

DRINKING WATER STATE REVOLVING FUND PROGRAM

Amendment No. 1
August 5, 2006

Final

INTENDED USE PLAN

For

FFY 2005 Funding Year

March 2006

CALIFORNIA DEPARTMENT OF HEALTH SERVICES

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II. INTENDED USE OF DWSRF FINANCIAL ASSISTANCE FUNDS

Note: AMENDMENT No. 1 (August 4, 2006) revisions noted by *ITALICS* and underline.

A. State Matching Funds

The State of California provides the required 20 percent State match through the sale of State General Obligation bonds authorized by Proposition 50, and from similar bond acts authorized by the Legislature and Governor, subject to approval of the electorate. Proposition 50 authorized the sale of \$3.44 billion in general obligation bonds for water related projects, including \$89 million for the Safe Drinking Water SRF loan program. A total of \$16,969,500 is earmarked to provide for the state match for the FFY 2005 DWSRF grant award. The state funds are made available, as payment is required for invoices related to project funding agreements entered in to from the FFY 2005 federal grant. Alternate funding would be sought from the Legislature in the absence of continued bond support for the DWSRF program. Consistent with federal requirements, all state matching funds are allocated to the DWSRF loan fund.

Table 1 (Revised)

2005 Funds	
Federal Capitalization Grant	\$84,847,500.
Set aside programs	
Administration (3.18% +\$81,076 banked))	(\$2,781,076.)
Source Water Protection Loan Fund (4.71 %)	(\$4,000,000.)
Small Water Systems Technical Assistance (1.59%+ \$40,538 banked authority)	(\$1,390,538.)
State Program Management (<u>1.98%</u>) (1.24 %)	<u>(\$1,677,000)</u> (\$1,050,000)
Capacity Development (2.83 %)	(\$2,400,000.)
Balance of Federal grant funds to DWSRF Loan Fund	<u>\$72,598,886</u> \$73,225,886.
2005 State Match (20 %)	\$16,969,500.
DWSRF Local Assistance (Loan) Funding	<u>\$89,568,386</u> \$90,195,386.
DWSRF Loan fund including SWPP	<u>\$93,568,386</u> \$94,195,386.
Estimated repayments 2005 (principal and interest)	\$5,000,000.
Proposed banked authority for FFY 2005 grant	
Banked set aside for Administration	\$693,880
Banked set aside for Technical Assistance	\$346,940

B. Proposed Uses

The federal allocation to the State of California is \$84,847,500 in 2005. From the FFY 2005 Capitalization Grant, the Department plans to use \$2,781,076 for Administration (3.18 % plus \$81,076 in banked authority from FFY 2000 grant), \$1,390,538 for Small Water Systems Technical Assistance, (1.59 % plus \$40,538 in banked authority from FFY 2000 grant), \$2,400,000 for Capacity Development (2.83 %), \$1,677,000 of the FFY 2005 federal allocation to use for Public Water System Supervision (PWSS) related activities(1.98%) and \$4,000,000 (4.71 %) for the Source Water Protection Project loan program. Including the \$16,969,500 state funds (from sale of approved Prop 50 bonds), to meet the 20 percent federal/state match requirement, this will result in addition to the DWSRF loan fund of \$89,568,386 to be used for local project funding. The DWSRF loan funds will be obligated to specific projects within 8 quarters of receipt of the federal grant award resulting from this IUP. In addition, during FFY 2005 an estimated \$14 million in repayments (either principal or interest) made to the DWSRF from previous loan recipients will be available for re-obligation. By the end of each state fiscal year, the Department anticipates re-obligating funds within eighteen months of payment receipt, entering into binding commitments for all loan repayments and investment income funds received during the prior state fiscal year, or as soon as the aggregate repayments is sufficient to fund a reachable project. A series of worksheets providing details of each DWSRF grant award follow to present more details. A graphic chart is provided to illustrate funding utilization. Separate accounts have been established for financial support and accounting of the following set-aside programs:

The Department also plans to bank the balance of the maximum allowed SDWSRF Administration set aside and the Technical Assistance set aside (\$693,880 and \$346,940 respectively) for future use.

3.

a. Capacity Development

The SDWA encourages states to develop a "capacity development strategy" and sets specific goals and deadlines which states must meet in order to remain eligible to receive both the funds for the capacity development set-aside and to preserve the full Capitalization Grant award in future years. The Department intends to allocate \$2.4 million (2.83 %) of the 2005 federal Capitalization Grant to support capacity development activities. The Department's capacity development strategy is set forth in Section IV, Set-Aside Activities.

These funds will be used to continue the capacity development strategy and the assessment of existing public water systems. The funding for these activities, therefore, will be derived under the authorization set forth in Section 1452(g)(2) of the federal SDWA. In addition, external contractors will be utilized to improve the TMF capabilities of public water systems. The Department plans to provide the 1 to 1 match through current PWSS overmatch and previous years' credit.

b. Public Water System Supervision

The Department will set aside 1.24% 1.98% (~~(\$1,050,000)~~ \$1,677,000) of the FFY 2005 federal allocation to use for Public Water System Supervision (PWSS) related activities. A detailed workplan for this set aside will be provided separately. In general, the funds will be used for system (1) inspections and surveys of smaller water systems, to evaluate treatment and infrastructure improvement needs; (2) review of plans and specifications, particularly in relation to for conformance with treatment requirements; and (3) providing technical assistance to managers and operators of public water systems; The Department will provide the 1 to 1 match through current PWSS overmatch and previous years' credit. Approximately \$627,000 of this will be used to support 5 positions to implement various water system security and emergency/disaster preparedness activities in the drinking water program field offices.

Amendment No 1

**State Fiscal Year 2004-6
California DWSRF Implementation October 2005 - September 2007
California DWSRF Program Grant 9**

ACCOUNT	FEDERAL FUNDING	STATE MATCH	LEVERAGING	OTHER STATE PROGRAMS	REPAYMENTS & EARNINGS**	TOTAL***
I. DWSRF Loan Account	<u>\$72,598,886</u>	\$16,969,500	N/A			\$89,568,386
Large systems						
Standard Loans						
Disadvantaged Communities						
0% Loan						
Principle Forgiveness (grant)						
Large systems Target	\$61,709,053	\$14,424,075				\$76,133,128
Small Systems(15% target)						
Standard Loans						
Disadvantaged Communities						
0% Loan						
Principle Forgiveness (grant)						
Small Systems Target	\$10,889,833	\$2,545,425				\$13,435,258
Loan Account Subtotal					\$5,000,000	
II. Set Aside Accounts		\$0	N/A	N/A	N/A	
Technical Assistance (up to 2%)	\$1,390,538					\$1,390,538
State Program Management	<u>\$1,677,000</u>	#				\$1,677,000
Capacity Development#	\$2,400,000	#				\$2,400,000
Local Assistance	\$0					\$0
Source Water Assessment Program	\$0					\$0
Source Water Protection Loan Program	\$4,000,000					\$4,000,000
Set aside Subtotal	\$9,467,538					\$9,467,538
III. DWSRF Administration Account						
Set aside (up to 4%)	\$2,781,076					\$2,781,076
Fees	N/A	NA	N/A	N/A	N/A	
Subtotal	\$2,781,076					\$2,781,076
TOTAL	\$84,847,500	\$16,969,500	N/A	N/A	\$5,000,000	\$101,817,000

1:1 match from PWSS grant overmatch: 1993 PWSS grant and 2005 PWSS grant (\$1,700,000 ~~\$2,038,500~~ from each)

1:1 match provided for State Program Management & Technical Assistance set asides

**Repayments/earnings is an estimate only; actual repayments/earnings may be higher

*** Total excluding repayments and interest earnings

Admin: 3.18 % plus \$81,076 in banked authority from FFY 2000 grant

Admin: Bank authority from FFY 2005 grant for \$693,880

Tech Asst: 1.59 % plus \$40,538 in banked authority from FFY 2000 grant

Tech Asst: Bank authority from FFY 2005 grant for \$346,940

State Program Management: 1.98 %

IV. SET-ASIDE ACTIVITIES

The federal SDWA provides for a variety of activities to be funded from the DWSRF using “set-aside” funds to be deposited into separate accounts. While federal statute allows as much as 31 % of the federal Capitalization Grant to be directed to set-asides activities, the Department plans to utilize 9.0 % for set-aside programs not directly funding water system projects. Set-aside funds not be needed are either banked in the loan fund, or permanently allocated to the loan fund. Funds from the FFY 2005 award will be used as follows: (1) DWSRF administration costs (\$2.78 million), (2) small water system technical assistance program (\$1.39 million), and (3) water system capacity development program (\$2.4 million), and public water system supervision (~~\$1.05 million~~) (\$1,677,000) from the available federal funds. In addition, \$4 million of the 2005 federal Capitalization Grant will be set aside for SWPP loans for (1) projects involving source protection through acquisition of land or conservation easements and (2) projects involving implementation of source water protection measures. Following is a brief description of each of the proposed set-aside program elements.

C. State Program Management

2. Public Water Supervision Activities

The Department uses the set aside for Public Water System Supervision (PWSS) related activities to ensure adequate resources for oversight of all water systems in California. A detailed workplan for this set aside is provided separately. In general, the funds are used to support field staff activities including (1) inspections and surveys of water systems to evaluate treatment and infrastructure improvement needs, with particular emphasis on disadvantaged and small community water systems; (2) review of plans and specifications, particularly in relation to for conformance with treatment requirements; and (3) to provide technical assistance to managers and operators of public water systems. *In addition, this set aside will be used to support 5 positions to implement various water system security and emergency/disaster preparedness activities in the drinking water program field offices. A detailed workplan for this set aside is provided separately.*