MEMORANDUM

TO: Board Members of Colusa County Waterworks District No. 1 – Grimes

FROM: Susan Robinson, Burdick & Company

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Paul Rose, Rose Water System Management LLC

DATE: November 3, 2023

RE: 5-Year Water System Funding Plan and Summary of Prop 1 IRWM Grant Assistance Provided

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BACKGROUND AND PURPOSE

In October 2021, Burdick & Company, a consulting firm based in Auburn, CA, reached out to Colusa County Waterworks District No. 1 – Grimes (Grimes, or District) to determine their interest in developing a Capital Improvement Plan (CIP). The CIP preparation was supported by funding provided by a California Department of Water Resources Proposition 1 Integrated Regional Water Management (IRWM) Disadvantaged Community Involvement Grant, administered by the Yuba Water Agency.

The Grimes board of directors indicated a strong interest in developing a CIP, and Burdick & Company proceeded with CIP development. The Grimes District is currently working to address arsenic contamination issues with their sole water source. The remediation of this problem has been an ongoing concern for the District and is the primary context within which the CIP process was undertaken.

As a consequence of the arsenic contamination, several other external assistance efforts were also ongoing at this time:

- The engineering firm Kennedy Jenks was working with Grimes to complete 60% Design plans for a new arsenic treatment facility, with funding support provided from a Drinking Water State Revolving Fund (DWSRF) Planning grant.
- The State Water Resources Control Board (SWRCB) was meeting regularly with the District board (and other interested parties) to determine how to move forward with DWSRF Construction funds to construct the new treatment facility.
- Rural Community Assistance Corporation (RCAC) was guiding the District through a Proposition 218 rate study to help increase the District's financial stability, and to support the DWSRF Construction application process.

Given these parallel and complementary efforts, Burdick & Company focused its effort on developing a financial plan for the interim water system needs (a near-term "interim" CIP) – that is, the infrastructure improvements needed to keep the water system functioning well, until an arsenic treatment system could be brought online. Additional work was focused on supporting SWRCB's and RCAC's complementary efforts as requested.

This Memorandum provides a summary of the work performed by Burdick & Company through the Proposition 1 IRWM Disadvantaged Community Involvement Grant. The Memo contains the following sections:

I. Water System Assessment
II. 5-Year Interim Needs Funding Plan
III. Summary of Additional Assistance Provided
IV. Potential Grant and Loan Resources

I. WATER SYSTEM ASSESSMENT

SYSTEM OVERVIEW

Colusa County Waterworks District No. 1 – Grimes (CA0600008) provides water to a population of 442 for irrigation, domestic, industrial, and fire protection purposes through 104 service connections. The community is made up of primarily single-family residential water users, with a trailer park, an elementary school, a post office, a library, and a few commercial and industrial users.

The water system is a single pressure zone system consisting of two wells and a 7,500-gallon hydropneumatics pressure tank. Most of the water system was constructed in the 1950s and 1960s. Well #1 (primary well, 220 feet below ground surface [BGS]) is located on property owned by the County of Colusa. Well #2 (stand-by, 138 feet BGS) is located on property owned by Sacramento River Fire District. Well #2 is operated by a propane fueled motor. In 2022, the District produced 15,943,561 gallons of water. Chlorine is injected as a disinfectant.

The water distribution infrastructure is comprised of pipes ranging in size from 2-inch to 8-inch diameter. The 2-inch pipes are polyvinyl chloride (PVC) or metal, the 4-inch, 6-inch, and 8-inch pipes are asbestos-concrete (AC). The District's distribution system includes 10 fire hydrants, as part of an agreement with the Sacramento River Fire Protection District. Although the District's existing wells are of a sufficient size to meet domestic demand, the supply is not sufficient to meet the minimum fire flow requirement of 1,000 gpm, as the wells directly supply the demands of the system. Additionally, distribution piping is undersized in some areas. Design and funding of a new distribution system is needed for system upgrades to meet current fire requirements.

ADDRESSING ARSENIC CONTAMINATION

The District's groundwater wells produce water with elevated levels of arsenic that exceed US Environmental Protection Agency (USEPA) drinking water standards. Current arsenic levels in Well 1 and Well 2 are 24 parts per billion (ppb) and 20 ppb, respectively, compared with the USEPA maximum contaminant level (MCL) of 10 ppb for arsenic. The community receives bottled drinking water with funds provided through a State grant.

The District is in the process of addressing its arsenic contamination problem and has received approximately $577,000 in grant funds from the SWRCB to evaluate alternatives to develop a water supply source that meets drinking water standards. This effort has resulted in a Preliminary Engineering Report (PER, Kennedy Jenks, February 2021), outlining the need for a new well, arsenic treatment system, storage tank and booster pump combination, at the current Well 2 location. In October 2022 Kennedy Jenks produced 60% design plans for an arsenic treatment facility and specifications for a new well. With an estimated cost of $15.4 million, SWRCB is trying to determine how to move forward to construction, with the goal of obtaining as much grant (or principal forgiveness) funding as possible.

The next step will be to drill a new well at the existing Well 2 site and execute an arsenic media pilot study in order to determine the most appropriate media type. However, well construction cannot occur without SWRCB's approval of the District's DWSRF Construction application; and the SWRCB cannot approve the District's DWSRF Construction application without assurance that the community can afford to operate and maintain the new arsenic treatment facility once built. The District must demonstrate that it has sufficient technical, managerial, and financial (TMF) capacity before Construction funds can be approved.

ASSESSING CAPITAL NEEDS

RCAC recently led the District through a Proposition 218 water rate raise process to help increase the District's financial stability and improve its TMF. The purpose of the rate study was to establish volumetric rates that would allow the District to operate and maintain the water system for the next five years, and begin to establish reserves for the future. As part of the rate study, RCAC worked with the District to develop a Capital Improvement Plan (CIP) to determine the annual reserve required to replace system assets as they reached the end of their estimated remaining life. This involved creating a list of all assets including year acquired, unit cost, and condition assessment. The cost of replacement was estimated for each asset, along with the anticipated funding source (cash, grant, or loan). The purpose of this exercise was to determine an annual capital reserve amount, i.e., the amount of money that the District would need to set aside each year in order to fund the CIP. The calculated annual reserve, according to RCAC's estimations, was $46,838 (see RCAC's CIP attached in the Appendices). This annual reserve amount was then incorporated into RCAC's rate study calculations.

ASSESSING 5-YEAR "INTERIM NEEDS"

Burdick & Company worked in parallel with RCAC to evaluate the District's capital assets and to develop cost information for asset replacement. As noted previously, since RCAC was in the process of developing a CIP (to inform the rate study), Burdick & Company focused on identifying "interim" capital needs, that is, improvements needed to keep the existing system functioning well between now and when the arsenic treatment facility could be brought online (i.e., the next five years). Also taken into consideration were certain longer-term capital needs – including pipeline replacement and hydrant replacement – to ensure that these critical assets were being financially planned for.

Burdick & Company visited Grimes on multiple occasions, beginning in November 2021. The team conducted a water system inventory assessment and condition evaluation, focusing primarily on system needs over the next five years. The results of that assessment are summarized below. The assessment excluded typical operation and maintenance (O&M) items (generally considered to be items that cost less than $1,000). Priorities were determined to be as follows:

- **Pressure Tank Inspection:** The Association of California Water Agencies (ACWA) recommends annual and five-year inspections for hydropneumatic tanks. The water system pressure tank was installed in 2010 and, to our knowledge, has never been inspected. Pressure tanks have a typical expected service life of 10-25 years, with an average lifespan of 15 years. When pressure vessels fail, they can fail catastrophically. Therefore, it is recommended that the District have an interior and exterior inspection of the pressure tank performed at the soonest time possible. Quotes will need to be obtained for an accurate cost for inspection of the pressure tank. For now, a rough cost of $5,000 has been included in the funding plan.

- **Well 1 Motor Rehab:** Well 1, constructed with a vertical turbine pump, was built in 1957. The pump motor was assessed to be in "fair" condition. A motor rehab for Well 1 is recommended. The current estimated cost is approximately $4,000.

- **Well 1 Meter:** The existing McCrometer well output meter appears to be aged, and the accuracy of reading is uncertain. It is recommended that the Well 1 output meter be replaced with a Badger Turbo meter. The current cost for replacement is estimated at $4,000.

- **Pipeline Replacement:** The water distribution pipeline was constructed in the 1950s. The smaller pipes are made up of unknown metal or PVC, the larger pipes of AC (totaling 9,840 LF). These pipes are near the end of, or have exceeded, their expected lifespans and should be replaced within the next 20 years, maximum. It should be noted that while PVC or steel water pipe failures often begin with a small leak and gradually break, AC pipes tend to devastatingly fail without warning. It is therefore recommended that a preliminary study for pipeline replacement be performed at the soonest time possible, in order to be able to plan for replacement without delay. A rough cost for a preliminary study is estimated between $55,000 - $75,000.

- **Hydrant Replacement:** The distribution system includes 10 hydrants. The hydrants are old – installed around the same time as the pipes. With a typical lifespan of about 50 years, the District's hydrants have exceeded their expected service lives. The District is interested in replacing the hydrants, though replacing all of the hydrants at once would be cost prohibitive. It is recommended that the District work with the Sacramento River Fire Protection District to devise a replacement plan, identifying which hydrants would be most beneficial to replace first. It is suggested that the District plan on replacing at least one hydrant within the next five years, with a goal of replacing all 10 hydrants within the next 20 years. The cost for hydrant replacement is estimated at $20,000 - $25,000 per hydrant.

- **Leak Repair:** It is recommended that the District be vigilant about leak repair on the distribution side, and that it enforce leak repair on the customer side. This is important not only for purposes of water conservation and cost savings, but for ensuring that the design of the arsenic treatment facility is aligned with actual water usage and not based on an overvalued demand – the latter of which may potentially lead to an overbuilt design, resulting in higher construction and O&M costs, and making it that much more difficult for the District to obtain approval on the DWSRF Construction application. The District should plan to set aside an estimated $5,000/year for leak repair. Addressing leaks now will likely produce substantial cost savings over time, enabling the District to avoid the high cost of treating water that would otherwise get lost to leakage.

  On the customer side, it is recommended that the District bring in a contractor, at the customer's expense, to perform full customer service-side replacements.

Other Notes: Since Well 2 is planned to be decommissioned and removed by 2026 to site the new arsenic treatment facility, only short-term maintenance needs for that well are recommended (i.e., normal ongoing O&M). Well 1 should be serviced regularly.

Badger AMI customer meters were installed throughout the district in 2020, funded with a grant from the SWRCB. The expected lifespan for meters is 40 years, and for endpoints is 15 years. It is assumed that the annual reserve amount recommended by RCAC will help cover the costs of replacing the AMI meter endpoints around the year 2035.

II. 5-YEAR FUNDING PLAN

Table 1 provides a 5-year planning budget for funding the system's "interim needs" over the next five years. This budget utilizes an inflation factor, where applicable, of 5%. All cost estimates represent installed costs.

Once the arsenic treatment facility is constructed, it is recommended that the District develop a comprehensive Capital Improvement Plan for a 5-year planning period to reassess capital needs along with the District's financial capacity and estimated costs for capital replacement.

Table 1 suggests likely and/or possible funding sources. The grant programs listed in the table are described in more detail in Section IV. "Potential Grant and Loan Resources."

TABLE 1. Grimes Water System 5-Year Funding Plan (in $)

Asset/Action	Cost (in 2023 $)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Funding Sources
Well No. 1							
Motor Rehab	4,000			4,410			Revenues
Well Meter	4,000					4,862	Revenues
Distribution System							
Pipeline Replacement Preliminary Study	65,000		65,000				USDA Rural Development SEARCH + USDA loan + Revenues. Possibly SWRCB Technical Assistance Grant.
Pressure Tank Inspection	5,000	5,000					Revenues
Hydrant Replacement (for 1 hydrant)	25,000	6,000	6,000	6,000	7,000		Revenues for single replacement. For full replacement, potentially CDBG or USDA RD Water & Waste Disposal Grant
Leak Repair	5,000/year	5,000	5,000	5,000	5,000	5,000	Revenues (O&M cost)
TOTALS		**16,000**	**76,000**	**15,410**	**12,000**	**9,862**	

5-YEAR FUNDING PLAN DISCUSSION

The best (or only) source of funding for most of the items described in the 5-year Funding Plan shown in Table 1 is District revenues, particularly if the costs are spread out across the five-year period. This includes: Well 1 pump motor rehab, Well 1 output meter, pressure tank inspection, ongoing leak repair (which is an O&M item) and, potentially, the replacement of one hydrant. For projects of this size, grant funds are unlikely. Loans are a possible source of funds, however, taking on additional debt at this time is likely not a preferred option. If revenues are unavailable, then the action may need to get postponed to

another year. All of the actions listed in the 5-year funding plan are strongly recommended, but none are urgent; except for ongoing leak repair.

Note that Technical Assistance grant funds may be available from SWRCB for leak detection to facilitate the leak repair program. The amount of funding that any one community can receive in Technical Assistance funds over a certain period of time is limited, however, and it's possible that Grimes has reached its limit (for now). See additional information in the "Potential Grant and Loan Resources" section below.

Pipeline Replacement Study: The pipeline replacement preliminary study presents the largest cost in the 5-year funding plan, estimated at $65,000 (the cost is likely between $55,000 - $75,000). The District may be able to obtain grant funds to partially cover the cost of this study through USDA Rural Development. The Special Evaluation Assistance for Rural Communities and Households (SEARCH) program provides planning grants to small, low-income communities. The maximum grant award is $30,000; USDA may offer a partial low-interest loan for the remaining amount. Additional information on SEARCH, along with contact information, is listed in the "Potential Grant and Loan Resources" section.

Another possible grant source for the pipeline replacement preliminary study is SWRCB's Technical Assistance Grant Program. Check with the SWRCB to see if Grimes is currently eligible for those funds.

Once the pipeline replacement preliminary study is completed, the District may consider applying for a Community Development Block Grant for pipeline construction, or to USDA Rural Development for a construction grant/low-interest loan combination. If the study shows that pipeline replacement can safely be delayed for another 10+ years, the District may opt to apply for another DWSRF Construction grant/PF through SWRCB, once the arsenic treatment facility has been constructed and the existing DWSRF Construction contract has ended.

Hydrant Replacement: Replacement of one or more hydrants over the next five years is strongly recommended, though at approximately $25,000 the cost is not insignificant. We recommend, if possible, that the District set aside $6,000 - $7,000 each year in reserve to pay for one hydrant by FY 2026-27. The District may also explore certain grant programs – including USDA Rural Development Water & Waste Disposal grants, or Community Development Block Group funds – which may potentially offer full or partial grant funding to replace all 10 hydrants. See Section IV for more information on these programs.

III. SUMMARY OF ADDITIONAL ASSISTANCE PROVIDED

Burdick & Company provided additional support to Grimes over the course of this Proposition 1 Disadvantaged Community Involvement Grant project. Below is a brief summary of that assistance.

- **General Support for DWSRF Construction Application:** The Burdick & Company team participated in regularly scheduled meetings with the SWRCB, the District Board, RCAC, Kennedy Jenks, and others to support the DWSRF Construction application process.

- **Funding Research:** Burdick & Company associate Susan Robinson provided research on potential grant and loan funding opportunities to fund Grimes's new well, storage tank, and arsenic treatment facility, as well as general system needs. The results of this research are summarized in Section IV Potential Grant and Loan Resources. Two funding sources were explored in depth as possible match for the DWSRF Construction funding:

    - USDA Water and Waste Disposal Funds: Susan Robinson met with SWRCB and USDA Rural Development staff to explore the potential for cost-sharing between DWSRF and USDA grant funding sources. USDA's Water and Waste Disposal Loan and Grant Program requires a 25% match. Using $500,000 in DWSRF Planning Grant funds (already spent) as match, USDA would be able to provide a maximum grant award of $1.5 million, for a complete project totaling $2 million. $2 million would be enough to fund construction of the new well, but not enough to also fund the arsenic treatment facility. In order to count as a "complete project," the well would most likely need to be able to deliver clean, safe drinking water, not just pump water. This question needs to be explored further.

      The DWSRF Construction funding for the arsenic treatment facility could potentially be used as match, thereby rendering the constructed well a "complete project." However, the USDA grant would then be conditional on the signed DWSRF Construction contract. Since SWRCB cannot approve the DWSRF Construction grant before the arsenic pilot study takes place (in order to determine the size of the treatment system and whether or not Grimes can afford to operate it), and since the pilot study cannot occur without construction of the new well, a timing dilemma exists. The USDA Program Manager suggested it was possible that USDA could participate in "phase I" construction, and then participate again at a later phase; in that case USDA would provide a one-year letter of condition. Note that the USDA grant would require NEPA.

    - Department of Water Resources Small Community Drought Relief Grant Program: Susan Robinson also met separately with the California Department of Water Resources (DWR) Small Community Drought Relief Grant Program Manager to explore the possibility of obtaining grant funds for Grimes. At that time (January 2023), only about $5 million was remaining in the Small Community Drought Relief account. It was determined that Drought Relief funds could conceivably be used to fund construction of the new well, along with the pilot study. However, the well would need to be in operation for DWR to consider it a complete project. Once again, timing appeared to be an obstacle: The well would need to be in operation by end of June 2025 (end of the Small Community Drought Relief grant term). The team would have until then to: complete the pilot study, purchase the pump (the size of which would be dictated by the results of the pilot study), and construct and bring the new well online. Due to the length of the pilot study, the additional time needed to bring the project from PER to construction, plus potential supply chain delays, the timing did not seem feasible. This opportunity was not pursued further.

- **Support for Proposition 218 Rate Study:** The Burdick & Company team provided general support to RCAC for the Proposition 218 rate study process. The team attended District board meetings, shared information with RCAC related to asset condition and cost estimates for purposes of developing the CIP and determining a recommended annual reserve amount, supported the preparation of a formal budget on which to base future projections, and reviewed miscellaneous materials.

- **Conservation and Cross Connection Ordinances:** Burdick & Company associate Paul Rose, with Rose Water System Management, drafted language for two ordinances – a Conservation Ordinance and a Cross Connection Ordinance – and assisted the District Board of Directors in the adoption of both. The Board adopted the Conservation Ordinance in August 2023 and the Cross Connection Ordinance in September 2023.

  The Conservation Ordinance is particularly important because of the substantial number and volume of customer-side leaks currently experienced within the water system. As the District has charged a flat water rate up until now, customers have had little incentive to address leaks. The new volumetric water rates will provide greater incentive for customers to address leaks; and the ordinance will provide the District with enforcement power. Addressing leaks is not only important for purposes of water conservation but will be critical for controlling water production costs once the arsenic treatment facility comes online.

- **Leak Detection:** Burdick & Company associate Paul Rose provided onsite leak detection assistance. Paul attempted to pinpoint water leaks on customer lines for the three largest leaks. After providing several suspected locations, the customers did not follow up with any serious excavations. As noted previously, it is recommended that the District bring in a contractor, at the customer's expense, to spend time in Grimes and perform full customer service-side replacements.

- **Reconciling Meters:** Burdick & Company associate Paul Rose assisted Grimes in obtaining an accurate count of customer meters, and assigning meters to parcels. Paul also ensured that the addresses were associated to the correct endpoint numbers (which is how billing and use is determined and administered in the Badger BEACON program). Paul also offered solutions to disassociate some instances where two buildings or parcels were metered by a single meter.

- **Budget Support:** Katie Burdick helped Grimes develop and finalize the water district's FYE2022-23 budget. The County required a finalized budget by June 30, 2023. Katie Burdick supported the Colusa County Auditor-Controller in developing a budget that correlated to both the District records and the records of the County. This budget will be the basis for all subsequent District budgets in terms of format, formulas and approach.

IV. POTENTIAL GRANT AND LOAN RESOURCES

According to the US Census Bureau's 2021 American Community Survey 5-year data, the Grimes Census Designated Place (CDP) reported a median household income (MHI) of $34,063, and a population of 442. Since the MHI amount was less than 60% of the statewide MHI of $84,097, Grimes is considered a severely disadvantaged community (SDAC).

Grimes's economic status makes this community eligible and prioritized for several grant and low-interest loan programs, including SAFER/DWSRF grants/loans, USDA Rural Development Water and Wastewater Program grants/loans, Community Development Block Grant funds, amongst others. While *grant funds are highly uncertain and should never be counted on as a source of funding for the purposes of financial planning,* it is recommended that the District apply for grant funding whenever possible.

This section provides information on several grant and loan programs that may be of interest to the District for funding current and future capital needs.

Safe and Affordable Funding for Equity and Resilience (SAFER) Drinking Water Program: SAFER is a financial and technical assistance program for drinking water systems administered by the State Water Resources Control Board Division of Financial Assistance. The purpose of SAFER is to ensure that all Californians have access to safe, affordable, and reliable drinking water.

The SAFER Program offers grants for eligible communities from several different funding sources, including the Safe and Affordable Drinking Water Fund (SADW Fund), General Fund appropriations, general obligation bond funds, and funding available through annual Drinking Water State Revolving Fund (DWSRF) capitalization grants. A water system will submit one application to the SWRCB through the Financial Assistance Application Tool (FAAST), and SWRCB will decide which funding source to utilize. Some of the SAFER funding mechanisms, including the DWSRF, are highlighted here:

- **Drinking Water State Revolving Fund (DWSRF):** DWSRF is essentially a loan program that offers repayable, low-interest financing and loans with the potential for partial or complete principal forgiveness (PF). Funds are available for both planning and construction to address water system needs. Disadvantaged communities are potentially eligible to receive up to 100% grant or principal forgiveness (PF) for Category A – D projects (table below) or for consolidation, and small SDACs are also eligible for up to 100% grant/PF for Category E – F projects (with grant funds coming from either DWSRF and/or other SAFER funding sources). SWRCB prioritizes small DACs and SDACs over other applicants with similar needs.

Priority Ranking	Description
Category A	Immediate health risk
Category B	Untreated at-risk sources
Category C	Compliance or shortage
Category D	Inadequate reliability
Category E	Secondary risks
Category F	Other projects

The table below, from Appendix E of the DWSRF 2023/24 Intended Use Plan, summarizes grant/PF eligibility and maximum grant amounts.

APPENDIX E: Construction Project Grant and PF Limitations for an Eligible PWS

Maximum PF, Grant or Combination Thereof Per Construction Project 39, 40				
Type of Community[41]	**Residential Water Rates as a Percentage of MHI**[42]	**Percentage of Total Eligible Project Cost**	**Maximum Amount Per Connection**[43,44, 45]	
Category A – D and/or Consolidation Projects[46]				
Small DAC/SDAC; Eligible NTNC[47] That Serves a Small DAC/SDAC; Expanded Small DAC/SDAC; or Small Non-DAC[48] with MHI < 150% of Statewide MHI	N/A	up to 100%	$60,000[48]	
Category A – C and/or Consolidation Projects[46]				
Medium DAC/SDAC;[49]	N/A	up to 100%	$60,000[48]	
Category E – F Projects				
Small DAC/SDAC or Eligible NTNC That Serves a Small DAC/SDAC	N/A	up to 100%	$45,000[50]	
Expanded Small DAC/SDAC	>=1.5%			
	<1.5%	Not Eligible for PF, Grant or Combination Thereof		
Repayable Construction Financing Terms				
Type of Community	**Residential Water Rates as a Percentage of MHI**	**Interest Rate**	**Maximum Financing Term**[51]	**Local Cost Share**[52]
Small SDAC or Eligible NTNC That Serves a Small DAC	N/A	0%	40 Years	Waived
Small DAC or Expanded Small DAC/SDAC	>=1.5%			
	<1.5%	½ General Obligation Bond Rate		
SDACs and DACs may be eligible for Prop. 1 GWGP drinking water treatment grants. For GWGP grants, the funding maximums provided above apply in addition to the limit for grant/PF from other funding sources. SDACs of any size may be eligible for GWGP grant funds regardless of water rates, and DACs of any size may be eligible for GWGP grant funds if residential water rates as a percentage of MHI≥1.5%. For GWGP grants, DACs and SDACs of any size, including large DACs, are subject to the grant limits specified for Small DACs in the table above. No local match is required.				

Grimes's water system is eligible for up to $60,000 per connection for Category A – D projects (or potentially up to $80,000 per connection for good cause), and for up to $45,000 per connection for Category E – F projects (or potentially up to $60,000 per connection for good cause). Category A – D and consolidation projects are more competitive for funding than Category E – F projects.

Assuming 104 connections, Grimes is potentially eligible for up to $8.32 million for projects (e.g., the arsenic treatment facility). However, the maximum grant/PF for a community is based on the amount of grant/PF funding the community receives in a five-year period. That includes planning, TA, and construction funding for the community. Funds disbursed to the community under planning/TA will be subtracted from the maximum eligible construction grant. Therefore, subtracting the $577,000 that was awarded previously to Grimes for planning, the approximately $600,000 awarded for meter installation, and however much awarded for TA, the maximum grant/PF that the District may receive for construction is on the order of $7 million.

The SWRCB may offer 100% grant/PF, a combination of grant and low-interest loan, or 100% low-interest loan. The loan interest rate is updated annually on the first of the year. The standard interest rate for DWSRF financing is 50% of California's average general obligation bond rate obtained by the State Treasurer for the previous calendar year, rounded up to the next highest ten basis points (0.10%). The DWSRF loan interest rate as of January 1, 2023 is 2.1%. Visit SWRCB's website for more information about the DWSRF Program.

- **Technical Assistance Funding Program:** SWRCB provides free technical assistance (TA) to small DACs through the Office of Sustainable Water Solutions, which is part of the Division of Financial Assistance. TA includes but is not limited to coordination and development of capital improvement projects, facilitation of operation and maintenance, engineering and environmental analysis, legal assistance, leak detection/water audits, compliance audits, financial analysis, technical managerial and financial (TMF) assessments, and board or operator training. For more information, visit the TA Funding Program website. The TA request form can be found here. The completed TA request form and a copy of the service area map should be emailed to DFA-TARequest@waterboards.ca.gov.

- **Small Community Funding Program**: Small Community Funding is available to help small DACs with technical assistance needs, interim water supplies, and implement eligible drinking water or wastewater capital improvement projects. The SCDW Funding Program utilizes the DWSRF Policies and guidelines to administer the program. Eligible planning/design and construction drinking water projects include treatment systems, distribution systems, interconnections, consolidations, pipeline extensions, water sources, and water meters. To apply for funding, complete the pre-application online via the Financial Assistance Application Tool (FAAST). For more information, visit the Small Community Funding Program pre-application website.

- **O&M Assistance:** The SWRCB offers direct O&M assistance to small DAC water systems that treat groundwater as a source of drinking water through the Prop 68 Groundwater program. There are two tiers:

    - **Tier 1** (prioritized for funding) includes Small, DAC or SDAC water systems that have water rates that are above 2.5% of the community's MHI and that are also considered to have a high affordability burden. The purpose of the funding provided to qualifying Tier 1 systems will be to lower the water rates down to 2.5% of the community's MHI and to assist the system in establishing an operating reserve account. Grimes does not qualify for this assistance currently since its water rates are below 2.5% of the community's MHI, and will continue to be below that threshold even with the rate increase (by FYE 2028 the water rate is projected to be 2.32% of the community's MHI).

    - **Tier 2** allows the SWRCB to consider O&M funding on a case-by-case basis, including for Small DAC/SDAC water systems with existing debt burdens, and for Small DAC/SDAC water systems on the Failing list or otherwise not part of the initial Tier 1 prioritization. It is possible that Grimes could be considered eligible under Tier 2 for O&M support.

US Department of Agriculture Rural Development (USDA RD) Water and Waste Disposal Loan & Grant Program: This program funds water and wastewater projects for rural areas and towns with populations of 10,000 or less. This grant program requires 25% in matching funds. As an SDAC, Grimes would be eligible for grants and would also qualify for the lowest interest rate loans. USDA RD loan interest rates are adjusted quarterly. The "poverty rate" currently is 2.375% (fourth quarter FY2023, effective October 1, 2023), with up to a 40-year payback period, based on the useful life of the facilities financed. See USDA's website for more information about the Water and Waste Disposal Loan & Grant Program.

Grimes may also qualify for planning grant funds, which are available to disadvantaged communities:

- **Special Evaluation Assistance for Rural Communities and Households (SEARCH)**: SEARCH grant funds are available to communities with populations at or below 2,500, and with MHIs that are below the poverty line or less than 80 percent of the statewide non-metropolitan MHI based on latest Census data. The program funds predevelopment feasibility studies, design and technical assistance on proposed water and waste disposal projects. Funds may be used to pay, for example: Feasibility studies to support applications for funding water or waste disposal projects; preliminary design and engineering analysis; technical assistance for the development of an application for financial assistance.

  The planning costs must be related to a proposed project that meets the following requirements: Construct, enlarge, extend or improve rural water, sanitary sewage, solid waste disposal and storm wastewater disposal facilities; construct or relocate public buildings, roads, bridges, fences or utilities, and to make other public improvements necessary for the successful operation or protection of facilities; or relocate private buildings, roads, bridges, fences, or utilities, and other private improvements necessary for the successful operation or protection of facilities. The maximum grant award is $30,000 per application. Applications for this program are accepted year round. For more information, visit the SEARCH website, or contact:

  - Luis Andrade, Water Environmental Programs Director
    (760) 355-2208 ext. 108 or (760) 457-1829
  - Antonio Ybarra, State Office Community Programs Specialist
    (559) 490-8035

- **Predevelopment Planning Grants (PPR):** PPR grant funds are available to low-income communities with MHIs that are below the poverty line or less than 80 percent of the statewide non-metropolitan MHI, and with populations at or below 10,000. PPR grants pay up to $60,000 with a 25% match requirement. This program assists communities with initial planning and development of applications for USDA Rural Development Water and Waste Disposal direct loan/grant and loan guarantee programs. Partnerships with other federal, state and local entities are encouraged, and grants are awarded only when the applicant cannot afford to borrow the needed funds. Applications for this program are accepted year round. For more information, visit the PPR website.

Community Development Block Grant (CDBG): The CDBG program is administered by the California Department of Housing and Community Development for non-entitlement areas**.** Non-entitlement areas include those units of general local government that do not receive CDBG funds directly from the US Department of Housing and Urban Development**.** Non-entitlement areas are cities with populations of less than 50,000 (except cities that are designated principal cities of Metropolitan Statistical Areas), and counties with populations of less than 200,000. Grimes is considered a non-entitlement area.

CDBG grants can be used to buy, construct, or fix public facilities such as water or wastewater systems. CDBG also funds studies and plans for housing, public works, and community facilities that meet CDBG national objectives and provide principal benefit to low-income persons. A project must address one of three national objectives:

1. Provide benefit to low- and moderate-income persons,
2. Aid in the prevention or elimination of slums and blight, or

3. Meet an urgent need.

Activities may qualify for CDBG assistance if the activity will benefit all the residents of a primarily residential area where at least 51% of the residents are low- and moderate-income persons. For more information about CDBG, visit the State's CDBG website. The California Housing and Community Development representative for Colusa County is: Shekinah Echols, (916) 500-3905, Shekinah.Echols@hcd.ca.gov.

US Bureau of Reclamation's WaterSMART Small-Scale Water Efficiency Grant: This grant covers municipal metering, SCADA, landscape Irrigation measures, high-efficiency indoor appliances and fixtures, and other projects. The maximum grant award is $100,000. A 50% non-federal match is required. Total project costs should generally be $225,000 or less. For more information, visit the Small-Scale Water Efficiency Grant website.

Small Community Drought Relief Grant: The Small Community Drought Relief Grant, described previously, was administered by the California Department of Water Resources for communities not served by an Urban Water Supplier. This grant program covered such projects as fixing or replacing leaking water lines, construction of an additional well for drought resiliency, additional water storage facilities and tanks. However, the Small Community Drought Relief grant program closed in early 2023. It is worth checking DWR's website from time to time to learn if similar programs are released, or if this program is re-funded.

Below-market Loan Programs: While the District is not well positioned financially to take on loans, there may be instances in the future where loans become necessary. In addition to the low-interest loan programs noted above, several other agencies and lending institutions offer below-market interest rates to fund water (and wastewater) infrastructure projects, including, among others:

- California Infrastructure and Economic Development Bank: I-Bank provides up to 30-year loans for projects ranging from $1M - $65M.
- CSDA Finance Corporation: CSDA Finance Corporation facilitates financings for special districts and other local government agencies.
- Co-Bank: Provides loans for communities with populations less than 20,000.
- US Environmental Protection Agency Water Infrastructure Finance and Innovation Act (WIFIA) Loans: WIFIA loans can provide up to 49% of financing for projects that are eligible for Drinking Water or Clean Water SRF. Minimum project size for communities with populations less than 25,000 is $5 million.

APPENDIX

RCAC's Capital Improvement Plan for Colusa County Waterworks District No. 1 – Grimes

Capital Improvement Plan	AWWA Cash-Needs Approach													Prepared by RCAC
Colusa Co WWD Grimes													Date:	6/6/23
													System Number:	CA0600008
													Service Connections:	92

Replacement of Existing Capital Assets

Quantity	Asset	Year Acquired	Unit Cost	Cost Type (H, C, F)	% Belonging to Water	Historic Cost (Water only)	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
1	Water Meter Installation (123 meters)	2021	495,007	H	100%	$495,007	15	2	516,016	13	15	1,029,084	20%	80%	0%	0	13,247
223	Well #1 (223ft)	1961	96	c	100%	$5,759	30	62	21,468	-32	5	27,399	25%	0%	75%	0	1,356
186	Well #2 (186ft)	1961	96	c	100%	$4,803	30	62	17,906	-32	5	22,853	25%	0%	75%	0	1,131
-	3/4"pipe (included in meter installation)	2021	13	c	100%	$0	50	2	0	48	49	0	100%	0%	0%	0	Not Cap.
130	2" pipe	1961	46	c	100%	$1,588	75	62	5,922	13	14	11,724	100%	0%	0%	0	811
3,160	4" pipe	1961	74	c	100%	$62,827	75	62	234,219	13	14	463,738	20%	80%	0%	0	6,412
5,530	6" pipe	1961	74	c	100%	$109,770	75	62	409,220	13	14	810,228	20%	80%	0%	0	11,203
1,150	8" pipe	1961	88	c	100%	$27,146	75	62	101,200	13	14	200,369	20%	80%	0%	0	2,771
1	Sodium Hypochlorite Equipment	2017	10,000	c	100%	$8,804	13	6	10,000	7	8	14,775	100%	0%	0%	0	1,815
10	Fire hydrants	1961	2,600	c	100%	$6,974	50	62	26,000	-12	5	33,183	25%	0%	75%	0	1,643
2	8" gate valves	1961	875	c	100%	$469	40	62	1,750	-22	5	2,233	100%	0%	0%	0	Not Cap.
9	6" gate valves	1961	334	c	100%	$806	40	62	3,006	-22	5	3,837	100%	0%	0%	0	Not Cap.
1	Pressure Tank (1200gal)	2010	65,000	c	100%	$49,327	7	13	65,000	-6	5	82,958	25%	0%	75%	0	4,107
100	Chain link fence (100ft)	2010	118	c	100%	$8,955	25	13	11,800	12	13	22,251	25%	0%	75%	0	415
1	well hourse (10x10)	2010	10,000	c	100%	$7,589	50	13	10,000	37	38	63,855	25%	0%	75%	0	382
1	chlorine storage building (10x10)	2010	10,000	c	100%	$7,589	50	13	10,000	37	38	63,855	25%	0%	75%	0	382
1	Misc Tools	2010	2,500	c	100%	$1,897	10	13	2,500	-3	5	3,191	100%	0%	0%	0	Not Cap.
1	office equipment	2010	1,000	c	100%	$759	5	13	1,000	-8	5	1,276	100%	0%	0%	0	Not Cap.
2	LMI chlorine pump	2017	2,300	c	100%	$4,050	10	6	4,600	4	5	5,871	100%	0%	0%	0	1,162
2	Chlorine storage container (70 gal)	2017	500	c	100%	$880	10	6	1,000	4	5	1,276	100%	0%	0%	0	Not Cap.
100	Chlorine tubing (100')	2022	3	c	100%	$294	1	1	300	0	1	315	100%	0%	0%	0	Not Cap.
	Subtotal Replacement of Existing Capital Assets					$805,295			1,452,907			2,864,271	22%	70%	8%	0	46,838

Replacement of Funded Project Assets

Quantity	Asset	Year Acquired	Unit Cost	Cost Type (C, F)	% Belonging to Water		Normal Estimated Life	Time to Complete	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
					100%								0%	0%	0%	0	0
	Subtotal Replacement of Funded Project Assets								0			0	0%	0%	0%		0

Reserves for Additional Capital Assets

Quantity	Asset	Year to be Purchased	Unit Cost	Cost Type (C, F)	% Belonging to Water		Normal Estimated Life	Years to save	Estimated Current Cost			Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
1	Arsenic Treatment	2025	7,000,000	C	100%		40	2	7,000,000			7,717,500	0%	100%	0%	0	0
	Hydrant & Steel Pipe Replacement				100%								0%	0%	0%	0	
	Subtotal Reserves for Additional Capital Assets								7,000,000			7,717,500	0%	100%	0%		0
	Total Capital Reserves								**8,452,907**			**10,581,771**	**6%**	**92%**	**2%**	**0**	**46,838**