

**State of Idaho**  
**Water Pollution Control State Revolving Fund**  
**State Fiscal Year 2012**  
**Intended Use Plan**

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## IDAHO REVOLVING FUND

### INTENDED USE PLAN

#### APRIL 25, 2011 BOARD PROPOSAL

## **I. Introduction**

The State of Idaho, Department of Environmental Quality (DEQ) has adopted the following Intended Use Plan (IUP) for the State fiscal year 2012 (July 1, 2011 through June 30, 2012) as required under Section 606c of the Clean Water Act.

The primary purpose of the IUP is to identify the intended use of the funds available in Idaho's Water Pollution Control Loan Account. Projects on the Priority List, from which this IUP will be derived, have been reviewed by the public in accordance with Idaho's Administrative Procedures Act (Idaho Code Title 67, Chapter 52) and are proposed for approval by the State Board of Environmental Quality.

The IUP includes the following:

- ❖ lists of loan or extended term financing projects, including payment schedules for those most likely to qualify for a loan or extended term financing. "Loans" have repayment periods of up to 20 years and "extended term financings" have repayment periods beyond 20 years;
- ❖ long-term and short-term goals;
- ❖ assurances and specific proposals;
- ❖ criteria and methods for distribution of funds; and
- ❖ attachments relevant to the above.

Available funding for projects during the upcoming annual cycle is documented on the following page. In carrying out the requirements of Section 606(b)(8) of the Clean Water Act the State will use accounting, audit and fiscal procedures conforming to generally accepted governmental accounting standards. At this time of the writing of this IUP, the level of Federal funding is uncertain and the Fundable List will reflect a range of possible scenarios.

Four loans are currently in default (North Lake Sewer and Water District loans 1899-09/10/16/18). The District with oversight from the State has preserved its priority position in the bankruptcy court system. At the time of writing this IUP, it is expected that these loans will be repaid in full; however, the repayment date is uncertain. Therefore these repayment dollars are not anticipated to be available for the SFY 2012 IUP.

<b>Resources:</b>	
Cash on Hand 3/7/11	\$63,426,832
EPA Capitalization Grant FFY2011	6,933,120
State Match	1,444,400
<b>Loans Receivable:</b>	
SFY 2011 – March - June	2,003,523
SFY 2012	10,519,538
SFY 2013	10,519,538
<b>Income on Cash and Investments:</b>	
SFY 2011 – March - June	526,000
SFY 2012	1,242,000
SFY 2013	942,000
<b>Total Resources:</b>	\$97,556,951
<b>Current Remaining Loan Obligations:</b> (Loans in design/construction less disbursements)	(\$72,130,838)
Add back: 5 percent project shrinkage (Some projects will deobligate, or self-finance and reduce disbursement requests from the CWSRF)	3,606,542
<b>Net Remaining Loan Obligations:</b>	(\$68,524,296)
<b>NET RESOURCES AVAILABLE TO LOAN</b>	\$29,032,655

**Key Assumptions:**

Projects take thirty (30) months to construct and close from date of loan signing. We will use the **Total Resources** amount for the next twenty-seven (27) months to facilitate a conservative cashflow analysis. New loan obligations cannot exceed **Net Resources Available to Loan**. Projections are made quarterly. Our next projection will be made on 7/1/11, or when loans signed from this projection forward exceed the **NET RESOURCES AVAILABLE TO LOAN** amount whichever event comes first. No transfers will be made between the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF). Minimum Green Project Reserve will be \$1,444,400 and new subsidization will be \$2,230,777.

**Green Project Reserve Loan Activity During State Fiscal Year 2012**

For State Fiscal Year 2012, DEQ will draw upon previous experience in identifying and documenting compliance with the Green Project Reserve (GPR). A DEQ Environmental Engineer has been tasked to facilitate the gathering and winnowing of this information from loan recipients and their consulting engineers. For State Fiscal Year 2011 DEQ comfortably exceeded its 20% GPR and expects to make use of the same approach to achieved GPR compliance in 2012.

## **Loan Fees**

To provide for support of the administrative costs associated with operating the Water Quality SRF program or to otherwise facilitate the operation of the CWSRF effort, a fee program has been instituted. The fee will be one percent of the unpaid balance of the loan or extended term financing (unless the total interest rate and fee is less than 1%, in which case the fee will be that reduced total rate), payable when the regular repayments are made. The interest rate will be reduced by the corresponding percentage of the fee, so that there is no net effect on borrowers. Fees are only being charged on new loans/financings or on projects in progress, for which an offer amendment is required (for purposes other than adding the fee).

For SFY 2010, the fee revenues were \$349,087, and for SFY 2011, the expected fee revenue should stay stable at about \$345,000. The fee revenue account balance, at the time of this report, is \$741,000. Fee revenues will be used to fund SFY 2012 operator training classes, Water Quality SRF administrative and technical support costs incurred beyond the Federal Capitalization Grant support level, and wastewater planning grant support. In SFY 2010, \$319,760 of fees was used for program support. Through the first half of SFY 2011, \$144,502 was used for operator training, administrative/technical and planning grant support. The need for fee support for administrative/technical support is expected to be lower in SFYs 2011 and 2012, than it was in SFY 2010, due to the higher federal fiscal year 2010 capitalization grant.

The support for wastewater planning grants will include the direct support to municipalities for their plan development and the DEQ staff time to administer the grant support. The DEQ personnel costs will be drawn from each regional office and the State office in Boise. In each regional office, the personnel charging against the fee account will be engineering staff, to support planning grants. In the State office, the personnel time will consist of financial and environmental review staff. Costs of approximately \$250,000 will be charged to the direct support of municipal planning efforts.

Additionally, fee revenues will be used in SFY 2012 to support Clean Water Act efforts (as per IDAPA 58.01.12.032.01), namely the support of operator training efforts expected to cost approximately \$40,000. Surplus fee revenues will be transferred into the loan/financing repayment account, to increase "available resources." It is not anticipated that surplus fee revenues will be accrued in SFY 2012. Due to budgetary uncertainties, it is not known what level of fee expenditures would be made that would affect any residual monies comprising the surplus. Surplus fees will earn the same interest as regular repayment idle monies, and will be transferred to the fund corpus should a cashflow deficiency arise.

## **II. List of Projects**

Attachments I and II are the SFY 2012 Clean Water Loan Fundable List and Project Priority List. Upon completion of the public comment period, a final project listing will be submitted for approval by the Board of Environmental Quality on April 25, 2011.

The first use requirement of the Clean Water Act [Section 602(b)(5)], relating to National Municipal Policy (NMP), does not apply in Idaho since all NMP needs have been met

with separate funds in the form of state and federal grants and separate state loans in Federal fiscal year 1989.

### **III. Long-and Short-Term Goals**

DEQ's goals associated with the American Recovery and Reinvestment Act (ARRA) grant award of \$19,239,100 are to:

1. Ensure that ARRA-funded projects 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.
  - ❖ DEQ has worked towards this goal by adopting EPA generated checklists that were designed to help ensure project-by-project ARRA compliance. The use of such checklists will continue.
  - ❖ DEQ has taken corrective actions when EPA file reviews have indicated a weakness in documentation. DEQ will continue to work with the EPA to improve its project documentation.
  - ❖ DEQ continues to facilitate the resolution of Buy American issues that have presented challenges to loan recipients, contractors, DEQ and the EPA.
2. Comply with ARRA reporting requirements so as to demonstrate a transparent accountability and the creation or retention of jobs.
  - ❖ DEQ has responded well to new reporting requirements, completing quarterly reports to the Office of Management and Budget, monthly reports to the Senate Committee on Transportation and Infrastructure, and expanded reporting through the EPA Clean Water Benefits Reporting database. DEQ is training additional staff to ensure that reporting responsibilities will be fulfilled in the event of staff turnover.

DEQ's long-term, basic SRF goals are to:

1. Protect public health and the waters of the state by offering financial assistance for the construction of wastewater treatment facilities. Financial assistance includes below-market-rate loans (e.g. 20 year repayments) and extended term financing (e.g. 30 year repayments), and may include principal forgiveness for disadvantaged communities under limited circumstances.
  - ❖ DEQ met this goal by entering into 15 new loan agreements and making an increase to an existing loan during SFY 2010. The dollar amount of SFY loan agreements in SFY 2010 totaled \$48,482,646. Interest rates varied from a high of 1.75% (the base rate) to a low of 0% and principal forgiveness totaled \$9,731,770. DEQ will continue to manage its program aggressively to ensure a high volume of loan activity.
2. Assist local communities as they strive to achieve and maintain statewide compliance with federal and state water quality standards.

- ❖ Fourteen of the 15 loans signed in SFY 2010 addressed federal and/or state compliance issues. The Priority List rating criteria will continue to emphasize water quality, sustainability, and public health.
3. Administer Idaho's Water Pollution Control Loan Account to ensure its financial integrity, viability, and revolving nature in perpetuity.
    - ❖ The recent ARRA loans could have been signed with 100% principal forgiveness. DEQ choose to provide a lesser amount of principal forgiveness (relying upon established state rules for disadvantaged communities). This approach helped ensure the long term viability of the fund corpus.
    - ❖ Additionally, DEQ contributed an additional \$10 million of ARRA funds into the CWSRF from U.S. Department of Education discretionary funds allotted to our Governor's Office, further strengthening the fund's viability.
    - ❖ DEQ will continue to strive to ensure the viability of the fund. One way in which this will be accomplished is by applying a variable interest rate to loans/financings of different terms (e.g. 30 year extended term financings may have a higher interest rate than 20 year loans).

DEQ's short-term, basic SRF goals are to:

1. Assure that Federal fiscal year 2011 capitalization funding is disbursed to projects in a timely manner.
  - ❖ With the exception of loan/financing disbursement requests for projects that require the use of repayment funds (i.e. "recycled" loan dollars used for match), initial capitalization dollars will be used prior to repayment funds being used. This practice will ensure that initial capitalization funds are utilized in a timely manner.
2. Provide funding for nonpoint source projects and improve marketing efforts directed at potential sponsors of nonpoint source projects. This is a new trial effort and the initial sponsorship was funded with loan principal forgiveness. In the future all sponsorships will fund with interest rate reductions. Given current economic conditions (very low inflation rate) and the limited number of projects seeking sponsorship there is no need to introduce a competitive aspect or requirements to the sponsorship program. Should inflation start to approach historical norms or if the nonpoint source projects that are actively seeking sponsorship relationships materially increases, then DEQ will implement a competitive process for awarding sponsorships.
  - ❖ DEQ has recently adopted a "sponsorship" approach patterned on the State of Ohio's method of subsidizing nonpoint source projects. The City of Driggs has agreed to sponsor a nonpoint source project in the Teton Creek and interest has been expressed by several other nonpoint source project sponsors (e.g. Cities of Franklin and Georgetown).
3. Ensure clear tracking of fee revenues and expenditures, while developing clear rules, policies, and procedures related to a maturing fee structure.

- ❖ Financial statement disclosure has continued to change to meet State Legislative Service Office and EPA concerns over disclosure adequacy. In the absence of generally accepted accounting principles for non-primary government units, DEQ has chosen a very comprehensive disclosure approach.
4. Continue to review and update the State Environmental Review Process (SERP) and state Water Quality SRF Handbook, which is placed on the Department Web site. In conjunction with EPA Region 10 staff, DEQ will implement the Tier II environmental review process and update the Operating Agreement between DEQ and the EPA Region 10.
    - ❖ DEQ has submitted its Tier II process and revised Operating Agreement to the EPA's Region 10 office for approval.
  5. DEQ will implement extended term financing repayments (i.e. terms in excess of 20 years but not to exceed 30 years) and principal forgiveness for disadvantaged communities (as defined in rules) that are on the Fundable List starting with the most highly rated projects. If the extended repayment term does not drop the disadvantaged community below 1.5% of median household income (for their sewer rates), then DEQ may apply principal forgiveness to the extent allowed by the federal fiscal year 2011 capitalization grant (IDAPA 58.01.12.021).
    - ❖ DEQ has obtained EPA approval for its extended term financing process. DEQ will implement a variable interest rate structure that is set based upon the repayment term, so that loan or extended term financing recipients will be able to choose which funding terms they prefer. As in the past, the 20 year loans will incorporate the base interest rate. If the extended term financing recipients choose an extended financing repayment option, they will pay 0.25% higher above the base interest rate. If a loan recipient chooses to pay down its debt more in a 10 year period their interest rate will be 0.25% below the base interest rate.
  6. Ensure that project files include clear documentation to support compliance with Executive Order 12898 on Environmental Justice and inclusion of financial assessments.
    - ❖ DEQ recently made changes to its CWSRF Loan Handbook to facilitate financial assessments. DEQ is including an Environmental Justice review in its environmental assessments.
  7. Monitor matching contributions for Federal grants to ensure they are not drawn from initial capitalization funds.
    - ❖ This goal is met by communicating frequently with Fiscal staff to ensure they draw funds appropriately.
  8. Ensure that Green Project Reserve goal of 20% of the capitalization amount is directed towards supporting such efforts as energy efficiency, water conservation and innovative green projects. Utilize in-house environmental engineering expertise to facilitate meeting this goal.
    - ❖ This goal will be met by comparing end-of-project costs to initial estimates, and making any corrections to the EPA reporting database.

9. Ensure compliance with Davis-Bacon wage provision requirements.
  - ❖ DEQ recently made changes to its CWSRF Loan Handbook to include Davis Bacon language into the form that displays model contract language (form 6-C).

## **IV. Information on the Activities to be Supported**

### **A. Allocation of Funds/Assistance Terms**

The primary type of assistance to be provided by the Water Quality SRF is expected to be low-interest loans for up to 100% of project costs. The base rate of interest for SFY 2012 will be 1.75% for 20 year loans awarded directly by DEQ (DEQ Policy Memorandum 11-01). If a loan recipient prefers to repay its extended term financing over a 30 year period, the interest rate would be adjusted to 2.00%; conversely, if a loan recipient prefers to repay its loan over a 10 year period the interest rate would be adjusted to 1.50%. If a loan recipient renegotiates a current or open 20 year loan to a 30 year extended term financing, the interest will be adjusted upwards by 0.25%.

Currently, there are very few loans that would be good candidates for changing their terms from a 20 year repayment to a 30 year repayment. Since DEQ does not refinance existing debt, the project would still have to be under construction with an open loan to be considered for a change of terms. Many cities and districts that are financing projects that are currently under construction are ARRA funded projects and as such are heavily subsidized with principal forgiveness and minimal repayments of \$100,000. Due to their low principal repayment, the ARRA loan recipients would generally not make good candidates for renegotiating existing loan terms. Additionally, many loans are to communities in which the user rate does not present an undue burden upon the community and therefore the loan recipients could not make a claim of being an economically disadvantaged community. There are some communities with projects that are currently under construction: that are borrowing significant sums, and are expecting onerous user rates (Cities of Ammon, Greenleaf, Filer, Rigby, and the Granite-Reeder Sewer and Water District). These few communities may seek to renegotiate their existing repayment term from 20 years to 30 years.

All loans and extended term financings will be paid back over a period not to exceed 30 years. There could be some disadvantaged loans where the interest rate will be lower than 1.75% and principal forgiveness will be allowed (up to the allowance set in the Federal fiscal year 2011 capitalization grant). This determination will be made on a case by case basis. CWSRF-specific disadvantaged loans, as directed by the Federal fiscal year 2011 appropriation, will be directed to those communities that are ready to proceed and that meet disadvantaged community criteria established in IDAPA 58.01.12.021. Principal reductions will be consistent with Rule requirements. The principal forgiveness will be distributed equally amongst the disadvantaged community projects on the Fundable List, based on each project's percentage of the total (disadvantaged community project costs). Principal and interest repayments must begin no later than one year after the initiation of operation date.

The Federal fiscal year CWSRF allocation will be \$7,222,000. The most the Federal fiscal year appropriation would allow to be distributed as a subsidy or principal forgiveness is \$2,230,777. Idaho will accomplish this by compliance with its Rules for Administration of Water Pollution Control Loans requirements for supplemental grants, which detail criteria for assistance for disadvantaged communities (IDAPA 58.01.12.021) and will document the proposed funding terms on Attachment I, Fundable List. The proposed funding terms are contingent upon confirmation of the contractual amounts of the project, to ensure that the impact on the users is substantiated. If the contractual costs are less than the initial estimate, the subsidy will be reduced by the percent necessary to ensure Rule compliance. To the extent that entities on the Fundable List qualify as disadvantaged, they will share equally, on a project cost pro-rata basis, in the \$2,230,777 that is available for principal forgiveness. For those entities that receive a subsidy (i.e. principal forgiveness) the interest on their loan or extended term financing will not begin accruing until the repayment phase (i.e. after the end of construction). Principal forgiveness is capped at the amount necessary to keep user rates at 1.5% of median household income. To the extent that growth is funded with subsidized loans or extended term financing, it will only be for reasonable, average growth.

Should entities that are slated for principal forgiveness on the Fundable List opt out of the SRF loan or extended term financing process, their subsidies shall be set aside in a pool. At the end of the SFY the pool balance will be allocated to those disadvantaged communities that:

- ❖ entered into loans or extended term financings with DEQ during the course of the year; and
- ❖ will pay user rates that exceed 1.5% of the community's median household income, after taking into account the initial allocation of principal forgiveness.

**B. Administrative Costs of the Water Quality SRF**

DEQ plans to reserve not more than 4% of the regular capitalization grant for administrative expenses.

**C. Loan-Eligible Activities**

CWSRF loans will provide for planning, design, and construction of secondary, and advanced secondary interceptors and appurtenances for infiltration/inflow correction, collector sewers and appurtenances, new interceptor sewers and appurtenances, combined sewer overflow correction, stormwater management programs and recycled water distribution. Water Quality SRF loan assistance will be provided to local communities, counties, sewer districts, and non-profit sewer associations for the construction of publicly owned wastewater treatment facilities. Loans or extended term financings may also be provided to sponsors of nonpoint source projects to implement water pollution control projects. Such projects must be consistent with the State Water Quality Management Plan and demonstrate a nexus or benefit to a municipality. Additionally, funding will be provided for Green Project Reserve to meet the federal fiscal year 2011 appropriation requirement of 20%.

#### **D. Sponsorship Agreements**

The traditional SRF loans will be leveraged to provide nonpoint source project funding. The interest rate charged on wastewater treatment/collection facility loans or extended term financings may be adjusted to accommodate nonpoint source projects that have a nexus with the point source community; however, even with a nexus, the nonpoint source projects will have no impact on the sponsor's NPDES permit. The nonpoint source projects will be administered by the Clean Water Act Section 319 grant staff with DEQ. The nonpoint source project will have the same administrative conditions as any Section 319 grant; however, SRF requirements such as Davis Bacon wage provisions will apply to the NPS project. Since none of the nonpoint source sponsorship projects are utilizing point source solutions (i.e. Clean Water Act Section 212) they will not need environmental reviews. See website for details:

[http://www.deq.idaho.gov/water/prog\\_issues/surface\\_water/nonpoint.cfm](http://www.deq.idaho.gov/water/prog_issues/surface_water/nonpoint.cfm)).

A sponsorship agreement will be signed between the point source loan recipient and the nonpoint source project manager. The point source loan recipient's rates will not be impacted by the NPS project. The NPS project costs will generally be funded by interest rate reductions, so that point source rate payers do not experience an increase in their rate burden. Should any NPS project help to meet a municipality's NPDES permit requirements, the NPS project will be treated as if it were an integral part of the point source project. The NPS sponsorship recipients will be compelled to follow the same administrative conditions as the regular SRF loan or extended term financings recipients (e.g. Davis Bacon wage provision compliance, reporting on efforts to contract with disadvantaged business enterprises, ensuring that contractors have not been debarred from engaging in federally funded work, etc.).

For SFY 2012, DEQ will facilitate the sponsorship of three nonpoint source projects. The NPS projects were selected because: they had completed a technically correct 319 grant application; they were in the same watershed as their sponsor; and, their sponsor was in support of the NPS effort. Since the current inflation rate is about 1.6%, the diminution of interest earning to the SRF corpus does not represent a perpetuity concern.

Due to the low number of sponsorship applicants and their status of being prequalified, there was no need to set a limit on how many sponsorships would be funded. When inflation rises to historical norms DEQ will assess a limitation on the number of sponsorships, to ensure that foregone interest does not have significant impact on the SRF corpus.

<b>SRF Loan</b>	<b>Nonpoint Source Project</b>	<b>Nonpoint Source Project Funding Amount</b>	<b>SRF Loan Modification</b>
City of Driggs (WW11XX)	Friends of the Teton – Teton Creek Channelization Repair	\$150,000	\$150,000 of principal forgiveness on \$10.5m 20 year loan
City of Georgetown (WW12XX)	Bear Lake Soil and Water Conservation District – Ovid Creek Livestock Exclusion	\$84,375	The loan interest rate is being lowered from 2.00% to 1.80% on a 30 year extended term financing
City of Franklin (WW1010)	Franklin Soil and Water Conservation District – Stabilization of approximately 1 mile of streambank, thereby reducing sediment loading.	\$113,700	Reduce the interest rate from 1.75% to 0% on a 20 year loan

## **V. Assurances and Specific Proposals**

### **A. Environmental Reviews - 602(a) of the Clean Water Act (CWA)**

DEQ certifies that it will conduct environmental reviews of each Clean Water Act Section 212 project receiving assistance from the Water Quality SRF. DEQ will follow its EPA-approved SERP for conducting environmental reviews. Some projects (denoted on the Fundable List as “Tier II”) will not be required to engage in the complete suite of agency consultation to develop their environmental information documents. Projects that are sited over a sole source aquifer, sited by a Wild and Scenic River or are joint funded with non-SRF Federal funding will have to complete the normal suite of agency consultations and these projects are denoted as “Tier I” projects on the Fundable List. At the writing of this Intended Use Plan the Environmental Protection Agency is in the last stage of reviewing/approving this new process. Explanations of this new process will soon be posted on-line in the Loan Handbook (Chapter 5, Forms C and B).

These procedures are outlined in Section 58.01.12.042 of the state Rules for Administration of Water Pollution Control Loans. More detailed procedures are embodied in the Wastewater Facilities Loan Account Handbook of Procedures

(Chapter 5). The Chapter 5 Checklist may be found at [http://www.deq.idaho.gov/water/permits\\_forms/forms/waste\\_water/form\\_j\\_eid\\_outline\\_c hecklist.doc](http://www.deq.idaho.gov/water/permits_forms/forms/waste_water/form_j_eid_outline_c hecklist.doc)

**B. Binding Commitments - 602(b)(3) of the CWA**

DEQ will enter into binding commitments for 120% of each quarterly payment within one year of receipt of that payment. Binding commitment dates are listed in Section VI of this plan.

**C. Expeditious and Timely Expenditures - 602(b)(4) of the CWA**

DEQ will expend all funds in the Water Quality SRF in a timely and expeditious manner.

**D. First-Use Enforceable Requirements - 602(b)(5) of the CWA**

DEQ certifies that all major and minor wastewater treatment facilities that the state has previously identified as part of the National Municipal Policy Universe are:

- ❖ In compliance, or
- ❖ On an enforceable schedule, or
- ❖ Have an enforcement action filed, or
- ❖ Have a funding commitment during or prior to the first year covered by an IUP.

**E. Compliance with Title II Requirements - 602(b)(6) of the CWA**

DEQ has met the specific statutory requirements for publicly-owned wastewater treatment projects constructed in whole or in part before SFY 1995 with funds directly made available by federal capitalization grants. Therefore, DEQ no longer plans to use its federal capitalization grant and state match on “equivalency projects.” These projects meet the 16 specific statutory requirements provided by Section 602(b)(6) of the Clean Water Act as amended by the Water Quality Act of 1987, Public Law 100-4 and are eligible under 201(b); 201(g)(1) and (2); 201(N); and 211.

However, DEQ agrees to comply with and to require recipients of loans from Idaho’s Water Pollution Control Loan Account to comply with applicable federal cross-cutting requirements (with the exception of those loans or extended term financings that qualify for Tier II consideration). DEQ will notify EPA when consultation or coordination by EPA is necessary to resolve issues regarding these requirements.

**F. State Matching Funds - 602(b)(2) of the CWA**

DEQ agrees to deposit into the Water Quality SRF from state monies an amount equal to 20% of the capitalization grant on or before the date on which the state receives each grant payment from EPA. These funds will be transferred from Idaho’s Water Pollution Control Account.

**G. State Laws and Procedures - 602(b)(7) of the CWA**

DEQ agrees to expend all grant payment in accordance with state laws and procedures.

**H. Consistency with Planning**

DEQ agrees that it will not provide assistance to any wastewater treatment project unless that project is consistent with plans developed under the Clean Water Act Section 205(j), 208, 303(e), 319, or 320.

**I. Reporting**

DEQ agrees to provide data or information to EPA as may be required for national reports, public inquiries, or Congressional inquiries. Capitalization and ARRA grant funded recipients will be monitored for Single Audit Act compliance.

DEQ will comply with reporting requirements of the EPA Order on Environmental Benefits. This will include completion of the electronic “one-pager” for all funded projects, including all ARRA projects. A hard copy of each “one-pager” will be provided to EPA with the Annual Report.

**VI. Criteria and Method for Distribution of Funds**

The following principles and procedures will be the basis for the administration, funding, allocation, and distribution of the Water Quality SRF monies. They are designed to provide maximum flexibility for assistance and assure long-term viability of the revolving program.

**A. Program Administration**

The 4% allowed in the capitalization grants provided by EPA will be set aside to be used for program administration. Program administration costs will be met by capitalization grant allocations and by fee revenues (to the extent that the annual capitalization grant is insufficient to meet our needs).

**B. Water Quality SRF Priority List**

Letters of interest were sent to all cities, counties, and water and sewer districts in the state. Returned letters of interest and priority list rating forms were sent to project engineers in DEQ regional offices to complete a rating of projects in each region. The result of the rating and ranking was the preliminary Priority List that was presented during the public review and comment period. ARRA-funded projects are drawn from the results of the Priority List process, as required by IDAPA 58.01.12.020. Separate letters of interest were sent to potential nonpoint source applicants. Projects are rated using the following criteria:

- |                                                                                  |                  |
|----------------------------------------------------------------------------------|------------------|
| 1. Public health emergency certified by the DEQ Board or a Health District Board | 150 Points       |
| 2. Regulatory Compliance Status                                                  | 70 to 100 Points |
| 3. Watershed Restoration                                                         | 0 to 100 Points  |
| 4. Watershed Protection                                                          | 0 to 100 Points  |
| 5. Preventing Impacts to Uses                                                    | 0 to 100 Points  |
| 6. Secondary Incentive Ranking Points                                            | 0 to 50 Points   |

Attachment III contains the guidance document that fully explains how DEQ staff applied the above criteria when rating individual projects.

**C. Fundable Projects**

The highest rated projects on the adopted Priority List that are ready to proceed are selected for funding and are listed on the IUP. These fundable projects are listed on Attachment I. DEQ staff starts at the top of the Priority List and continues as far down the list as needed to select enough projects that are ready to proceed to use all of the funds that are available. In cases where a lower ranked project is selected, it is because higher ranked projects have not indicated a readiness to proceed, higher ranked projects do not meet the eligibility requirements for available funds or because additional funding has become available. A project that is “ready to proceed” will have shown evidence of legal authority to enter into debt, have a completed facility plan, be able to meet Green Project Reserve requirements (if so designated on the Priority List), and have expressed a willingness to proceed with the SRF loan process.

In some cases, the project amount on Attachment I may be less than the project amount on the Priority List. The Priority List amount is the estimate of the total project cost, while the costs on Attachment I are the amount that project applicants expect to borrow from the Water Quality SRF. In each case, the difference will be provided from some other source, such as cash on hand or a grant from the Community Development Block Grant program administered by the Idaho Department of Commerce.

**D. Disbursements**

The estimated timing and amount of disbursements for the projects on the new IUP are added to the latest cash disbursement request projections for prior year funded and projected projects. The projections are normally provided to EPA in July each year. The projections are based upon estimated disbursement schedules submitted by loan or extended term financing recipients and projected timing of loan or extended term financing agreements, adjusted for corrections by regional project engineers and state office staff. These disbursements are tracked on an ongoing basis to project needed cash from all capitalization grants and state match. All funds will be expended in an expeditious and timely manner.

**E. Federal Payments**

The Idaho CWSRF has cumulative binding commitments in excess of the amount required for the current capitalization grant. This allows for the entire federal payment to be made in the current quarter. Please refer to Attachment IV for more detail.

**F. State Match**

Idaho's match for all capitalization grants is provided from funds that are drawn from the state Water Pollution Control Account. The Water Pollution Control Account derives its funding from a set amount of \$4.8 million from the state sales tax and is perpetually appropriated to DEQ under Idaho Code Title 63, Chapter 36.

**VII. Additional Information Requirements**

**A. Public Review and Comment**

See Attachment V.

**B. Bypass Procedures**

A project may be bypassed if:

- ❖ it does not support meeting federally mandated Green Project Reserve goals (if so designated on the Priority List);
- ❖ it is not ready to proceed;
- ❖ it voluntarily opts out of the SRF loan process;
- ❖ the project does not meet eligibility requirements; or,
- ❖ it does not allow for timely utilization of loan or extended term financing funds.

In place of the bypassed project, the next highest ranking project(s) that is ready to proceed will be used (IDAPA 58.01.12.020.04.c). DEQ will use Priority List ranking as much as possible when preparing the IUP. However, the lack of adequate funding; changes in project scope; failure to pass a bond election; or other unforeseen circumstances may require that a project on the IUP be bypassed. If a project is bypassed, DEQ will offer loan or extended term financing funds to the highest ranked, ready-to-proceed project from the most current approved Priority List. To date, in SFY 2011 the cities of Salmon and New Meadows, and the Onaway Water and Sewer District were bypassed; all voluntarily opting out of consideration for an SRF loan.

## ATTACHMENT I.

### Clean Water State Revolving Loan Fundable Listing State of Idaho Water Quality State Revolving Loan Fund for the Period of July 1, 2011 through June 30, 2012 LIST OF FUNDABLE CLEAN WATER LOAN PROJECTS

Rank	Project	Rating Points	Regional Office	Est. Project Cost	Est. Loan Commitment Date	Est. Funding Terms	Est. Cost of Green Infrastructure	Needs Category	Level of SERP	NPDES or Land Application Permit #	Project Description
1	City of Georgetown	124	PRO	\$2,600,000	December 2011	Interest rate @ 1.80% for 30 yrs, principal subsidy \$222,799; 1.5% mhi = \$46.19 (interest rate reduced to incorporate subsidy for Ovid Creek nonpoint source project, the interest rate would normally be 2.00%) DISADVANTAGED	\$50,000 (cost to implement use of premium energy-efficient motors and variable frequency drive pump, energy efficiency, categorical project. City will also replace use of lift station with gravity lines, energy efficiency, business case project, reuse will improve groundwater recharge leading to water conservation)	I, IV-A	Tier II	ID-002514-3	Lagoon and collection line improvements. Aeration addition, removal of accumulated sludge, renovating the disinfection system, replacing valves, installing flow meters comprise the improvements to the lagoon system. The collection line will be rerouted to remove the need for a lift station
2	Granite Reeder Water and Sewer District	122	CRO	\$1,500,000	July 2011	Interest rate @ 2.00% for 30 yrs; principal subsidy \$128,537, 1.5% mhi = \$54.08 DISADVANTAGED	\$1,000,000 (implementation of waste reduction through plant uptake and reuse, environmentally innovative, business case required)	I, IV-A, IV-B	Tier I (Later phase of previously funded project)	LA-000219-01	Conversion of individual septic systems to centralized collection and treatment
3	City of Soda Springs	115	PRO	\$5,300,000	July 2011	Interest rate @ 2.00% for 30 yrs; principal subsidy \$454,165, 1.5% mhi = \$67.08 DISADVANTAGED	\$0	I, II	Tier I (Later phase of previously funded project)	ID-002081-8	City needs to treat for phosphorus and ammonia, requiring upgrades to existing treatment facilities and construction of new, tertiary treatment

**ATTACHMENT I. (CONT.)**

5	City of Huetter	110	CRO	\$749,000	April 2012	Interest rate @ 2.00% for 30 yrs, principal subsidy \$64,183 1.5% mhi = \$58.98 DISADVANTAGED	\$0	IV-A	Tier 1 (on sole source aquifer)	Not currently an NPDES discharger or land applier	Construction of a new gravity fed collection system
6	Santa Sewer and Water District	110	CRO	\$650,500	April 2012	Interest rate @2.00% for 30 yrs; principal subsidy \$55,742 1.5% mhi = \$51.96 DISADVANTAGED	\$75,000 (premium motors, energy efficient pumps, system consolidation, requiring a business case)	I, III-A	Tier II	ID-002284-5	Line lagoons, replace flow meters, construct a chlorine contact chamber, correct collection line leakage
7	Fernwood Water and Sewer District	110	CRO	\$1,001,700	April 2012	Interest rate @2.00% for 30 yrs; principal subsidy \$85,837 1.5% mhi = \$51.96 DISADVANTAGED	\$75,000 (premium motors, energy efficient pumps, system consolidation, requiring a business case)	I, III-A	Tier II	ID-002284-5	Line lagoons, replace flow meters, construct a chlorine contact chamber, correct collection line leakage
8	City of Ammon	108	IFRO	\$3,000,000	July 2011	Interest rate @2.00% for 30 yrs; 1.5% mhi = \$78.83	\$0	IV-A	Tier I (Later phase of previously funded project)	ID-002126	Finish main transmission line (segment C) on regional project
9	City of Salmon	106	IFRO	\$5,500,000	April 2012	Interest rate @2.00% for 30 yrs, principal subsidy \$471,303 1.5% mhi = \$44.22 DISADVANTAGED	\$0	I, III-A	Tier I (located on Wild and Scenic River)	ID-002000-1	The City cannot meet the NPDES discharge limits and their collection system is in need of repair. Proposal is to construct a new headworks and treatment facility and partially cover a lagoon
10	Carlin Bay Property Owners Association	106	CRO	\$3,500,000	June 2012	Interest rate @2.00% for 30 yrs; principal subsidy \$299,920 1.5% mhi = \$58.93 DISADVANTAGED	\$0	I, X	Tier II	Not currently an NPDES discharger or land applier	System needs to line its lagoon, provide additional treatment and implement reuse
11	City of Rockland	104	PRO	\$3,000,000	April 2012	Interest rate @2.00% for 30 yrs, principal subsidy \$257,074 1.5% mhi = \$44.31 DISADVANTAGED	\$50,000 (cost to implement use of premium energy-efficient motors and variable frequency drive pump, energy efficiency, categorical project).	I, X	Tier II	ID-002204-7	The lagoon is in need of rehabilitation and there is a related need to develop land application

**ATTACHMENT I. (CONT.)**

12	City of Cascade	104	BRO	\$2,231,455	June 2012	Interest rate @2.00% for 30 yrs, principal subsidy \$191,217 1.5% mhi = \$29.38 DISADVANTAGED	\$1,000,000 (implementation of waste reduction through plant uptake and reuse, environmentally innovative, business case required)	I, II, III-A	Tier II	ID-002316-7	Address leaking collection lines, addition of treatment capacity and advanced treatment of wastes through reuse
GRAND TOTAL POTENTIAL FUNDING ==>				<u>\$29,032,655</u>							

## ATTACHMENT II.

### Clean Water State Revolving Loan Priority Listing State of Idaho Water Quality State Revolving Loan Fund for the Period of July 1, 2011 through June 30, 2012 COMPREHENSIVE LISTING OF CLEAN WATER LOAN PROJECTS

Rank	Project	Rating Points	Regional Office	Est. Project Cost	Est. Cost of Green Infrastructure	Needs Category	Level of SERP	NPDES or Land Application Permit #	Project Description
1	City of Georgetown	124	PRO	\$2,600,000	\$50,000 (cost to implement use of premium energy-efficient motors and variable frequency drive pump, energy efficiency, categorical project. City will also replace use of lift station with gravity lines, energy efficiency, business case project, reuse will improve groundwater recharge leading to water conservation)	I, IV-A	Tier II	ID-002514-3	Lagoon and collection line improvements. Aeration addition, removal of accumulated sludge, renovating the disinfection system, replacing valves, installing flow meters comprise the improvements to the lagoon system. The collection line will be rerouted to remove the need for a lift station
2	Granite Reeder Water and Sewer District	122	CRO	\$1,500,000	\$1,000,000 (implementation of waste reduction through plant uptake and reuse)	I, IV-B	Tier I (Later phase of previously funded project)	LA-000219-01	Conversion of individual septic systems to centralized collection and treatment
3	City of Soda Springs	115	PRO	\$5,300,000	\$0	I, II	Tier I (Later phase of previously funded project)	ID-002081-8	City needs to treat for phosphorus and ammonia, requiring upgrades to existing treatment facilities and construction of new, tertiary treatment
4	City of Idaho Falls	113	IFRO	\$18,150,000	\$2,000,000 (cost to implement use of fine bubble diffusers and variable frequency drive blowers and pumps and a leak detection system, energy efficiency and environmentally innovative categorical)	I	Tier I (located on Snake River Plain Aquifer)	ID-002126-1	Make treatment improvements, replace aged infrastructure and provide for secondary treatment redundancies. Construction of two additional aeration basins and supporting infrastructure

**ATTACHMENT II. (CONT.)**

5	City of Huetter	110	CRO	\$749,000	\$0	IV-A	Tier 1 (on sole source aquifer)	Not currently an NPDES discharger or land applier	Construction of a new gravity fed collection system
6	Santa Sewer and Water District	110	CRO	\$650,500	\$75,000 (premium motors, energy efficient pumps, system consolidation, requiring a business case)	I, III-A	Tier II	ID-002284-5	Line lagoons, replace flow meters, construct a chlorine contact chamber, correct collection line leakage
7	Fernwood Water and Sewer District	110	CRO	\$1,001,700	\$75,000 (premium motors, energy efficient pumps, system consolidation, requiring a business case)	I, III-A	Tier II	ID-002284-5	Line lagoons, replace flow meters, construct a chlorine contact chamber, correct collection line leakage
8	City of Ammon	108	IFRO	\$3,000,000	\$0	IV-A	Tier I (Later phase of previously funded project)	ID-002126	Improve collection system
9	City of Salmon	106	IFRO	\$5,500,000	\$0	I, III-A	Tier I (located on Wild and Scenic River)	ID-002000-1	The City cannot meet the NPDES discharge limits and their collection system is in need of repair. Proposal is to construct a new headworks and treatment facility and partially cover a lagoon
10	Carlin Bay Property Owners Association	106	CRO	\$3,500,000	\$0	I, X	Tier II	Not currently an NPDES discharger or land applier	System needs to line its lagoon, provide additional treatment and implement reuse
11	City of Rockland	104	PRO	\$3,000,000	\$50,000 (cost to implement use of premium energy-efficient motors and variable frequency drive pump, energy efficiency, categorical project).	I, X	Tier II	ID-002204-7	The lagoon is in need of rehabilitation and there is a related need to develop land application

**ATTACHMENT II. (CONT.)**

12	City of Cascade	104	BRO	\$6,654,685	\$1,000,000 (implementation of waste reduction through plant uptake and reuse)	I, II, III-A	Tier II	ID-002316-7	Address leaking collection lines, addition of treatment capacity and advanced treatment of wastes through reuse
13	Elk Bend Sewer District	103	IFRO	\$750,000	\$0	I	Tier I (located on Wild and Scenic River)	Not currently an NPDES discharger or land applier	Improvements to existing treatment infrastructure, by enhancing treatment prior to subsurface discharge. Replacement of dated equipment including three lift stations and pumps, valves, backup power and security enhancement
14	City of Inkom	103	PRO	\$2,500,000	\$250,000 (cost to implement use of fine bubble diffusers and variable frequency drive blowers and pumps and premium efficiency motors, energy efficiency and environmentally innovative categorical)	I, X	Tier II	ID-002024-9	Improve treatment to reduce levels of discharged suspended solids and phosphorus. Improvements to lagoons and the use of land application will be pursued
15	Onaway Water and Sewer District	100	LRO	\$500,000	\$0	IV-A	Tier II	Not currently an NPDES discharger or land applier	Replacement of all collection lines, joints and manholes
16	City of Potlatch	93	LRO	\$1,200,000	\$1,200,000 (land application in which feasible alternatives exist, environmentally innovative, categorical project)	I	Tier I (joint funded)	ID-002250-1	The City's treatment system will be improved with the addition of land application. This improvement will help the City maintain NPDES compliance. The land application approach will facilitate reuse through crop uptake
17	West Bonner Water and Sewer District	89	CRO	\$1,753,333	\$0	IV-A	Tier II	Not currently an NPDES discharger or land applier	Extension of sewer system to consolidate neighboring community (expansion of current collection system)
18	City of Fruitland	86	BRO	\$20,570,000	\$2,000,000 (implementing a capital improvement plan and environmental management system, Installing variable frequency drive pumps, premium efficiency motors, turbo blowers, fine bubble diffusers)	I	Tier I (joint funded)	ID-002119-9	Improve methodology of existing treatment plants (two lagoons) to meet new NPDES permits by installation of a membrane bioreactor

**ATTACHMENT II. (CONT.)**

19	City of Weiser	79	BRO	\$10,985,800 (Priority 1 \$7,209,800, Priority 2 \$3,776,000)	\$2,000,000 (cost to implement methane recapture, use of variable frequency drive blowers and pumps and premium efficiency motors, conducting an energy audit, implementing CUPSS and a capital improvement plan, energy efficiency and environmentally innovative categorical)	I, II	Tier II	ID-002029-0	Permit issues require treatment improvements. The system will implement a variety of infrastructure improvements and installation of a computerized control system
20	City of Grangeville	79	LRO	\$5,867,000	\$250,000 (cost to implement use of variable frequency drive blowers and pumps and premium efficiency motors, and reuse of disinfected effluent, water and energy efficiency and environmentally innovative categorical)	II	Tier I (joint funded)	ID-002003-6	Treatment plant improvements to meet phosphorus, biological oxygen demand, and temperature limits set by NPDES permit
21	City of Aberdeen	56	PRO	\$3,000,000	\$100,000 (cost to implement use of fine bubble diffusers and variable frequency drive blowers and pumps and a leak detection system, energy efficiency and environmentally innovative categorical)	I, II	Tier I (located on Snake River Plain Aquifer)	ID-000617-6	The system needs greater capacity and improved treatment methodologies to meet high demand periods and new discharge requirements
22	Benewah County	54	CRO	\$2,400,000	\$0	III-B	Tier I (discharges to Wild and Scenic River)	ID-002279-9	Need to rehabilitate lift stations
23	City of Moyie Springs	45	CRO	\$1,050,000	\$250,000 (cost to implement use of fine bubble diffusers and variable frequency drive blowers and pumps and premium efficiency motors, energy efficiency and environmentally innovative categorical)	I, IV-A	Tier II	Not currently an NPDES discharger or land applier	Construct new treatment plant with aerated lagoons, polishing sand filters and permitted discharge
24	City of Nampa	43	BRO	\$6,800,000	\$0	II	Tier II	ID-002206-3	Implement a reuse process to reduce phosphorus loading into Indian Creek

**ATTACHMENT II. (CONT.)**

25	City of Newdale	8	IFRO	\$1,100,000	\$0	I, III-A, III-B, X	Tier II	Not currently an NPDES discharger or land applier	Rehabilitation of facultative lagoon system is needed (e.g. pumping, treatment, collection, valves headworks), also add land application
26	City of Filer	42	TFRO	\$500,000	\$0	X	Tier 1 (on sole source aquifer)	ID-0002006-1	The City needs an increased land application capability
27	City of Hazelton	42	TFRO	\$350,000	\$0	III-A	Tier 1 (on sole source aquifer)	LA-000023-02	Replace/repair collection lines
28	Hayden Area Regional Sewer Board	29	CRO	\$3,200,000	\$0	III-B	Tier 1 (on sole source aquifer)	ID-002659-0	New effluent pipeline to the outfall
29	Hayden Area Regional Sewer Board	23	CRO	\$400,000	\$0	X	Tier 1 (on sole source aquifer)	LA-000109-03	Install a monitoring well with computer control for farm irrigation
30	Star Sewer and Water District	22	BRO	\$1,600,000	\$0	IV-A	Tier II (unless joint funded)	ID-002359-1	The District needs extensive collection system repairs and upgrades
31	Hayden Area Regional Sewer Board	6	CRO	\$600,000	\$0	X	Tier 1 (on sole source aquifer)	LA-000109-03	Install a computer control to allow for reuse control and monitoring

**ATTACHMENT II. (CONT.)**

<b>Total Value of Priority List Submissions</b>	<u><b>\$116,732,018</b></u>	
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**WARNING: USE OF THIS LIST AS A MAILING LIST OR AS A TELEPHONE NUMBER LIST IS PROHIBITED  
BY IDAHO CODE SECTION 9-348 AND IS PUNISHABLE BY A CIVIL PENALTY OF UP TO \$1,000.**

# ATTACHMENT III.

## Guidance for Integrated Priority System: Water Quality Project Ranking

**Integrated Priority System  
Water Quality Project Ranking  
Idaho DEQ Water Pollution Control Loan Program**

Priority Year <b>FY 2012</b>
Total Points <b>0</b>

Project Name/City

Description of Project/Problem(s) (use additional pages if necessary)

Limited capabilities: WordWrap works; use <alt><enter> for manual carriage return; no <tab>

Total Estimated Project Cost

Estimated DEQ Loan Amount

DEQ Staff Reviewer

Date  Regional Office

Environmental Document submitted to DEQ (date):

Environmental Document approved by DEQ (date):

**SECTION I. INTEGRATED PRIORITY SYSTEM INSTRUCTIONS**

An integrated priority system will be used by the Department of Environmental Quality (DEQ) to annually allot available funds in accordance with the **Rules for Administration of Water Pollution Control Loans (IDAPA 58.01.12)**. Each water quality project will be ranked using the integrated priority system in accordance with this

Section II includes four major rating categories A, B, C and D. Answer questions and generate a score for each category. Use the category that results in the highest score as the total score for Section II. Section III includes questions that are common to all projects. Skip Section III if 150 points are awarded in Section II Part A. In Section IV the points from Sections II and III are totalled to generate the final score for the project.

**SECTION II. WATER QUALITY PROJECT RANKING**

<b>A. Public Health Emergency or Public Health Hazard*</b>	150 points or 0
<i>IDAPA 58.01.12.020.02.a. Public health emergency or hazard certified by the Idaho Board of Environmental Quality, the Department, a District Health Department or by a District Board of Health – one hundred and fifty (150) points.</i>	
* Board certification of public health emergency must accompany LOI and rating form.	

Check one	Possible	Score
<input type="checkbox"/> There is no officially declared or designated public health emergency or hazard, or the proposed project will not resolve an officially declared or designated public health emergency or hazard. Enter 0 and proceed to Part B.	0	_____
<input type="checkbox"/> The proposed project will resolve an officially declared or designated public health hazard or emergency that is a documented health threat as certified by a Health District Board or the DEQ Board. Enter 150 at right and as the Section II Part A Subtotal. Proceed to Section IV; do not complete Section III.	150	_____
Section II, Part A Subtotal (0 or 150 pts)		0

<b>B. Regulatory Compliance Status</b>	0-150 points
<i>IDAPA 58.01.12.020.02.b. Regulatory compliance issues -- one hundred (100) points.</i>	

For purposes of qualifying for points in this subsection (Regulatory Compliance Status), the cause of noncompliance and resulting legal actions should be restricted to infrastructure deficiencies at a permitted point source facility. The purpose of this subsection is not to assign points for noncompliance resulting **purely** from system mismanagement or O&M deficiencies.

A permitted point source facility is required to comply with the EPA NPDES discharge permit and/or state water reuse permit. A facility is considered to be out of compliance if the facility is not meeting limits or conditions in the permit and legal action for noncompliance has been set in place. The severity of legal actions varies depending on the impact or potential impact to water quality, the watershed or public health and how long attempts to resolve the problem(s) have been ongoing. Legal actions may include but are not limited to one or more of the following: consent order, notice of violation, administrative order, permit compliance schedule or assessment of monetary

Check one	Possible	Score
<input type="checkbox"/> <b>In compliance (0 pts)</b> - The system is in compliance with regulatory requirements. No points are awarded in this section. Enter 0 below and proceed to Part C.	0	_____
<input type="checkbox"/> <b>Low Level Noncompliance (0 pts)</b> -- includes documented permit violations <b>with</b> DMRs, reuse inspections or the equivalent. For low level noncompliance, legal action has not yet been set in place and therefore no points are awarded in this section. Enter 0 below and proceed to Part C.	0	_____
<input type="checkbox"/> <b>Moderate Level Noncompliance (80 pts)</b> -- Includes a 1st State or EPA Warning Letter, a notice of violation or equivalent that are <u>directly related to the proposed project</u> and noncompliance will be resolved by the completion of the proposed project. Enter 80 below and proceed to Part C.	80	_____
<input type="checkbox"/> <b>High Level Noncompliance (90 pts)</b> -- includes 2nd State or EPA Warning Letter, consent order, permit compliance schedule, or equivalent that are <u>directly related to the proposed project</u> and the noncompliance will be resolved by the completion of the proposed project. Enter 90 below and proceed to Part C.	90	_____
<input type="checkbox"/> <b>Noncompliance Consequences Imposed (100 pts)</b> -- Penalties assessed ( <i>e.g.</i> , monetary fines or incarceration) that are <u>directly related to the proposed project</u> and noncompliance will be resolved by the completion of the proposed project. Enter 100 and proceed to Part	100	_____
Section II, Part B Subtotal (0-100 pts)		0

<b>C. Watershed Restoration and Protection from Impacts</b>	100 points maximum
<i>IDAPA 58.01.12.020.01.02.c. Watershed restoration -- one hundred (100) points.</i>	

The project implements best management practices or initiates construction of wastewater collection and treatment facilities as part of an approved TMDL, protects threatened waters identified through Idaho's Nonpoint Source Management Program Plan, or is part of a special water quality effort (*e.g.*, Governor's Bull Trout Conservation

Check all that apply	Possible	Score
<input type="checkbox"/> The proposed project will reduce impacts to surface water.	19	_____
<input type="checkbox"/> The proposed project will reduce impacts to ground water.	10	_____
<input type="checkbox"/> The proposed project will reduce impacts to listed threatened or endangered species.	5	_____
Subtotal (Part2)		0

**Part C.1.** Points can be assigned based on a reduction of impacts to a 303(d) water body, threatened or endangered species, sole source aquifer, special resource water or sensitive/special resource ground water.

**Check all that apply**

	Possible	Score
<b>Surface Water</b>		
<input type="checkbox"/> The proposed project is located on a 303(d) water body.	10	_____
<input type="checkbox"/> The proposed project is relevant to a pollutant of concern for the 303(d) water body.	10	_____
<input type="checkbox"/> The TMDL has been approved by EPA.	7	_____
<input type="checkbox"/> The proposed project is for a point source that is exceeding its Waste Load Allocation listed in the approved TMDL.	8	_____
<input type="checkbox"/> The proposed project is for a non-point source and is expected to reduce a pollutant of concern in the 303(d) listed water body.	8	_____
<input type="checkbox"/> The proposed project is expected to reduce impacts to a special resource water.	15	_____
<input type="checkbox"/> The proposed project will reduce two or more pollutants of concern for the 303(d)-listed water body.	5	_____
<b>Ground Water</b>		
<input type="checkbox"/> The proposed project is expected to reduce impacts to a sole-source aquifer.	20	_____
<input type="checkbox"/> The proposed project is expected to reduce impacts to a sensitive or special resource ground w	5	_____
<b>Threatened and Endangered Species</b>		
<input type="checkbox"/> The proposed project is expected to reduce impacts to a threatened or endangered species.	5	_____
<b>Subtotal for Part C.1</b>	<b>(Subtotal C.1: limit to 50pt)</b>	<b>0</b>

**Part C.2.** Points are awarded according to the expected effectiveness of the project and the transferability of the demonstrated technologies to other parts of the State of Idaho. The proposed project will either restore designated or existing beneficial uses, reduce the severity of non-point source impacts, or will promote statewide non-point pollution reduction or remediation. More points will be awarded to projects that will have the greater overall reduction in pollutant

**Check one**

	Possible	Score
<input type="checkbox"/> The proposed project will not result in a load reduction or will not reduce impacts to surface water or ground water. Proceed to Part C.3.	0	_____
<input type="checkbox"/> The proposed project will result in an estimated 25% or less reduction in overall pollutant loading to the watershed. Proceed to Part C.3.	15	_____
<input type="checkbox"/> The proposed project will result in an estimated 26-75% reduction in overall pollutant loading to the watershed. Proceed to Part C.3.	30	_____
<input type="checkbox"/> The proposed project will result in an estimated greater than 75% reduction in overall pollutant loading to the watershed. Proceed to Part C.3.	50	_____
	<b>(Subtotal C.2)</b>	<b>0</b>

**Part C.3.** Add subtotals for Parts C.1 and C.2. Proceed to Section II Part D.

**(Section II Part C subtotal) 0**

**SECTION III. SECONDARY INCENTIVES AND SUSTAINABLE INFRASTRUCTURE INITIATIVES**

*IDAPA 58.01.12.020.02.f. Secondary incentives (e.g. readiness to proceed, financial ability) – fifty (50) points.*

**Part A. Secondary Incentives**

	Possible	Score
<b>1. Readiness to proceed, based on the following milestones (Check one)</b>		
<input type="checkbox"/> No existing planning document (e.g., facility plan, capital improvement plan, eng. report)	0	_____
<input type="checkbox"/> Consultant hired for planning document and EID	1	_____
<input type="checkbox"/> Draft planning document and EID submitted to DEQ	2	_____
<input type="checkbox"/> Approved planning document without EID	1	_____
<input type="checkbox"/> Approved planning document with EID and approved SERP process	4	_____
<input type="checkbox"/> 10% or more (Preliminary) Design completed	5	_____
	<b>(Subtotal A.1): max 5 pt</b>	<b>0</b>
<b>3. For Non-Point Source related projects, how long will the project owners, managers, or sponsoring agency (the entity seeking a loan) operate and maintain the project after implementation. (Check one)</b>		
<input type="checkbox"/> Less than 5 years	1	_____
<input type="checkbox"/> Between 5 and 10 years	2	_____
<input type="checkbox"/> More than 10 years	3	_____
	<b>(Subtotal A.3): max 3 pt</b>	<b>0</b>
<b>4. Is financial documentation in place or does the system have legal authority to incur the debt associated with the proposed project?</b>		
<input type="checkbox"/> The system does not yet have legal authority to incur this debt	0	_____
<input type="checkbox"/> Bond council or financial consultant retained	2	_____
<input type="checkbox"/> Legal instrument(s) in place (e.g., bond election, judicial confirmation, etc.).	4	_____
	<b>(Subtotal A.4): max 4 pt</b>	<b>0</b>
<input type="checkbox"/> 5. The proposed project will correct a documented water quality impact being created by current point or nonpoint wastewater disposal practices.	2	_____
<input type="checkbox"/> 6. The proposed project includes the implementation of reuse practices	2	_____
<input type="checkbox"/> 7. The proposed project corrects an existing or potential (non emergency) health hazard being created by current point or nonpoint wastewater disposal practices	3	_____
<input type="checkbox"/> 8. The proposed project provides additional capacity to accommodate future system expansion	1	_____
<b>9. A project is not affordable if the monthly user charge (based on operation, maintenance, replacement and debt service) exceeds 1.5% of the monthly Median Household Income (MHI).</b>		
a. Obtain city or community MHI from either (check one):		
<input type="checkbox"/> 2000 Census <a href="http://quickfacts.census.gov/cgi-bin/qfd/demolink?16">http://quickfacts.census.gov/cgi-bin/qfd/demolink?16</a>		
<input type="checkbox"/> DEQ-approved community income survey:		
community name:		
MHI (annual)	Year	1999
NOTE: Demographic Profiles from the 2010 Census will not be available until May 2011		
b. Adjust the MHI to 2010 dollars using the Bureau of Labor Statistics CPI Calculator		
<a href="http://data.bls.gov/cgi-bin/cpi/calc.pl">http://data.bls.gov/cgi-bin/cpi/calc.pl</a>	2010 MHI (annual)	
	monthly user charge	

- A. Not affordable
- B. Affordable

	5
	0
Subtotal (Part A)	0

**Part B. Sustainable Infrastructure Initiatives**

**A. Management-based (select all that apply)**

	Points	
Applicant proposes to implement or has implemented:		
<input type="checkbox"/> 1. capital budget that is funded and is supported by capital improvement plan	10	
<input type="checkbox"/> 2. consumption-based, full-cost pricing for drinking water systems	10	
<input type="checkbox"/> 3. formal asset management system (using a tool such as EPA's CUPSS)	10	
<input type="checkbox"/> 4. sustainable design principles, including energy efficiency and design for disassembly	10	
<input type="checkbox"/> 5. formal environmental management system (exemplified by ISO 14001 certification)	10	
<input type="checkbox"/> 6. SI benchmarking program	10	
<input type="checkbox"/> 7. actions to become an EPA GreenPower Partner	10	
<input type="checkbox"/> 8. proposed project is a consolidated system (i.e., public/private, small/large, shared resource)	10	
<input type="checkbox"/> 9. Other (consult with Grant and Loan Program Office)	10	
Subtotal (Part B.A): limited to 10 pts	0	

**B. Technology-Based (select all that apply)**

As part of this project, the applicant proposes to implement:		
<input type="checkbox"/> 1. installation of water meters and employ other water conservation measures that result in a net 20% water use savings (e.g., use of WaterSense plumbing/irrigation products,	10	
<input type="checkbox"/> 2. use/installation of energy-efficient lighting systems and other practices that result in a net 20% energy reduction:	10	
Advanced fluorescent lighting		
High-efficiency discharge lighting		
Lighting controls		
Energy-efficient motors (i.e., exceed NEMA definition)		
Variable Frequency Drive (VFD) pumps		
On-site energy generation: Fuel cells, Solar, Wind		
<input type="checkbox"/> 3. "green" building designs (derived from LEED criteria)	10	
<input type="checkbox"/> 4. Other (consult with Grant and Loan Program Office)	10	
Subtotal (Part B.B): limited to 10 pts	0	

**C. Construction practices (select all that apply)**

<input type="checkbox"/> 1. A brownfield site is being used for the facility	2	
<input type="checkbox"/> 2. Recycled materials are specified for facility construction	2	
<input type="checkbox"/> 3. Other (consult with Grant and Loan Program Office)	1	
Subtotal (Part B.B)	0	

Subtotal (Part B): Limited to 25 points      0

**SECTION IV. FINAL SCORE**

Subtotal Section II Part A - Public Health Emergency or Public Health Hazard (0-100)	0
Subtotal II Part B - Regulatory Compliance Status (0-100)	0
Subtotal Section II Part C - Watershed Restoration and Protection from Impacts (0-100)	0
Subtotal Section II Part D - Preventing Impacts to Uses (Non-Point Source Projects Only) (0-100)	0
Section II Subtotal Part 5 - Largest of IIA, IIB, IIC and IID (0-150)	0
Subtotal Section III Part A - Secondary Incentives (0-25)	0
Subtotal Section III Part B - Sustainable Infrastructure Initiatives (0-25)	0
<b>Total</b>	<b>0</b>

**NOTES**

For recording information not on LOI, conversations with applicant, etc.  
Limited capabilities: WordWrap works; use <alt><enter> for manual carriage return; no <tab>

## ATTACHMENT IV.

### EPA Payment Schedule

FFY2011

<u>Quarter Ending</u>	<u>Payments</u>	<u>Total</u>	<u>Source</u>
09/30/2011	\$222,000	\$222,000	FFY11 Cap Grant
12/31/2011	\$7,000,000	\$7,222,000	FFY11 Cap Grant

Payments are defined as increases to the amount of funds available from the Automated Clearinghouse (ACH). The EPA payment schedule assumes that the federal fiscal year 2011 award will occur after July 1<sup>st</sup>, 2010.

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## **ATTACHMENT V.**

### **Public Notification and Involvement Strategy**

#### **FOR STATE FISCAL YEAR 2012 WATER QUALITY AND DRINKING WATER PRIORITY LISTS**

The public will be involved in the State fiscal year 2012 Priority List development at several points in the process. Involvement for the drinking water and water pollution control lists was solicited directly from the systems through a survey of system interest that was mailed out by DEQ early in the Priority List process. Information on the completed letter of interest forms was used by state and regional office staff in preparing draft lists. A copy of the letter of interest form will be included as attachments in the final IUP. The DEQ SRF staff has found that combining information obtained directly from eligible entities with that provided by DEQ engineering staff results in the most accurate listing of infrastructure needs.

Notification that all four State fiscal year 2012 Priority Lists are available for public review was given in Idaho's six major (regional) newspapers for approximately four weeks. Notices will be published three times in each of the newspapers. Copies of proofs of publication will be included as attachments to the final IUP.

Notification of availability of the lists was also placed on DEQ's web site from March 14- April 11, 2011.

Approval packages related to the four lists will be sent to the Board of Environmental Quality prior to their meeting on April 25, 2011. Copies of the issue analyses for the CWSRF loan/extended term financing lists and the Board agenda will be included as attachments upon Board action. DEQ staff will make presentations at the Board meeting on April 25, 2011 and answer questions about the lists. The Board will be asked to approve all lists on April 25, 2011.

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## **ATTACHMENT VI.**

### **Description of Disadvantaged Loans**

#### **IDAHO CLEAN WATER REVOLVING LOAN FUND**

In conjunction with the standard loans/extended term financing, the Department shall award loans/extended term financing to applicants deemed disadvantaged using the following criteria, to the extent required by the most recent federal capitalization grant. In order to qualify for a disadvantaged loan or extended term financing, an applicant must have an annual cost of waste water service for residential customers which exceeds 1.5% of the median household income. The annual cost includes all operating, maintenance, replacement and debt service costs, both for the existing system and upgrades being financed with state revolving funds. If the applicant's service area is not within the boundaries of a municipality, the applicant may use the census data for the county in which it is located, or may use a Department approved income survey (which details the community's median household income).

First the interest rate will be reduced from the rate established by the Director for to a rate that results in an annual charge equal to 1.5% of median household income. The interest rate reduction may result in an interest rate of as low as 0%. If at a 0% and a 30 year repayment extended term financing terms and conditions results in the annual user charge exceeding 1.5% of median household income, then the principal which causes the user charge to exceed 1.5% may be reduced. The principal reduction cannot exceed 50% of the cost of an individual project. The amount of principal reduction for all projects will be capped at \$2,230,777. The principal reduction will be based on the pool of qualifying disadvantaged communities (projects) receiving an equal share in amount available for principal reduction. Principal forgiveness is for disadvantaged communities and is to be spread out amongst those communities and may not be provided in excess to lower a community status to below 1.5% of the median household income. If at the end of the state fiscal year there are unallocated principal forgiveness resources, those funds will be proportionately allocated to the disadvantaged entities that have signed an SRF agreement during the course of the fiscal year.

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## **ATTACHMENT VII.**

### **Decision Making Strategy for Fundable vs. Non-Fundable Portions of the Priority List**

FOR STATE FISCAL YEAR 2012  
WATER QUALITY AND DRINKING WATER PRIORITY LISTS

In order to develop the fundable portion of the Priority List, several factors were taken into account. These included, but are not limited to, the project's timeliness in completing the facility plan/engineering report, completing the Environmental Information Document, having the legal authority to incur debt, and overall readiness to proceed. The draft terms to be offered are given on the fundable list; however, at the time of the offer these may be adjusted. The Idaho Department of Environmental Quality's policy memorandum PM11-1, gives the Department's Director the ability to set interest rates for the CWSRF program. As noted in the memorandum, "there could be some 'disadvantaged loans' where the interest rate will be 0%..." This determination is made on a case by case basis.