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2012 Safe Drinking Water State Revolving Fund
Ownership, Water Rights, and Financial Documentation
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Ownership and water rights issues, and financial documentation requirements have been major sources of application delay or bypass in funding projects under the Safe Drinking Water State Revolving Fund. The Department of Public Health (CDPH) cannot execute a funding agreement with a water system that has not demonstrated that it is a legal entity that owns or has long-term agreements to the water, land and facilities that are essential to the reliable operation of the water system. In order to help fund projects in a timely manner, these issues are now being addressed at the beginning of the application process.

After the universal pre-application has been submitted, applicants are ranked, and a project priority list (PPL) is developed. CDPH will send a statement of intent (SOI) to fund your project if your project is ranked high enough on the PPL. You will need to respond to the SOI stating whether you intend to file a full application.

You must submit complete and current documentation of ownership and water rights and the required financial information with your full application for planning or construction funding. This documentation will be reviewed first, and if not complete, your application will not be processed until documentation is complete. Furthermore, your application may be bypassed if you fail to submit the ownership, water rights and financial information. CDPH can provide help assembling the required documentation through CDPH's technical assistance providers. It is important to begin the documentation process early so you will be fully prepared at the application deadline.

Find the type of ownership from the following list that best describes your water system. Make sure that you can provide current and complete documentation required for that type of ownership. If you cannot, contact your district engineer or local primacy agency and request technical assistance.

OWNERSHIP AND WATER RIGHTS REQUIREMENTS

By Type of System Ownership

A. Sole Proprietorship *(will need to provide at the time of application)*

1. A current domestic water supply permit; and
2. Either
 - a. A Deed of Trust for the land and facilities that are essential to the reliable operation of the water system; or

- b. If land and facilities are not legally owned, an agreement for the long term use or lease of the land and facilities including storage tanks and conveyance lines;
- and
3. A Fictitious Name Certificate (The name on the certificate must match the name on the domestic water supply permit); and
4. Your IRS Schedule "E" or "C" from the three most recent tax returns; and
5. If you are in an adjudicated water basin or rely on surface water, documentation of a water rights agreement of sufficient capacity.

B. General Partnership *(will need to provide at the time of application)*

1. A current domestic water supply permit; and
2. Either
 - a. A Deed of Trust for the land and facilities that are essential to the reliable operation of the water system; or
 - b. If land and facilities are not legally owned, an agreement for the long term use or lease of the land and facilities including storage tanks and conveyance lines;
- and
3. A notarized Partnership Agreement; and
4. IRS Schedule K-1 submissions from the three most recent tax returns; and
5. Majority owner's last three years of personal tax returns; and
6. If you are in an adjudicated water basin or rely on surface water, documentation of a water rights agreement of sufficient capacity.

C. Limited Partnership *(will need to provide at the time of application)*

1. A current domestic water supply permit; and
2. Either
 - a. A Deed of Trust for the land and facilities that are essential to the reliable operation of the water system; or
 - b. If not legally owned, an agreement for the long term use or lease of the land and facilities including storage tanks and conveyance lines;
- and

3. Articles of Organization, Operating Agreement; and
4. Corporation's IRS Schedule K-1 submissions from the three most recent tax returns; and
5. Majority owners' last three years of personal tax returns; and
6. If you are in an adjudicated water basin or rely on surface water, documentation of a water rights agreement of sufficient capacity.

D. Limited Liability Company *(will need to provide at the time of application)*

1. A current domestic water supply permit; and
2. Either
 - a. A Deed of Trust for the land and facilities that are essential to the reliable operation of the water system; or
 - b. If not legally owned, an agreement for the long term use or lease of the land and facilities including storage tanks and conveyance lines;and
3. Corporation IRS Schedule K-1 submissions from the three most recent federal tax returns; and
4. Majority Owners (20% of More) last three years of personal federal tax returns; and
5. Incorporation Papers: Articles of Incorporation, Bylaws; and
6. California Secretary of State Entity Number as well as your water system's filing status with the California Secretary of State; and
7. If you are in an adjudicated water basin or rely on surface water, documentation of a water rights agreement of sufficient capacity.

E. For Profit Corporation *(will need to provide at the time of application)*

1. A current domestic water supply permit; and
2. Either
 - a. A Deed of Trust for the land and facilities that are essential to the reliable operation of the water system; or
 - b. If not legally owned, an agreement for the long term use or lease of the land and facilities including storage tanks and conveyance lines;

and

3. Formation Papers: Articles of Incorporation, Bylaws; and
4. California Secretary of State Entity Number as well as the water system's filing status with the California Secretary of State; and
5. If you are in an adjudicated water basin or rely on surface water, documentation of a water rights agreement of sufficient capacity.

F. Non Profit Corporations *will need to provide at the time of application*
(includes non profit mutual water companies)

1. A current domestic water supply permit; and
2. Either
 - a. A Deed of Trust for the land and facilities that are essential to the reliable operation of the water system; or
 - b. If not legally owned, an agreement for the long term use or lease of the land and facilities including storage tanks and conveyance lines;

and

3. Formation Papers: Articles of Incorporation, Bylaws; and
4. California Secretary of State Entity Number as well as the water system's filing status with the California Secretary of State; and
5. Corporation's federal tax exempt status IRS 503(c)(3)
6. If you are in an adjudicated water basin or rely on surface water, documentation of a water rights agreement of sufficient capacity.

FINANCIAL REQUIREMENTS DOCUMENTATION
For All Types of Ownership

1. 5 years revenue/expenditure projection for the water system; and
2. Either
 - a. Most recent 3 years of audited financial statements; or
 - b. Most recent 3 years of both federal tax returns, and balance sheets;

and

3. Current debt-to-equity ratio equal to or less than 1.0 (The debt-to-equity ratio for any given year is computed by dividing the total liabilities by total equity); and
4. Debt coverage ratio equal to, or greater than, 1.2 The debt coverage ratio is computed by dividing cash available for debt service, (net income with annual interest, depreciation, amortization, and other non-cash items added back) by debt service requirements for the year.

Information relating to Corporations, Limited Liabilities Corporations, Limited Partnerships, or Incorporated Mutual filing with the Secretary of State can be found at the following website:
<http://kepler.sos.ca.gov/>