document and provide additional guidance and information on Economic Recovery funds via our internet site:

<http://www.cdph.ca.gov/certlic/drinkingwater/Pages/DWPfunding.aspx>

If you have questions, please contact us via email at sdwsrf@cdph.ca.gov