

STATE OF IDAHO
DEPARTMENT OF ENVIRONMENTAL QUALITY

DRINKING WATER
STATE REVOLVING FUND
ANNUAL REPORT

for
State Fiscal Year 2010
July 1, 2009 - June 30, 2010

TABLE OF CONTENTS

| | |
|--|----|
| INTRODUCTION | 2 |
| GOALS AND PROGRESS | 3 |
| DWSRF LOAN AND SET-ASIDE ACTIVITIES | 7 |
| SOURCES OF DWSRF FUNDING | 8 |
| Capitalization Grants | 8 |
| State Match | 8 |
| Interest Earnings | 8 |
| Repayments | 8 |
| USES OF DWSRF FUNDS | 8 |
| LOAN ASSISTANCE STATUS | 8 |
| Binding Commitments | 9 |
| Small Systems | 9 |
| Disadvantaged Community Systems | 9 |
| Disbursements | 9 |
| SOURCES AND USES OF COMMITTED DWSRF FUNDING | 10 |
| USES OF DISBURSED DWSRF FUNDING | 11 |
| FUNDED PROJECTS IN STATE FY 2010 | 12 |
| SET-ASIDE ACTIVITY STATUS | 13 |
| Administration | 13 |
| Small Systems Technical Assistance | 13 |
| State Program Management | 13 |
| Local Assistance and Other Programs | 14 |
| COMPLIANCE WITH OPERATING AGREEMENT AND GRANT CONDITIONS | 15 |
| ATTACHMENT A. FY 2010 FUNDABLE PROJECTS | |
| ATTACHMENT B. FY 2010 PRIORITY LIST | |
| ATTACHMENT C. FY 2010 FINANCIAL STATEMENTS | |
| ATTACHMENT D. FY 2010 PROJECT BENEFIT REPORTING SUMMARIES | |

**STATE OF IDAHO
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2010 ANNUAL REPORT**

INTRODUCTION

This annual report is prepared for and submitted to the United States Environmental Protection Agency (EPA) in compliance with the requirements of Section 1452 of the Safe Drinking Water Act. The reporting period is state fiscal year (SFY) 2010, which began July 1, 2009 and ended June 30, 2010. This report describes how the Department of Environmental Quality (DEQ) has met the goals and objectives of its Drinking Water State Revolving Fund (DWSRF) as identified in the Intended Use Plans and Capitalization Grant Applications. In addition to addressing these documents, this report reflects the sources and uses of all DWSRF funds during SFY 2010.

At the end of SFY 2010 the DWSRF was capitalized with fourteen federal capitalization grants and the corresponding state match. Figure 1 shows these funds by federal fiscal year (FFY) as well as the allocation of the funds for set-aside activities and for loans.

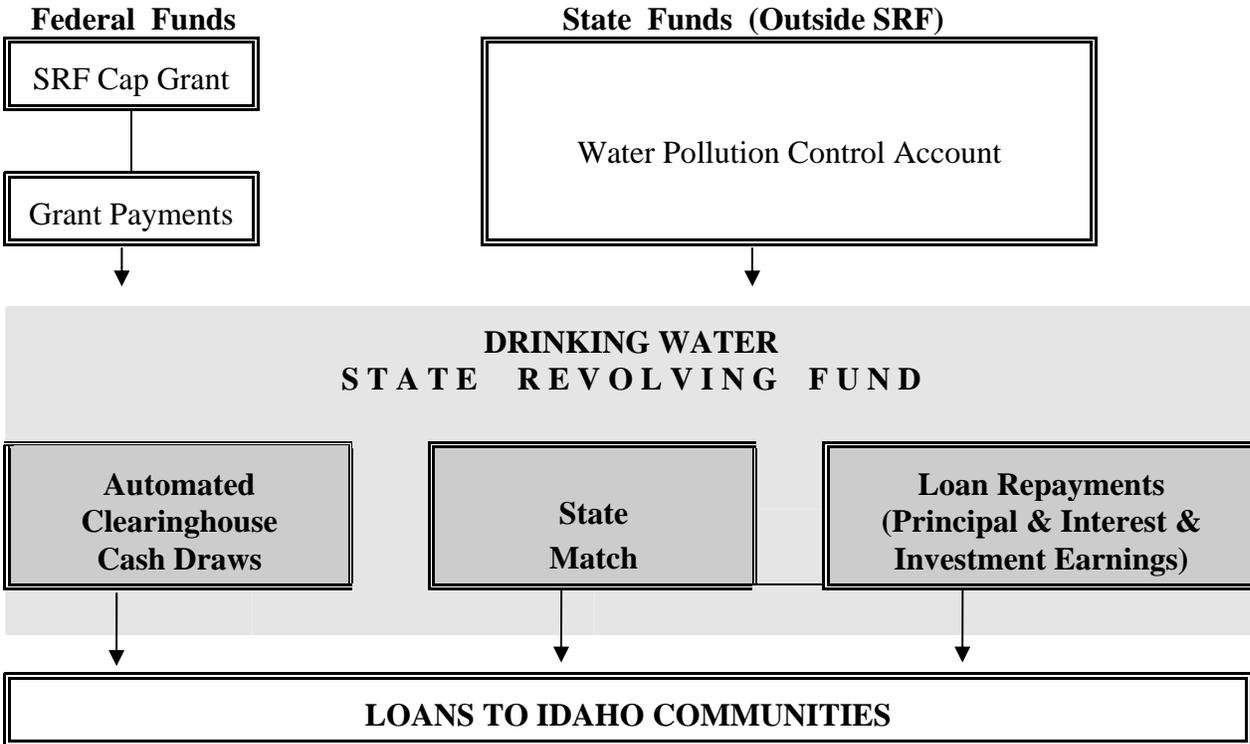
FIGURE 1. IDAHO DWSRF FUNDING THROUGH 6/30/10

| Federal Fiscal Year | Capitalization Grant Amount | Less: Set-Asides | Balance of Cap. Grant | 20% State Match | Net Available for Drinking Water Loans |
|----------------------------|------------------------------------|-------------------------|------------------------------|------------------------|---|
| 1997 | \$14,157,800 | \$2,406,826 | \$11,750,974 | \$2,831,560 | \$14,582,534 |
| 1998 | 7,121,300 | 1,182,279 | 5,939,021 | 1,424,260 | 7,363,281 |
| 1999 | 7,463,800 | 1,791,312 | 5,672,488 | 1,492,760 | 7,165,248 |
| 2000 | 7,757,000 | 2,404,670 | 5,352,330 | 1,551,400 | 6,903,730 |
| 2001 | 7,789,100 | 2,414,621 | 5,374,479 | 1,557,820 | 6,932,299 |
| 2002 | 8,052,500 | 2,496,275 | 5,556,225 | 1,610,500 | 7,166,725 |
| 2003 | 8,004,100 | 2,481,271 | 5,522,829 | 1,600,820 | 7,123,649 |
| 2004 | 8,303,100 | 2,573,961 | 5,729,139 | 1,660,620 | 7,389,759 |
| 2005 | 8,285,500 | 2,568,505 | 5,716,995 | 1,657,100 | 7,374,095 |
| 2006 | 8,229,300 | 2,563,328 | 5,665,972 | 1,653,760 | 7,319,732 |
| 2007 | 8,229,000 | 2,550,990 | 5,678,010 | 1,645,800 | 7,323,810 |
| 2008 | 8,146,000 | 2,525,260 | 5,620,740 | 1,629,200 | 7,249,940 |
| ARRA | 19,500,000 | 0 | 19,500,000 | N/A | 19,500,000 |
| 2009 * | 8,146,000 | 2,525,260 | 5,620,740 | 6,629,200 | 12,249,940 |
| Total | \$129,184,500 | \$30,484,558 | \$98,699,942 | \$26,944,800 | \$125,644,742 |

* 20% State Match Note: The State contributed \$5 million of additional match in SFY 2010 (discretionary ARRA distribution from Governor's Office).

Figure 2 illustrates the flow of monies through the DWSRF. The Idaho Water Pollution Control Account is perpetually appropriated to provide the state match.

FIGURE 2. STATE REVOLVING FUND AND ACCOUNTS FLOW CHART



AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) GOALS AND PROGRESS

GOAL 1

Make loan commitments to those projects ready to be able to have their loan commitment under contract by February 17, 2010. In order to meet the requirements and deadlines of the ARRA for the expeditious and timely commitment and expenditure of funds, the State of Idaho will regularly review the data reported to EPA on the progress of assistance recipients to identify any issues with the timeliness of the projects. Additionally, DEQ will work with loan recipients to expend ARRA monies in a timely manner.

Progress

By February 17, 2010 DEQ had loan commitments for 100 percent of the ARRA grant award. By the end of SFY 2010 Idaho expended 41.5% of the ARRA award.

GOAL 2

Comply with ARRA reporting requirements so as to demonstrate a transparent accountability and the creation or retention of jobs .

Progress

DEQ has maintained compliance with reporting requirements.

GOAL 3

Provide for the subsidy level required of the ARRA projects, consistent with IDAPA 58.01.12.021. Fundable ARRA projects will be subsidized to the fifty percent level of the total ARRA award, in the aggregate, as required in the ARRA legislation, and the subsidies will be listed for DEQ Board approval upon completion of the public comment period. The amounts of subsidies and financing terms will be determined after the prospective ARRA recipients have submitted an additional questionnaire.

Progress

DEQ has structured its loan agreements to provide 50 percent of the ARRA funds be provided as subsidy.

GOAL 4

Provide for the green infrastructure support required of the ARRA projects. DEQ will document and support green infrastructure projects at the twenty percent (20%) level required in the ARRA (\$3,900,000).

Progress

Idaho exceeded the green project reserve goal by \$197,970.

GOAL 5

Ensure that ARRA-funded projects (including ARRA funds received from the Governor's Office) are compliant with ARRA-specific requirements such as Davis-Bacon wage provisions, use of American manufactured products, and the reporting requirements needed to highlight accountability. Additionally, ensure that ARRA-funded projects will make every effort to maximize job creation and economic benefits to the communities.

Progress

A number of efforts have been undertaken to ensure that ARRA funded projects are compliant with the new grant agreements.

- ❖ DEQ has created a comprehensive web page to disseminate ARRA requirements and guidance.
- ❖ Email notifications of new web postings have been routinely disseminated to a broad range of interested parties around the state.
- ❖ Loan contract provisions have been altered and those changes have been drawn attention to in companion transmittals.

BASE GRANT LONG TERM GOALS AND PROGRESS

Five long-term goals were identified in the Intended Use Plan (IUP) that was previously submitted to EPA with the capitalization grant application. DEQ has made progress toward achievement of these long-term goals.

GOAL 1

Protect public health of citizens served by drinking water systems by offering financial assistance to construct the most cost-effective drinking water facilities. Financial assistance includes below-market-rate loans and may include principal forgiveness (for disadvantaged communities).

Progress

By June 30, 2010 DEQ had completed thirteen annual rounds of establishing priority lists in order to make the funding available. However, because the need of all communities is much larger than the available funds, DEQ has attempted to base funding for projects as much as possible on priority order and readiness to proceed. Loan applications are only solicited for amounts equal to the funds available. This prevents communities from having to incur the cost of preparing an application for which funds are not available.

DEQ staff communicates with other state and federal agencies that provide funding for drinking water projects in order to coordinate efforts. It is likely that some future projects for which SRF loans will be awarded will also have State and Tribal Assistance grants, Army Corps of Engineering grants, Community Development Block grants and U.S. Department of Agriculture Rural Development grants and loans.

GOAL 2

Assist public water systems as they strive to achieve and maintain statewide compliance with federal and state drinking water standards. DEQ will provide information and technical assistance in the form of brochures and the quarterly Drinking Water Bulletin, which contains articles on such topics as the DWSRF, operator training and certification, and ground water under the direct influence monitoring and treatment technology.

Progress

DEQ has provided information and technical assistance in the form of brochures and articles in the quarterly Drinking Water Bulletin, on such topics as the DWSRF, operator training and certification, and groundwater under the direct influence of surface water monitoring and treatment technology.

GOAL 3

Implement a capacity development strategy. The goal of the capacity development

program is to ensure that our current capacity to deliver safe, reliable water is not only maintained but is expanded to meet future needs. This goal is facilitated by supporting public water systems in the maintenance and expansion of their technical, financial, and managerial capacity.

Progress

The focus of the capacity development strategy is to ensure that our current capacity to deliver safe, reliable water is not only maintained but is expanded to meet future needs. DEQ has expended significant effort in the development of a capacity development strategy and is implementing the strategy. This goal has been facilitated by assisting communities in the maintenance and expansion of their technical, financial and managerial capacity. A recent addition has been the support of operator training needs.

GOAL 4

Implement a source water assessment and protection strategy. A source water assessment provides information on the potential threats to public drinking water sources. (In Idaho most of those sources are groundwater.)

Progress

DEQ's ongoing implementation of its Source Water Assessment and Protection strategy focuses on three major components of source water protection: Assessment, Planning and Implementation.

Assessment: The Idaho Source Water Assessment Plan was completed by the state in 1999, at which time it was also approved and recognized by the U.S. Environmental Protection Agency (EPA). DEQ was successful in completing assessments on all recognized public water sources by May 2003, in accordance with the timetable set forth by the state and the EPA and continues to complete assessments for new public water sources as well as update assessments as new information becomes available. In 2010, DEQ developed an online Source Water Assessment reporting tool that allows DEQ to post SWA delineation, potential contaminant inventory, and susceptibility ranking information online in an interactive mapping format. DEQ also integrated SDWIS and GIS information, developed an online susceptibility scoring application and an auto generated report feature. The website will allow users (PWS, local governments, developers, public, etc) to easily locate source water protection areas within a geographic area and provide regularly updated PCI information.

In 2010, 58 source water delineations and 5 source water assessment reports were completed. DEQ postponed the completion of the majority of planned SWA reports in 2010 until the final online SWA program is completed. The website is expected to be up and running in September 2010.

Planning: DEQ assists communities develop state certified drinking water protection plans and regional planning efforts. To date 130 protection plans have been state certified.

Implementation: DEQ assists communities with implementation activities by providing technical assistance, educational materials, and training opportunities. DEQ has also implemented an online grant program to provide financial assistance to PWS and communities to implement drinking water protection projects. Thirteen projects were funded in 2010.

GOAL 5

Administer Idaho's DWSRF to ensure its financial integrity, viability and revolving nature in perpetuity.

Progress

Loan applications have been and will be carefully scrutinized to assure technical, managerial and financial capacity and thereby loan repayment. In most cases loans will be secured by revenue bonds which will be held as collateral for the loan. In the case of projects that are funded using the "ordinary and necessary" provisions allowed by the *Idaho Constitution*, covenants are required which give the DWSRF rights to recover in case of nonpayment. "Ordinary and necessary" loans also are collateralized by promissory notes. All loan ordinances establish reserve accounts to be drawn upon to make a loan repayment in case of a shortfall in the collection of user charges.

SHORT TERM GOALS AND PROGRESS

In its Intended Use Plan DEQ identified two short-term goals to be implemented in SFY 2010. These have been addressed as follows:

GOAL 1

Perform all necessary tasks to assure that all loan assistance requested for SFY 2010 funding is provided to projects on the list in a timely manner.

Progress

DEQ staff has worked diligently to obtain loan applications from any and all projects that were willing and able to proceed. Many meetings were held with potential loan applicants. DEQ signed three new loans, provided increases to an existing loan and at year end there were several loan applications in various stages of being processed.

GOAL 2

Complete the federal fiscal year (FFY) 2010 capitalization grant application in a timely manner.

Progress

The capitalization grant application has been submitted and approved.

DWSRF LOAN AND SET-ASIDE ACTIVITIES

The following is a detailed discussion of the DWSRF activities during SFY 2010. Details are provided on the sources of program funding, the status of loan activities and the status of set-aside

activities.

Table 1 and Table 2 (on pages 13 and 14) provide information about the sources and uses of DWSRF funding. Table 1 shows new sources of DWSRF funds available in SFY 2010. It also shows the binding commitments, work plan commitments, and administrative funding commitments made each year from those funds. Table 2 shows Idaho's actual disbursements in SFY 2010. (Note: disbursed funds reflect cash outlays from the current year's committed funds as well as from the funds committed in previous years.)

SOURCES OF DWSRF FUNDING

The DWSRF received funding from the following sources in SFY 2010:

◆ Capitalization Grants

EPA has awarded Idaho \$129,184,500 in federal capitalization grants through 6/30/2010. The EPA has awarded Idaho \$8,146,000 of regular SRF federal capitalization grants for FFY 2009 and a \$19,500,000 ARRA grant. The ARRA grant spanned SFYs 2009 and 2010.

◆ State Match

Idaho provided \$1,629,200 as the required 20 percent state match for the FFY 2009 capitalization grant. The state match was provided from the Water Pollution Control Account which is perpetually appropriated to DEQ by statute. When Automated Clearing House cash draws are made the appropriate state match is provided. Additionally, the State provided an additional distribution of \$5 million from the Governor's Office, which is being classified as State Match.

◆ Interest Earnings

There was \$550,170 in cash basis interest earnings on investments during the reporting period.

◆ Repayments

DEQ received \$5,158,140 in cash basis loan repayments during SFY 2010. The repayments consisted of \$1,417,562 in interest and \$3,740,578 in principal.

USES OF DWSRF FUNDS

To fund set-aside activities \$2,525,260 was made available from the FFY 2009 capitalization grant. Specific information regarding set-asides is provided later in this document.

LOAN ASSISTANCE STATUS

The DWSRF entered into loan agreements with an additional eleven public water systems and increased the award on an existing loan for a total of new commitments of \$24,231,536 during the

reporting period. A list and description of the funded projects follows on Table 3.

◆ Binding Commitments

On a cumulative basis, the DWSRF has obligated \$155,374,312 of available loan funds to projects. This amount of commitments exceeds the total capitalization grants available for loans and their related state match by \$26,189,812.

◆ Small Systems

All states are required to provide at least 15% of DWSRF funds to small systems that serve fewer than 10,000 people. To date 51 small systems have been funded totaling \$105,096,081 or 83% of the funds committed.

◆ Disadvantaged Community Systems

Nine disadvantaged loans were issued during SFY 2010 with \$19,781,536 in total commitments and \$5,957,338 of principal forgiveness.

◆ Disbursements

\$24,283,995 was disbursed to loan recipients during SFY 2010.

TABLE 1. SOURCES AND USES OF COMMITTED DWSRF FUNDING

| Sources | |
|--|---------------------|
| Capitalization Grant | \$27,646,000 |
| State Match | 1,629,200 |
| State Contribution from Governor's Office | 5,000,000 |
| Investment Interest Earnings | 550,170 |
| Principal Repayments | 3,740,578 |
| Loan Interest Earnings | 1,417,562 |
| SOURCES TOTAL | \$39,983,510 |
| Uses | |
| <i>LOANS</i> | |
| DWSRF Loan Account Binding Commitments | \$24,231,536 |
| LOANS SUBTOTAL | 24,231,536 |
| <i>SET-ASIDE WORKPLAN COMMITMENTS</i> | |
| Technical Assistance (maximum of 2%) - 1452(g)(2) | 162,920 |
| State Program Management (maximum of 10%) - 1452(g)(2) | |
| PWSS Program | \$773,870 |
| Operator Certification | 40,730 |
| <i>State Program Management Subtotal</i> | 814,600 |
| Wellhead Protection | 814,600 |
| Capacity Development | 407,300 |
| SET-ASIDE WORKPLAN COMMITMENTS SUBTOTAL | 2,199,420 |
| <i>SET-ASIDE ADMINISTRATION COMMITMENTS</i> | |
| Administration (maximum of 4%) - 1452(g)(2) | 325,840 |
| SET-ASIDE ADMINISTRATION COMMITMENTS SUBTOTAL | 325,840 |
| USES TOTAL | \$26,756,796 |

TABLE 2. USES OF DISBURSED DWSRF FUNDING*

| Loan Uses | | |
|--|-------------------|----------------------------|
| Standard Loans - 1452(a) | | \$4,754,903 |
| Small Systems (<10,000 pop.) - 1452(a)(2) | | |
| Standard | \$7,159,992 | |
| Disadvantaged Communities - 1452(d) | <u>12,369,100</u> | |
| <i>Committed Subtotal</i> | | <u>19,529,092</u> |
| LOAN DISBURSEMENT SUBTOTAL | | <u><u>\$24,283,995</u></u> |
| Set-Aside Uses | | |
| Technical Assistance (maximum of 2%) - 1452(g)(2) | | \$162,920 |
| State Program Management (maximum of 10%) - 1452(g)(2) | | |
| PWSS Program | | 774,616 |
| Other State Programs (maximum of 15%) - 1452(k) | | |
| Capacity Development | 225,937 | |
| Wellhead Protection | <u>903,050</u> | |
| <i>Other State Programs Subtotal</i> | | 1,128,987 |
| DWSRF Administration (maximum of 4%) - 1452(g)(2) | | 452,376 |
| SET-ASIDE SUBTOTAL | | <u><u>\$2,518,898</u></u> |
| USES TOTAL | | <u><u>\$26,802,893</u></u> |

***Note: The DWSRF uses a grant specific proportionality method for cash draws.**

The percentages of federal funds drawn from each capitalization grant are:

80.5825243% for Federal Fiscal Year (FFY) 1997;

80.6572641% for FFY 1998;

79.1666667% for FFY 1999;

77.5280899% for FFY 2000 through 2005;

77.4904566% for FFY 2006; and

77.5280899% for FFY 2007 through 2010.

TABLE 3. FUNDED PROJECTS IN STATE FISCAL YEAR 2010 *

| Priority Rank | Name | EPA ARRA Amount + | Gov's ARRA Amount** | Base Grant Amount | Total Loan Amount | Project Description | Population Served | Disadvantaged Assistance |
|---------------|--|-------------------|---------------------|-------------------|-------------------|--|-------------------|--------------------------|
| 5 | Caribou Acres Homeowners Association | | | 600,000 | 600,000 | The system needs to come into compliance with lead and copper rules and improve its supply | 137 | Yes |
| 11 | City of Inkom | 1,300,000 | | | 1,300,000 | Copper treatment, upgrades to distribution system | 740 | Yes |
| 12 | City of Tensed | 500,000 | | | 500,000 | City needs to improve its system pressure, build a pump house and improve its treatment methodology | 121 | Yes |
| 16 | Cub River Acres Homeowners Association | | | 520,000 | 520,000 | Construct improvements to the two wells, repair the storage facilities, replace distribution piping and reconstruct the treatment facilities | 246 | No |
| 17 | El Rancho Heights Homeowners Association | | | 188,385 | 188,385 | Apply central treatment for high arsenic levels | 243 | No |
| 24 | City of Weston | | | 600,000 | 600,000 | The City needs to improve its distribution system, drill a new well and install emergency power | 433 | Yes |
| 28 | Oden Water Association | | | 450,000 | 450,000 | System needs distribution improvements and treatment upgrades | 814 | No |
| 38 | City of Grace | 1,925,000 | 2,894,851 | | 6,624,189 | City needs additional storage, back-up power supply and distribution system improvements | 996 | Yes |
| 45 | City of American Falls | | 260,506 | 2,074,256 | 2,334,762 | Construct additional storage, replace leaking distribution system and correct rising arsenic levels | 3,985 | No |
| 46 | City of Blackfoot | | | 4,000,000 | 4,000,000 | Construct storage reservoir and booster pump station to help solve low pressure and fire flow issues | 10,707 | No |
| 57 | City of Kimberly | 3,501,000 | 1,844,643 | 1,254,357 | 6,600,000 | System needs a new well, additional storage, distribution system improvements and implementation of conservation measures | 2,674 | Yes |
| Total | | \$7,226,000 | \$5,000,000 | \$11,491,336 | \$23,717,336 | | | |

* **Funded Projects in State Fiscal Year 2010 Note:** Table does not include increases to existing loans of \$514,200.

+ **EPA ARRA Note:** Central Shoshone County Water District received a \$12,274,000 EPA ARRA loan in State Fiscal Year 2009.

** **Gov's ARRA Note:** Idaho's Office of the Governor distributed \$5 million of discretionary ARRA funds to DEQ.

Set-Aside Activity Status

The following pages provide an overview of activities funded with DWSRF set-aside monies in SFY 2010.

Set-Aside: Administration

\$325,840 was set-aside from the FFY 2009 capitalization grant. The majority of funds from this set-aside paid salaries and associated expenses of personnel administering the DWSRF program. The DWSRF is not currently charging fees to supplement available set-aside funds. In the last year the DWSRF staff has completed the following administrative activities:

- ◆ Development of comprehensive priority list of projects
- ◆ Project selection and development of IUP
- ◆ Conduct public notice of priority list and IUP
- ◆ Preparation of capitalization grant application
- ◆ Development of set-aside workplans
- ◆ Solicitation of applications
- ◆ Awarding of 11 new loans and increases to an existing loan
- ◆ Closing of 2 existing loans

| Funds Available 7/1/09 | Spent During SFY 2010 | Funds Available 6/30/10 |
|------------------------|-----------------------|-------------------------|
| FFY06- \$193,275 | \$193,275 | \$0 |
| FFY07- \$329,160 | \$259,101 | \$70,059 |
| FFY08- \$325,840 | \$0 | \$325,840 |
| FFY09- \$325,840 | \$0 | \$325,840 |

Set-Aside: Small Systems Technical Assistance

\$162,920 was set-aside from the FFY 2009 capitalization grant. The FFY 2009 set-aside amount will be used to complete Plan and Specification reviews for drinking water systems serving populations under 10,000. This level of funding is sufficient to cover approximately 30 percent of the cost associated with this activity.

| Funds Available 7/1/09 | Spent During SFY 2010 | Funds Available 6/30/10 |
|------------------------|-----------------------|-------------------------|
| FFY08- \$162,920 | \$162,920 | \$0 |
| FFY09- \$162,920 | \$0 | \$162,920 |

Set-Aside: State Program Management

\$814,600 was set-aside from the FFY 2009 capitalization grant. These funds have been used mostly to maintain the Drinking Water Program's computer databases. A portion of the funding has been used for contracts with the District Health Departments around the state that assist small drinking water systems.

| Funds Available 7/1/09 | Spent During SFY 2010 | Funds Available 6/30/10 |
|------------------------|-----------------------|-------------------------|
| FFY07- \$615,318 | \$615,318 | \$0 |
| FFY08- \$814,600 | \$159,298 | \$655,302 |
| FFY09- \$814,600 | | \$814,600 |

Set-Aside: Local Assistance and Other Programs

Idaho set-aside funds for wellhead protection and capacity development.

◆ Set-Aside: Wellhead Protection

\$814,600 was set-aside from the FFY 2009 capitalization grant to implement Wellhead Protection efforts. These funds were, and are continuing to be, utilized to (a) perform delineations and assess the vulnerability of new public water sources to contamination, and (b) develop and implement drinking water and source water protection activities throughout the state.

Within Idaho, the focus of the Wellhead Protection program (referred to herein as the Drinking Water Protection program) is continuing to transition from primarily an *assessment* program to a *protection* program. The goal of drinking water protection is to implement preventive measures to minimize the possibility that land uses will contaminate the water used by public water systems. Drinking water protection measures include, among others, (a) public education efforts, (b) the implementation of on-the-ground drinking water protection projects, and (c) community assistance with the development and implementation of both *local* and *regional* drinking water protection plans.

| Funds Available 7/1/09 | Spent During SFY 2010 | Funds Available 6/30/10 |
|------------------------|-----------------------|-------------------------|
| FFY07- \$762,726 | \$762,726 | \$0 |
| FFY08- \$814,600 | \$140,324 | \$674,276 |
| FFY09- \$814,600 | \$0 | \$814,600 |

Idaho DEQ used funds from the Capacity Development set-aside for Operator Training and Certification as well as for implementation of the State’s Capacity Development Strategy.

◆ Set-Aside: Capacity Development and Operator Training and Certification

\$289,553 set-aside from the FFY 2009 capitalization grant was designated for Capacity Development efforts. The set-aside is used to implement the State’s Capacity Development Strategy and to fund facility planning efforts. The remainder of the set-aside will be used to contract for services and products (including the existing operator training contract with Brown Environmental to conduct training classes for the very small system operators). This includes enhanced sanitary surveys, technical/financial/managerial training and funds

for the operator training contract.

| Funds Available 7/1/09 | Spent During SFY 2010 | Funds Available 6/30/10 |
|------------------------|-----------------------|-------------------------|
| FFY06- \$262,445 | \$225,937 | \$36,508 |
| FFY07- \$411,450 | \$0 | \$411,450 |
| FFY08- \$407,300 | \$0 | \$407,300 |
| FFY09- \$407,300 | \$0 | \$407,300 |

COMPLIANCE WITH OPERATING AGREEMENT AND GRANT CONDITIONS

Idaho has complied with the conditions of the DEQ/EPA Operating Agreement and Capitalization Grants. The DWSRF has met and continues to be in compliance with the following conditions:

- ◆ Establish state instrumentality and authority
- ◆ Comply with applicable state laws and procedures
- ◆ Review technical, financial and managerial capacity of loan recipients
- ◆ Establish DWSRF loan account and set-aside accounts
- ◆ Deposit all funds in appropriate accounts
- ◆ Follow state accounting and auditing procedures
- ◆ Require loan recipient accounting and auditing procedures
- ◆ Submit IUP and use all funds in accordance with the plan
- ◆ Comply with enforceable requirements of the Act
- ◆ Establish capacity development authority
- ◆ Develop and submit priority ranking system
- ◆ Take payments based on payment schedule

Payments were received based upon the schedule included in the grant awards for SFY 2010.

- ◆ Deposit state matching funds

The State matching funds are derived from the Water Pollution Control Account, which by law is perpetually appropriated.

- ◆ Submit Annual Report and Annual Audit

The next required Annual Report, this report, is due 10/30/2010.

The Legislative Auditor shall conduct an annual audit of the DWSRF. The completed audit shall be submitted to EPA to fulfill that responsibility.

- ◆ Assure that borrowers have dedicated source of repayment

The ability to pay by each loan applicant is reviewed by Department. This review

determines that the user charge is sufficient to repay the loan, any previous loans, as well as ongoing operation and maintenance expenses. All loan agreements require that applicants issue a revenue bond, general obligation bond, local improvement district bond or promissory note as collateral for the loan. Additionally, a pledge of system revenue is made by the loan applicant.

- ◆ Use funds in a timely and expeditious manner

Binding commitments continue to increase. For projects that have been awarded loans DWSRF staff will monitor construction progress to ensure that operations are initiated within a reasonable time frame.

- ◆ Ensure recipient compliance with applicable federal cross-cutting authorities

The DWSRF and the loan recipients have complied with all applicable federal cross-cutting authorities.

An availability analysis was conducted to determine an overall fair share objective for Disadvantaged Business Enterprises (DBE). All loan recipients are required to solicit DBE participation in bid solicitations and are required to submit semi-annual reports on DBE utilization. DWSRF staff has compiled the project reports into single semi-annual reports that were submitted to EPA.

- ◆ Conduct environmental reviews

Of the 11 water systems receiving DWSRF loans during the last year 4 required a Categorical Exclusion, there were no Environmental Impact Statements prepared, with 7 systems requiring Findings of No Significant Impact.

- ◆ Implement operator certification program

The Idaho legislature passed a bill in 1997 that gave DEQ authority to adopt and implement a mandatory drinking water operator certification program. Under authority of this legislation DEQ has requires operators to be certified at the appropriate level. Rules necessary to implement certification went into effect on April 15, 2000. DEQ submits a separate annual report to EPA regarding the status of the operator certification program.