



TECHNICAL MEMORANDUM

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TO: Stanislaus Regional Water Authority TAC

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SUBJECT: Funding Strategy

The Stanislaus Regional Water Authority (SRWA) has a goal of reducing the burden on the member agencies' ratepayers through aggressively pursuing all forms of potential outside funding. This technical memorandum (TM) provides strategies for the SRWA to consider to maximize its potential of obtaining outside funding. The overarching strategy in this TM will help the SRWA generally position itself for multiple funding opportunities while specific strategies are provided that are tailored to each key funding opportunity and program.

OVERARCHING SRWA FUNDING STRATEGY

The following strategies have been identified to increase the SRWA's opportunities of successfully receiving funding from multiple funding programs.

1. Track funding programs and maintain a Funding Opportunities Log with key information regarding potentially applicable funding programs. This log will be updated regularly, including the competitiveness rating for each funding program which will be adjusted according to the SRWA Surface Water Supply Project (Project) changes and funding program changes. Additional funding opportunities will be tracked and added to the log if they are deemed applicable to this Project. The current funding log is included in this TM as Table 1.
2. Utilize the SRWA's selected government relations/public affairs consulting firm to identify and work with politicians to create and support funding opportunities. The consultant can also provide expertise in assisting the SRWA navigate funding opportunities with the USBR and US Economic Development Administration (EDA). (The TAC interviewed three firms in July 2016 regarding supporting SRWA with funding strategy and Government Code 5956 modifications. The Board is expected to

- select one of these firms and enter into an agreement with that firm at the August 11, 2016 Board meeting.)
3. Package the Project in ways to make Project elements more competitive and attractive for certain funding opportunities. The specific packaging recommendations are discussed under each funding program.
 4. Pursue grant funding opportunities, for which SRWA is most competitive, in parallel with SRF and I-Bank loans. Pursue SRF loans and I-Bank loans in parallel until it becomes clear which loan will provide the best rate and/or which loans can fund which portion(s) of the Project.
 5. Consider requesting principal forgiveness on SRF loans for Ceres (if Ceres meets the State's criteria for designation as a disadvantaged community). Although not considered a grant, the principal forgiveness offered to disadvantaged communities could essentially result in a de facto grant for at least a portion of the loan amount. Any loan funds approved for principle forgiveness would not require repayment.
 6. Pursue municipal bond financing only after, and if, SRF and I-Bank loans are determined to not fully fund the Project.

Table 1. SRWA Funding Opportunity Log

Competitiveness Rating ^(a)	Funding Program	Project Types	Funding Agency	Due Date	Cost Share	Grant Amount	Grantee	Application Submitted	Status	Comments	Strategy	Near-term Action Items
A	Public Works and Economic Adjustment Assistance Grant	Planning, environmental, design, and construct	US Economic Development Administration	Ongoing	20-50%	\$100,000-\$3 million	Ceres, Turlock, SRWA			Project must promote job and/or economic growth, or reduce likelihood of job loss and economic decline. SRWA is eligible to apply, as is each city. For the city pipelines, each city will likely be individual applicants.	1. Focus on this program just for design and construction portions of the project. 2. Discuss with the regional representative to determine the best course of action and verification of EDA priorities being met with project. 3. Select cities or SRWA as applicant depending on who can best show project activities linked to job growth.	1. Consult with EDA representative, Wilfred Marshall. P: 310-348-5386 E: wmarshall@eda.gov
A	Integrated Regional Water Management (IRWM)	Groundwater Protection/water quality/conjunctive use	Dept. of Water Resources	Summer for selected projects	25-50%	varies (\$31m available in San Joaquin Funding Area under Prop 1)	Ceres, Turlock, SRWA			25% for Disadvantaged Communities Project is included in East Stanislaus IRWMP and listed as a high priority project. East Stanislaus IRWM region must compete with 6 other RWMGs in the San Joaquin Funding Area.	1. Update project information in the IRWMP project list. 2. Actively participate in IRWM meetings regularly. 3. Advocate for a regional grant application that includes this project.	1. Update project information in the IRWMP project list. 2. Attend IRWM meetings regularly.
A	Community Development Block Grant (CDBG)	Water Infrastructure	CA Housing and Community Development Dept.	April annually	Typically none	\$500,000 - \$1.5 million	Ceres			Low and Moderate income cities with fewer than 50,000 population. Note: Turlock could allocate its CDBG funds received from HUD for water infrastructure.	1. Ceres to apply for a CDBG for a portion of the project. 2. Turlock to inquire with its Community Development Department regarding redirecting Community Development Funds to the project.	1. Consult with HCD representative to determine if the SRWA could apply on behalf of the City of Ceres. 2. Ceres to apply for a CDBG for a portion of the project. 3. Turlock to inquire with its Community Development Department regarding redirecting Community Development Funds to the project.
A	Water and Energy Efficiency Grant	Water recharge, conjunctive use, renewable energy, water marketing, ecosystem improvements	US Bureau of Reclamation	Jan./Feb annually	50%	\$300,000, \$1 million	Ceres, Turlock, SRWA			Two funding groups: Tier 1: \$300,000 Grant (most are funded here) Tier 2: \$1,000,000 Grant (must have a lot of benefits) The lack of water savings may be an issue.	1. Wait to apply for this funding until after the initial planning and pilot study have been completed.	
B	Watershed Restoration Grant Program	Implementation	Calif. Dept. of Fish and Wildlife	6/24/2016; next round in 2017	Not required	\$24 million available	SRWA			1) Projects located outside the legal Delta that benefit the State. 2) Shovel Ready project. (i.e. environmental permitting and land acquisition are complete and design is mostly complete)	1. Focus on the benefits of releasing more water into the river and improving salmonid habitat.	1. Decide whether it is worth delaying all or a portion of the project in order to receive these grant funds.
B	Water Storage Investment Program	Groundwater recharge	California Water Commission	2017	Unknown	\$2.7 Billion Avail.	SRWA	Concept 3/31/2016		The amount of money available per project and whether there will be multiple cycles is not yet known.	1. Continue to track opportunity.	1. West Yost to monitor this funding opportunity and provide updates and recommendations as more information becomes available.
	Loans											
A	Drinking Water SRF Loans	All project scope items.	State Water Resources Control Board	Continuous	None	Based on ability to repay	SRWA, Ceres, Turlock			2016 Interest Rate 1.6% (50% of state general bond rate)	1. Begin and complete the CEQA process ASAP. 2. Conduct regular meetings with SRF loan staff a. Discuss eligibility and timing for SRF loans, b. Educate SRF staff about the Project, determine how SRWA can best position itself to receive funding, c. Review Flags Worksheet d. Involve Division of Drinking Water (DDW) Northern California Engineering Chief Richard Hinrichs and local DWW engineering staff. e. Discuss potential principal forgiveness for Ceres and possibly SRWA for the WTP.	1. Consult with Richard Hinrichs and Bhupinder Sahota (District). 2. Prepare and submit an initial General Package Application 3. Obtain a funding loan number and SRF project manager (an advocate) from the DFA
A	California Infrastructure Bank	All project scope items.	Governor's Office of Business and Economic Development	Continuous	None	\$25 Million per project	SRWA, Ceres, Turlock			Interest rate depends on applicant financials	1. Pursue I-Bank loan in parallel with DWSRF loan pursuit. 2. Meet with I-Bank staff to determine eligibility and interest rates.	1. Consult I-Bank.
		Ineligible Grant Programs								Reason(s)		
C		Delta Water Quality and Ecosystem Restoration Grant Program								Not part of legal Delta and no direct benefit to the Delta.		
C		Bay-Delta Restoration Program: CALFED Water Use Efficiency Grants								No water savings or direct habitat benefits.		
C		San Joaquin Conservancy								Fresno & Madera Counties only.		
C		Water Energy Grant								Must have water and energy savings.		
C		Central Valley Project Improvement Act Habitat Restoration Program								Project does not directly address program prioritized habitat concern.		
C		Prop. 1 Desalination Program								Not addressing the brackish groundwater problem.		
C		California Urban Rivers Grant Program								The location of the project is not within an urban land zone.		
C		Prop. 1 Groundwater Sustainability Program								Project does not address groundwater cleanup, prevent groundwater contamination, or treat groundwater for direct potable use.		
C		Habitat Conservation Fund, Anadromous Salmonids and Trout Habitat								Applicant must be authorized by statute to operate and manage parks or recreation areas/facilities. Project must also include public access (i.e. trails, park, etc.).		
C		Central Valley Project Improvement Act, Anadromous Fish Restoration Program								Unclear what type of projects this program funds, grant amounts, and how competitive SRWA would be. Call USFS, Pacific Southwest Region (209-334-2968) and/or work with government relations/public affairs firm to understand program and SRWA's competitiveness better.		
<p>Note: ^(a) Competitiveness Rating is defined as follows: A = SRWA will be competitive/action is recommended B = SRWA is potentially competitive/continue to monitor the opportunity C = SRWA is either not competitive or is ineligible/no further action recommended unless program significantly changes</p>												

KEY FUNDING PROGRAMS

The West Yost Program Management team along with the SRWA TAC are tracking many potential funding options, including federal and state grant and loan funding programs, and developing a strategy for successfully obtaining funding from key funding programs. A Funding Opportunities Log has been created which will be continuously updated until sufficient funding is secured. The version of the log that was last updated on August 1, 2016 is included as Table 1. The log indicates the types of projects each program can fund, eligibility requirements, key highlights of the funding program, and a competitiveness rating of A, B, or C to indicate which programs are most likely to fund the Project. The strategy described in this TM is geared towards the funding programs with an “A” or “B” rating for competitiveness on the funding opportunities log.

The following funding programs currently have an “A” rating and are therefore described in further detail in the following sections:

- California Drinking Water SRF Loan Program
- California Infrastructure and Economic Development Bank State Revolving Fund Program (I-Bank)
- Public Works and Economic Adjustment Assistance Grant Program
- Integrated Regional Water Management (IRWM) Implementation Grant Program
- Community Development Funds/Community Development Block Grant (CDBG) Program
- Water and Energy Efficiency Grant Program

A brief summary of the funding program and the recommended strategies related to each of these programs are detailed below.

California’s Drinking Water State Revolving Fund (DWSRF) Loan Program

Program Summary

Established by an amendment to the Federal Safe Drinking Water Act in 1996, the DWSRF provides low-interest loans and additional subsidy (principal forgiveness) to public water systems for infrastructure improvements to correct system deficiencies and improve drinking water quality for the health, safety, and welfare of California communities. Principle forgiveness funding is limited and is reserved for those agencies serving small, financially disadvantaged. “Disadvantaged” is defined as having a median household income (MHI) of 80 percent of the State’s MHI (currently \$49,191). The water rates are also a factor in determining eligibility for principle forgiveness; for example, those with higher than average rates receive consideration while those with low than average rates do not qualify. The City of Ceres may meet this criterion for principle forgiveness; however, more information regarding the City’s future anticipated water

rates is needed to determine whether or not the rates will meet this criterion and if the community has the means to pay higher rates.

While only portions of the City of Turlock fit the MHI requirement, they may also be able to receive a zero percent interest loan if it is determined by the State that there is a financial hardship. It is also important to note that principle forgiveness would not be for the entire project, and would likely be limited to \$4 to \$6 million. However, more funding may be possible if the Project is phased. Another option that should be discussed with the State is whether the potential for the City of Turlock to benefit from the principle forgiveness option would change if SRWA applied for the funding. These scenarios should be discussed with the Division of Financial Assistance (DFA) staff prior to submitting an application. Principle forgiveness and the zero-percent financing are options approved by the Division of Drinking Water (DDW) staff after review of a complete application; however, they will be able to advise and inform of the potential of such funding options before the submission of the application and with more assurance after reviewing the application package.

Previously overseen by the Department of Public Health, the DWSRF program was transferred to the State Water Resources Control Board (State Water Board) in July 2014. The State Water Board's DFA administers the DWSRF program. Since moving to the State Water Board, the application process has been improved and is similar to its sister program, Clean Water SRF.

Although the available grant programs will be explored and pursued as appropriate, due to the large size of this Project and the competitiveness and monetary limits of grant funds, it is likely that a significant portion of the Project will utilize loan funds. The DWSRF loan program was designed to finance water infrastructure projects, such as SRWA's project, below market interest rates, thus making this financing very advantageous. Currently interest rates are set at half of the State's General Bond rate (1.663% for 2015) with repayment terms of 20 or 30 years. Loan repayment begins one year after construction is complete. As discussed above, principal forgiveness may be available. Preliminary calculations indicate an interest cost savings of \$280,000 per \$1 million of project capital costs when compared to typical 4% municipal financing for a 20-year term. Cost savings increase significantly if a 30-year term is used.

It is important to note that the DWSRF application and approval process is not simple. Significant documentation is required, especially for a joint powers authority. However, DFA staff have been found to be very helpful, thorough, and dedicated to their program. The review and approval will involve DFA professionals from the legal, engineering, environmental and financial fields.

A DWSRF application consists of four Packages: General, Environmental, Financial, and Technical. Of these, the Environmental and Financial Package approvals can take the longest because outside agency consultations (buy-in) are often required. An example of an outside consultation would be concurrence by the CA Department Fish and Wildlife regarding California Environmental Quality Act (CEQA) findings. Another would be concurrence from the State Historic Preservation Office. Additionally, there are federal and state requirements associated with DWSRF funding: Disadvantaged Business Enterprise (DBE) good faith efforts, Davis-Bacon Act compliance, American Iron and Steel requirements, yearly single audits, and Federal cross-cutters. Cross-cutters are federal laws, executive orders, and government-wide policies that apply by their own terms to projects receiving Federal financial assistance, regardless

of whether the statute authorizing the assistance makes them applicable. Federal cross-cutters apply to funding originating from the U.S. Environmental Protection Agency and passed through to the State to manage and distribute. Cross-cutters include some National Environmental Policy Act (NEPA) requirements during the environmental review process, also known as CEQA Plus; air quality standards; and social equality standards. A list of the Federal cross-cutters is attached for reference (see Attachment 1).

For complex projects, such as this one, the application and approval process can take nine to eighteen months.

Upon financing approval and execution of financing documents, a Disbursement Request can be made to recoup planning and engineering costs incurred to-date. On large projects, these are complex and require complete invoice documentation. DFA/SRF staff read every line of every invoice to confirm eligibility, and as mentioned above, they have been impressively thorough. After the initial request, as a rule of thumb, reimbursement of costs follows project expenses by about four months. Additional documentation during the construction period includes: Disbursement Requests, Quarterly Reports, DBE updates, Davis-Bacon Act compliance, and yearly Single Audits.

Strategy

The strategy for obtaining SRF loan funds includes collaboration with SRWA leadership to do the following:

1. Begin and complete the CEQA process as soon as possible. Environmental permitting is often on the critical path.
2. Conduct regular meetings with SRF loan staff
 - a. Discuss eligibility and timing for SRF loans,
 - b. Educate DFA/SRF staff about the Project, determine how SRWA can best position itself to receive funding,
 - c. Review completed Flags Worksheet with DFA/SRF staff
 - d. Involve DDW Northern California Engineering Chief Richard Hinrichs and local DDW engineering staff to ensure internal support and advocacy for the Project within the SWRCB.
 - e. Discuss potential principal forgiveness for Ceres and possibly SRWA for the regional Project facilities.
3. Prepare and submit an initial General Package Application.
4. Obtain a funding loan number and SRF project manager (an advocate) from the DFA.
5. Coordinate with and update SRF project manager, legal, financial and environmental staff on application progress on an ongoing basis.
6. Submit application packages as they are completed.
7. Coordinate and respond to DFA staff questions and needs during the application review.

8. Coordinate and respond to DFA/SRF staff questions and needs during project design and construction and disbursement.

West Yost has an excellent working relationship with staff at the State Water Board DFA and can assist the cities in identifying eligibility for SRF loans and preparing a strong application. There will likely need to be four DWSRF applications as a separate loan for each set of owners of a project are required. The four applications will be for 1) TID for the wet well and intake pumping facilities, 2) SRWA for the treatment plant and regional transmission mains, 3) City of Turlock for its local facilities, and 4) City of Ceres for its local facilities.

California Infrastructure and Economic Development Bank State Revolving Fund Program (I-Bank)

Program Summary

The California Infrastructure and Economic Development Bank (I-Bank) is a State-run financing authority, which was created in 1994 to promote economic revitalization, enable future development, and encourage a healthy climate for jobs in California. I-Bank operates pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act contained in the California Government Code Sections 63000 et seq. The Infrastructure State Revolving Fund (ISRF) Loan Program provides financing to public agencies and non-profit corporations for a wide variety of infrastructure and economic development projects. ISRF Program funding is available in amounts ranging from \$50,000 to \$25,000,000, with loan terms of up to 30 years. Financing applications are continuously accepted.

Funds can be used for all project activities, including Design-Build; however, given the funding limits the project scope would need to be phased. Furthermore, construction must be completed within two years of receiving funding approval. No funding can be used for costs incurred prior to the term of the agreement unlike DWSRF.

This loan program is similar to the DWSRF program with respect to the application process and requirements. Where the programs differ are in the calculation of the interest and in the fact that there is not an opportunity for principle forgiveness. The I-Bank application also requires an additional economic benefit discussion that DWSRF does not require. I-Bank staff recently indicated that they are not very busy right now and estimate the application review process will be faster than in the past.

The interest calculation method currently used is complex and considers multiple variables making it impossible to estimate at this time; however, I-Bank interest rates are typically less than bond financing. Consultation with the I-Bank staff is necessary to determine the interest rate.

I-Bank requires a two-step application process. During the pre-application review it will be determined if the project meets the threshold requirements, at which time the applicant will be invited to submit a full application.

I-Bank staff indicate the review period for the pre-application can be completed within 30 days of submission; the review time for a full application, including environmental is 90 to 180 days.

Applicants are expected to begin construction within six months of receiving funding and be completed within two years.

Strategy

Given the size of the Project budget and funding sources available, I-Bank funding should be strongly considered in parallel with DWSRF. If DWSRF is able to fund the Project completely, and at a better rate and/or with principle forgiveness, then SRWA should chose not to use I-Bank funding. However, with the review for both loan programs being long, it is recommended that SRWA pursue both loans and then only take the best option or combination of loans once it becomes clear which option is most advantageous. SRWA should begin the pursuit of an I-Bank loan by meeting with I-Bank staff to discuss the Project.

Public Works and Economic Adjustment Assistance Grant Program

Program Summary

The U.S. Department of Commerce's EDA provides grant funding for non-construction and construction of public works projects authorized under the Public Works and Economic Development Act of 1965 and Economic Adjustment Assistance.

Economically distressed communities and regions are provided with funding and resources designed to lead to the creation and retention of jobs and increased private investment. Public works infrastructure projects are often needed to support economic growth and/or prevent job loss.

Stanislaus County has been identified as a region that is eligible for EDA assistance.

The EDA grant program is a competitive grant program with no deadline. All proposed projects are evaluated to determine the extent to which they align with EDA's investment priorities, create or retain high-quality jobs, leverage public and private resources, demonstrate the ability to start the proposed project promptly and use funds timely and effectively, and provides a clear scope of work and specific, measurable outcomes (i.e. jobs).

The program has the following priorities, of which at least one must align with the project. Note that the priorities listed appear to align well with the SRWA Project.

1. Collaborative Regional Innovation
2. Public/Private Partnerships
3. National Strategic Priorities (abbreviated to those that align with the SRWA Project)
 - a. Encourage job growth and business expansion (i.e. manufacturing).
 - b. Increase economic resiliency, including resiliency to the effects of natural disasters/climate change.
 - c. Assist with natural disaster mitigation and recovery (as defined by the Stafford Disaster Relief and Emergency Assistance Act, a federal law that allows for the supplementation of funding to assist State and Local efforts to save lives and to protect property and public health and safety, or to lessen or avert the threat of a catastrophe from a major disaster. Drought is not an eligible disaster.)

- d. Aimed at restoring or improving urban waters and the communities that surround them.
4. Underserved Communities, defined as diverse communities that have suffered disproportionately economic distress and job losses and/or are rebuilding to become competitive in the global economy.

The general application review process for the review and approval of EDA grant awards is as follows:

- Initial conceptual proposal review – 30 days
- Full proposal review – 60 to 90 days (may be longer depending on the complexity of the project)
- Award of funds – three to four months

Strategy

While this funding program is able to provide grant funds for planning and design, no pre-award costs can be included in the funding request, and the length of time for review is likely too long for the SRWA to benefit from such funds for the planned pilot study and current planning effort. However, this program may be able to fund the design and construction portions of the project.

Further discussion with the regional representative is needed to determine the best course of action and verification of EDA priorities being met. It is recommended that at least a conference call with EDA be scheduled to discuss the Project in more detail.

The SRWA is eligible to apply for EDA funding; however, it may be necessary for the cities to pursue funding for project activities that can be directly tied to job growth and/or retention (e.g. the finished water pipelines to Ceres and Turlock will create new jobs in a particular industry), which can be tracked and measured.

IRWM Implementation Grant Program

Program Summary

Proposition 1, Chapter 7, Section 79740 provides \$510,000,000 statewide for IRWM Planning and Implementation projects that will be allocated to the IRWM regions which utilize a regional process for prioritizing projects in accordance with the needs of the respective region. SRWA is part of the East Stanislaus IRWM Region of the San Joaquin Funding Area. In order for the SRWA's Project to be considered for inclusion in the East Stanislaus IRWM Region's IRWM funding applications, the SRWA must follow the Region's process for project selection. The San Joaquin Funding area has \$31 million available through Proposition 1 for IRWM implementation grants.

Pre-award costs can be included within the funding request, however, the pre-award costs may be limited by time and type (i.e. matching funds for planning and design.).

Strategy

The strategy for accessing this grant funding opportunity is as follows. First, members of the SRWA TAC should work with the East Stanislaus IRWM group to update both the Project description and IRWMP database to better position the Project for Proposition 1 IRWM implementation funding opportunities when they become available. The project benefits table, budget and schedule are also not current and should be updated. Annual updates should also be made as the Project progresses so that the information remains current.

The second, but equally important, strategy is that someone from SRWA attend the stakeholder meetings to promote the benefits of the Project and to garner regional support. It is at the stakeholder meetings that the projects are discussed, voted on, and ranked. The Surface Water Supply Project is currently ranked No. 1 for the region, and it is important that this ranking within the East Stanislaus IRWM region remain to maximize the opportunity for receiving funding through the Prop 1 IRWM program.

The project is required to be “ready to proceed” prior to receiving the funding. Despite this requirement, it is possible for the project to be submitted for funding prior to the completion of the environmental review. However, the environmental review will need to be completed within six months of the application submittal to show it is competitive.

Community Development Funds/Community Development Block Grant (CDBG) Program

Program Summary

CDBG funds are pass-through funds from the U.S. Housing and Urban Development (HUD) and the CDBG program in California is administered by the California Housing and Community Development Department.

These funds can be used for public facility improvements, including public works, to improve the economic conditions of a community. Funds are limited to low income communities and, therefore, only the City of Ceres is eligible for this program. CDBG is an annual, competitive grant program that is typically due in April and awards are typically issued July or August of the same year. Applications may be submitted annually, however, funding must be 50 percent expended from a previous award before receiving another grant award.

Grant funds are typically limited to \$1,000,000 to \$1,500,000 per application.

Strategy

The City of Ceres should apply for CDBG funding for some of their portion of the Project. For example, the City could apply for funding for its local transmission lines and storage tank. The City of Ceres needs to ensure that its housing element meets the eligibility requirements prior to submitting a request for funding.

While the City of Turlock is not eligible for CDBG funds, as an entitlement City, the City receives Community Development Funds from HUD. The amount of money the City of Turlock receives is based on the City’s population and will likely be limited; however, the City has the opportunity

to use these funds for the purpose of this Project. SRWA TAC members from the City of Turlock should consult with its Community Development Department to learn more about the City's possible use of these funds for this Project, and to determine whether some of the existing Community Development Funds can also be redirected to the Project. It is likely these funds would be limited to funding local infrastructure.

Water and Energy Efficiency Grant Program

Program Summary

The WaterSMART grant program is authorized under the authority of Section 9504(a) of the Secure Water Act, Subtitle F of Title IX of the Omnibus Public Land Management Act of 2009, Public Law 111-11 (42 United States Code 10364). The objective of this grant program is to provide grants to leverage local funds and resources on projects that seek to conserve and/or use water more efficiently, increase the use of renewable energy and improve energy efficiency, benefit endangered and threatened species, facilitate water markets, carry out other activities to address climate-related impacts on water or prevent any water-related crisis or conflict.

Eligible projects must fall into at least one of the following categories: Water Conservation, Energy-Water Nexus (e.g. a water project that includes renewable energy), Benefits to Endangered Species, and Water Markets.

There are two funding categories: Funding Group I (\$300,000 grant max) and Funding Group II (\$1,000,000 grant max). Most funding awards are distributed to Funding Group I. Funding Group I projects are to be completed within 24 months. Funding Group II projects can be completed within 36 months.

This grant program is a very competitive, national program and projects with multiple benefits are the most competitive.

Online grant submission requires creation of a Grants.gov account, which is a multi-step process that may require up to two weeks to obtain. SRWA should consider this timeline if it elects to submit an application to this grant program.

This program also requires NEPA environmental review after award, but before ground-disturbing activities.

Pre-award costs are not typically approved in final awards, and would be limited to matching cost share funds.

Strategy

This funding should be considered as a potential source once the initial planning and pilot study have been completed. Given the estimated timing of the Project, this viable albeit small source of funding, should be considered.

SUMMARY OF “B” RATED GRANT PROGRAMS

Grant programs that are rated with a “B” competitiveness rating on the Funding Opportunities Log are summarized in the following section of this TM because the Project may become more competitive for these programs as the Project develops.

The following funding programs have a “B” rating and are described in detail below:

- Watershed Restoration Grant Program
- Water Storage Investment Program

Watershed Restoration Grant Program

Program Summary

The Watershed Restoration Grant Program is funded under Proposition 1 and administered by the California Department of Fish and Wildlife for watershed restoration projects statewide, and water quality, and ecosystem restoration. These funds are available for water quality, river, and watershed protection and restoration projects of statewide importance outside of the Delta (CWC §79737[d]). Funding shall only be used for projects that will provide fisheries or ecosystem benefits or improvements that are greater than required applicable environmental mitigation measures or compliance obligations, except for any water transfers for the benefit of subsection (d) of section 3406 of the Central Valley Project Improvement Act (Title 34 of Public Law 102-575) (CWC §79737[f]).

Planning

The planning grant program can fund planning efforts that lead to the successful design of a project that could later be funded by an implementation grant. These efforts may include program development and guidance, implementation strategy development, collection of baseline data to support effectiveness monitoring, and project-specific activities such as design and environmental review. The intent of this funding is to design and/or evaluate a project that is expected to be implemented and would be eligible for future implementation grant funding. However, depending on the timing, it is possible that the implementation funds could be exhausted.

Furthermore, pursuit of the planning funds would likely delay the design of the Project since the next application solicitation round will not likely occur until spring 2017 and by the time applications are reviewed and approved and funds are approved, the wet well and pilot test related design work is likely to be complete. This funding is competitive, so there is also no guaranty that by waiting the effort would yield the desired funds. Given SRWA’s timeline and goals, it is currently not recommended that a planning application be submitted next year. However, as the 2017 application solicitation period draws near, the pursuit of this funding source will be reevaluated.

Implementation

The implementation grant program is intended to fund the construction of restoration and enhancement projects and new or enhanced facilities for high priority, shovel-ready projects that have advanced to the stage where planning, land tenure, and engineering are complete.

Eligible projects include: restoring or enhancing habitat, reconnecting historical flood plains; improving ecological functions; and improving local watershed management.

Strategy

The strategy for this funding program is to focus on the benefits of releasing more water into the river and improving salmonid habitat.

The most recent solicitation for planning grant applications closed in June 2016 and the next cycle will likely not occur until spring 2017. It is not recommended to submit an application for planning for the wet well or pilot test as waiting for this potential grant funding would cause a delay to the Project by more than a year and there is no guarantee of receipt of the funding until the grant agreement is executed. Therefore, it is currently not recommended that a planning application be submitted next year. However, as the 2017 application solicitation period draws near, the pursuit of this funding source will be reevaluated.

The timing of submitting an implementation funding application will have similar time constraints, which may impact SRWA's desire to apply for this funding.

Water Storage Investment Program

Program Summary

Proposition 1 includes \$2.7 billion for public benefits of water storage projects that provide measurable benefits to the Delta ecosystem or its tributaries. The Water Storage Investment Program (WSIP) will be administered by the newly formed California Water Commission and will fund the public benefits, which are defined as ecosystem improvements, water quality improvements, flood control benefits, emergency response, or recreational purposes that result from eligible water storage projects.

By December 15, 2016, the California Water Commission will develop and adopt regulations, through the Administrative Procedures Act, for the quantification and management of the public benefits of water storage projects.

WSIP concept papers were accepted earlier this year to give the California Water Commission an idea of the types of projects interested in WSIP. SRWA prepared and submitted a concept paper for the Project. Pre-applications and full-applications will be accepted beginning in 2017 with award of funding anticipated in 2018.

Few details are known about this program at this time; however, a program fact sheet indicates the following project types will be eligible:

- CALFED Surface Storage
- Groundwater Storage and Groundwater Clean-up
- Conjunctive Use and Reservoir Reoperation
- Local and Regional Surface Storage

And the following benefits are supported:

- Ecosystem Improvement
- Water Quality Improvements
- Flood Control
- Emergency Response
- Recreation

Strategy

West Yost will monitor this funding opportunity and provide updates and recommendations as more information becomes available.

ATTACHMENT 1

List of Federal Cross-Cutters

California Department of Public Health
Safe Drinking Water State Revolving Fund
Federal Cross-Cutting Requirements
Economic Recovery Funding

Federal “Cross-Cutting Requirements” are those provisions in federal law which “apply by their own terms” to projects and activities receiving federal financial assistance. In order to enter into a Safe Drinking Water State Revolving Fund funding agreement with the Department of Public Health each Economic Recovery funding project is required to certify that they are in compliance with each of the following federal regulatory requirements.

Environmental Authorities

1. Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
2. Clean Air Act, Pub. L. 84-159, as amended
3. Coastal Barrier Resources Act, Pub. L. 97-348, as amended
4. Coastal Zone Management Act, Pub. L. 92-583, as amended
5. Endangered Species Act, Pub. L. 93-205, as amended
6. Environmental Justice, Executive Order 12898
7. Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
8. Protection of Wetlands, Executive Order 11990
9. Farmland Protection Policy Act, Pub. L. 97-98
10. Fish and Wildlife Protection Coordination Act, Pub.L. 85-624, as amended
11. National Historic Preservation Act of 1966. Pub. L. 89-665, as amended
12. Safe Drinking Water Act, Pub. L. 93-523, as amended
13. Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

1. Demonstration Cities and Metropolitan Development Act of 1966 PL 89-754, as amended
2. Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738 Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants and Loans
3. Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended
4. Debarment and Suspension, Executive Order 12549

Social Policy Authorities

1. Age Discrimination Act of 1975, Pub. L. 94-135
2. Title VI of the Civil Rights Act of 1964, Pub. L. 88-352
3. Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L 92-5200 (the Clean Water Act)
3. Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
5. Equal Employment Opportunity, Executive Order 11246
6. Women’s and Minority Business Enterprise, Executive Orders 11625, 12138 and 12432
7. Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590