

**State of Idaho
Drinking Water State Revolving Fund
State Fiscal Year 2013
Intended Use Plan**

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IDAHO DRINKING WATER STATE REVOLVING FUND

INTENDED USE PLAN

MAY 3, 2012 BOARD PROPOSAL

I. Introduction

On August 6, 1996, the Safe Drinking Water Act (SDWA) Amendments of 1996 (P.L.104-182) were signed into law. Section 1452 of this act authorized the administrator of the U.S. Environmental Protection Agency (EPA) to establish a Drinking Water State Revolving Fund (DWSRF) program to assist public water systems in financing the costs of infrastructure needed to achieve or maintain compliance with the SDWA requirements and to protect public health.

Section 1452(b) requires each state to annually prepare an Intended Use Plan (IUP) identifying the use of funds in the DWSRF and describe how those uses support the goal of protecting public health.

The State of Idaho, Department of Environmental Quality (DEQ) will adopt the following IUP for state fiscal year 2013 (SFY 2013 is from July 1, 2012 through June 30, 2013). The source of federal funding identified in this IUP is the Federal fiscal year (FFY) 2011 and 2012 capitalization grants. The DWSRF is administered by the DEQ Water Quality Division Loan Program, which also administers the Clean Water State Revolving Fund (CWSRF).

The IUP includes the following:

- a list of prospective loan projects, ranked in priority order, including size of systems, estimated project cost, and a project description
- the criteria and methods for distribution of funds
- short-term and long-term goals of the DWSRF
- DWSRF set-aside activities
- assurances and specific proposals

Cash and Investments	28,950,000
EPA Capitalization Grant FFY2010 (remainder)	759,794
State Match	145,234
EPA Capitalization Grant FFY2011	6,498,420
State Match	1,883,600
EPA Capitalization Grant FFY2012	6,192,750
State Match	1,795,000

Loans Receivable:		
SFY 2012 (3/1/12-6/30/12)	1,820,483	
SFY 2013	4,902,988	
SFY 2014	4,902,988	
Interest on Cash/Investments:		
SFY 2012 (3/1/11-6/30/11)	150,851	
SFY 2013	457,380	
SFY 2014 (7/1/13-12/31/13)	470,160	
	<hr/>	
Total Resources:		\$58,929,648
Current Remaining Loan Obligations:	(\$27,370,932)	
(Loans in construction less disbursements)		
Add back: 5% project shrinkage	1,368,547	
(Some projects will self-finance and reduce disbursement requests from the DWSRF)	<hr/>	
Net Remaining Loan Obligations:		<u>(26,002,385)</u>
NET RESOURCES AVAILABLE TO LOAN		\$32,927,263

Key Assumptions:

Projects take an average of 28 months to construct and close from date of loan signing. New loan obligations cannot exceed NET RESOURCES AVAILABLE TO LOAN. Next projection will be made on July 1, 2012. No transfers will be made between the CWSRF and the DWSRF.

II. List of Projects

Attachments I and II is the SFY2013 Drinking Water Loan Fundable List and Project Priority List (Project Priority List). The final project priority list will be submitted for approval to the Board of Environmental Quality on May 3, 2012. Projects are arranged on the Project Priority List in priority order. The method for determining the priority rating for projects and the public involvement process are described in the latter parts of this document. Projects on the Project Priority List that are not on the Fundable List and are not funded by another agency may be re-rated and carried over to the next SFY Project Priority List.

III. Program Goals

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

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, longer loan terms, and may include principal forgiveness for disadvantaged communities under limited circumstances.
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 electronic Drinking Water Newsletter, which contains articles on such topics as the DWSRF, operator training and certification and ground water under the direct influence (GWUDI) monitoring and treatment technology.
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.
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 96% of the drinking water comes from ground water sources.
5. Manage the Idaho DWSRF to ensure its financial integrity, viability, and revolving nature in perpetuity.

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

1. Perform the tasks necessary to assure that all appropriate loan assistance requested is provided in a timely manner.
2. Maintain the on-line DWSRF loan handbook.
3. Comply with the requirement to direct 10% of the capitalization grant to sustainability efforts (i.e. Green Project Reserve) and ensure that 30% of the capitalization grant award is provided as a loan subsidy (i.e. principal forgiveness).
4. Modify procedures related to the implementation of a Tier II environmental process, as allowed for under CFR Title 40§35.3580(d) and as experience dictates.
5. Make necessary changes to the FFY2012 EPA capitalization grant application.

6. Improve reporting and monitoring of Single Audit Act compliance. Closely coordinate efforts with State Legislative Services Office to ensure appropriate compliance monitoring.

IV. Information on the Activities to be Supported

A. Allocation of Funds

The primary type of assistance to be provided by the DWSRF is expected to be in the form of low-interest loans for up to 100% of project costs. The rate of interest for the SFY2013 will be a ceiling of 2.25% and a floor of 1.00%, with the exception that portions of those projects being built to comply with requirements for additional treatment imposed by the SDWA and projects that consolidate two or more drinking water systems will be 2.00%. Some projects may have a blended interest rate between 2.25% and 2.00%. A floor is being established to help offset the effects of inflation and to encourage communities to complete their projects in a timely manner.

In some instances 0% loans will be considered if the community's annual cost per household exceeds one and one-half percent (1 1/2%) of the median household income. The current policy is stated in DEQ Policy Memorandum 12-01. Principal and interest repayments must begin no later than one year after the date the constructed facility initiates operations.

All loans, with the exception of disadvantaged loans, will be paid back over a period not to exceed 20 years. Disadvantaged loans may have repayment schedules of up to 30 years, lower interest rates, and principal forgiveness (see Attachment IV for an explanation of the Disadvantaged Loans program). For a project to be considered for a 30 year loan the average design life of the project must equal or exceed 30 years.

The Federal fiscal year appropriation requires that \$2,692,800 (30% of the capitalization grant) be distributed as a subsidy or principal forgiveness. Idaho will accomplish this by compliance with its Drinking Water Loan Program Rule requirements for disadvantaged communities (IDAPA 58.01.20.021) 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. 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 \$2,692,800 that is available for principal forgiveness. The proposed funding terms use length of loan term and second interest rate to reduce the monthly user rate to 1.5% of median household income. After this step is taken, the remaining projects in disadvantaged communities will be provided principal forgiveness based on a percentage of the overall remaining project costs. Principal forgiveness is capped at the amount necessary to get to 1.5% of median household income.

B. Loan-Eligible Activities

DWSRF loans will provide for construction of water supply, treatment, storage, and distribution facilities. DWSRF loan assistance will be provided to local communities, counties, water districts, and non-profit associations. To the extent that growth or fire flow is funded they cannot constitute the primary purpose for the loan.

DEQ may award any combination of planning, design, and construction loans from the DWSRF.

C. Use of Set-Asides

The following set-asides are based a Federal grant award of \$8,975,000; if the grant is less or more than that estimate, the set-aside amounts will be proportionately reduced or increased.

DEQ plans to reserve 4% or \$359,000 of the FFY2012 capitalization grant for administrative expenses of the DWSRF. Such activities include, but are not limited to preparation of project lists; project application, review and monitoring; review of environmental documents; disbursement of loan funds; receipting of loan repayments; and administering activities funded from the DWSRF set-asides.

DEQ plans to reserve 2% or \$179,500 of the FFY2012 capitalization grant to provide technical assistance to small public water systems. None of these funds will be spent until EPA has approved a work plan that identifies tasks for which the funds will be used.

DEQ plans to reserve 10% or \$897,500 of the FFY2012 capitalization grant to supplement the Drinking Water program. None of these funds will be spent until EPA has approved a work plan that identifies tasks for which the funds will be used.

DEQ plans to reserve 10% or \$897,500 of the FFY2012 capitalization grant for wellhead (drinking water) protection. These funds will be utilized for conducting hydrologic, geotechnical, and contaminant susceptibility studies in support of the design and development of drinking water protection plans. In areas where surface or subsurface drinking water has been identified as contaminated or has been determined to have a high potential for future contamination, DEQ will conduct or oversee the implementation of projects designed to mitigate or reduce the potential for contamination of identified waters. In addition, DEQ will use a portion of this set-aside to provide technical assistance to public water supply systems and local government entities on all aspects of drinking water protection plan development and implementation. None of these funds will be spent until EPA approves a work plan that identifies tasks for which the funds will be used.

DEQ plans to reserve 5% or \$448,750 of the FFY2012 capitalization grant for development and implementation of the capacity development strategy. These monies will fund the several capacity development tasks as detailed in the approved workplan. None of these funds will be spent until EPA has approved a work plan that identifies tasks for which the funds will be used.

If the amount of funds reserved is not used in the first year, the excess will be banked and used for the same purposes in future years.

V. Assurances and Specific Proposals

A. Environmental Reviews

DEQ certifies that it will conduct environmental reviews of each project receiving assistance from the DWSRF. DEQ will follow EPA-approved, State Environmental Review Process (SERP) for conducting environmental reviews.

The rules are outlined in Idaho Administrative Code IDAPA 58.01.20 - Rules for Administration of Drinking Water Loan Account.

A more detailed procedural description can also be found in the Drinking Water Loan Account Handbook (Chapter 5), located at <http://www.deq.idaho.gov/media/651373-dw-loan-handbook.pdf>.

B. Binding Commitments

DEQ will enter into binding commitments in an amount equal to each quarterly grant payment and proportional state match within one year of receipt of that payment. Payment dates are listed in Attachment III of this document.

C. Expeditious and Timely Expenditures

DEQ will strive to expend all funds in the DWSRF in a timely and expeditious manner. Should additional funds be made available to the Idaho DWSRF during the course of the state fiscal year 2013, the Idaho DWSRF will make use of the existing Priority List to allocate and commit those additional funds.

D. State Matching Funds

DEQ agrees to deposit state monies into the DWSRF in an amount equal to twenty percent (20%) of the federal capitalization grant on or before the date by which the State of Idaho receives the cash draw from EPA. These funds will be transferred from the State of Idaho Water Pollution Control Account.

E. State Laws and Procedures

DEQ agrees to expend each quarterly grant payment in accordance with applicable state laws and procedures.

F. National Reporting Needs

DEQ agrees to provide data or information to EPA as may be required for national reports and public or congressional inquiries. Capitalization grant-funded recipients will be

monitored for Single Audit Act compliance. Many federal requirements apply in an amount equal to the capitalization grant. These requirements include: Disadvantaged Business Enterprise compliance (DBE), and Federal Funding Accountability and Transparency Act (FFATA) reporting.

In order to minimize the burden on borrowers, the DWSRF program has selected 3 projects to comply with these requirements. These projects total \$11,002,464, higher than the post-set aside capitalization grant of \$6,192,750, but with a margin of safety necessary to meet Federal fund utilization requirements.

Community	Brief Project Description	Amount
City of Chubbuck	Increase supply capacity and source capacity.	\$5,000,000
City of Moscow	Construction of new well and distribution lines.	\$2,700,000
West Bonner S&W	Construction of new wells and general system upgrades.	\$3,302,464

The assistance recipients identified will:

- Follow the EPA Office of Small Business Programs guidelines for encouraging disadvantaged businesses to participate during the bidding process.
- Report on executive compensation as outlined in the Federal Funding Accountability and Transparency Act.
- Submit Single Audit reports in all years when disbursements of federal funds (both DWSRF and non-DWSRF federal funds) are greater than \$500,000.
- Comply with the entire suite of the State Environmental Review Process requirements.

VI. Criteria and Method for Distribution of Funds

Idaho drinking water systems will be queried regularly to obtain information regarding projects for which loan monies could be used. Additional information about potential projects will be obtained from DEQ regional office engineers, privately retained consulting engineers, and other state and federal agencies. DWSRF monies will be distributed according to the methods, criteria, and eligible activities as identified and described in the Idaho Administrative Code IDAPA 58.01.20 - Rules for Administration of Drinking Water Loan Account.

The criteria and methods for distribution of funds are designed to allow maximum flexibility in providing assistance, thereby enhancing the long-term viability and revolving loan aspect of the DWSRF Program.

DEQ will use the priority rating system outlined here for managing the DWSRF program. Only projects on the Project Priority List are eligible for funding. DEQ will use a List of Fundable Projects and a companion comprehensive project Priority List (see Attachments I and II). DEQ will select projects for the List of Fundable Projects starting with the highest rated project on the comprehensive project Priority List that is ready to proceed and continue down that list as far as possible in order to use all of the available funds, also ensuring that the 10% Green Project Reserve goal is met.

DEQ reserves the right to fund lower priority projects over higher priority projects that are not ready or willing to proceed. In such instances, DEQ will comply with established bypass procedures. DEQ may add projects to the List of Fundable Projects due to emergencies such as an unanticipated system failure or a project that is needed to prevent an imminent health threat.

No funding commitment will be made to a project until an engineering report, environmental review, and a financial, managerial, and technical assessment have been completed.

The rating criteria used for the SFY2013 project Priority List are as follows:

	Maximum Points
PUBLIC HEALTH HAZARD (Maximum overall points in this section is 100)	
❖ Microbiological violations	35
❖ Chemical violations	11
❖ Surface water treatment technique	20
❖ Low pressure events	25
❖ Reduction in source capacity	20
❖ Significant system deficiencies	20
GENERAL CONDITIONS OF EXISTING FACILITY (Maximum overall points in this section is 60)	
❖ Treatment deficiencies	24
❖ Source deficiencies	27
❖ Distribution deficiencies	14
❖ Redundancy and standby power	4
SUSTAINABILITY EFFORTS (Maximum overall points in this section is 50)	

❖ Management based efforts	50
❖ Technology based efforts	50
❖ Construction practices	30

CONSENT ORDER, COMPLIANCE AGREEMENT SCHEDULE OR COURT ORDER
(Maximum overall points in this section is 30)

❖ Funding solves all technical issues	30
❖ Funding solves some technical issues	15
	30

INCENTIVES (Maximum overall points in this section is 10)

❖ Current source water protection plan	2
❖ Capital replacement fund	2
❖ Cross connection control program	2
❖ Conservation oriented rate structure	2
❖ Utilizing properly licensed Substitute Responsible Charge Operator	1
❖ Current on monitoring	1

AFFORDABILITY

❖ Project user charge exceeds affordable criteria	10
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for the actual rating form please go to:

<http://www.deq.idaho.gov/media/758050-dw-loan-rating-form-fy13.pdf>

VII. Additional Information Requirements

A. Public Review and Comment

The IUP contents, including the Project Priority List, will be subjected to a thorough public participation process. Regional office staff made personal contact with drinking water systems in their respective areas that had indicated interest and rated the projects. Project Priority Lists were also disseminated to all state and federal agencies involved in infrastructure financing. Those agencies, including USDA-Rural Development, Rural Community Assistance Corporation, and Idaho Department of Commerce (Community Development Block Grants) meet periodically to discuss potential projects.

In addition to the above, the IUP, including the List of Fundable Projects and the project Priority List, will be posted on the DEQ Web site, and notices inviting comment will be published in the major newspapers of the state during the comment period.

A summary of the public participation process will be included as Attachment V.

Projects from the SFY2013 project Priority List for which DEQ intends to provide loan funding will be identified on the List of Fundable Projects on Attachment I.

Projects on the SFY2013 project Priority List and the List of Fundable Projects will be submitted for approval by the DEQ Board at the May 3, 2012 meeting.

B. Bypass Procedures

A project that does not or will not meet the project target date or a DEQ schedule that allows for timely utilization of loan funds may be bypassed, substituting in its place the next highest ranking project(s) that is ready to proceed, as identified and described in the Idaho Administrative Code IDAPA 58.01.20 - Rules for Administration of Drinking Water Loan Account. DEQ intends to use Project 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 funds to the highest ranked, ready-to-proceed project from the most current approved project Priority List. Bypassed projects will be listed in the Annual Report.

ATTACHMENT I.

Fundable List of Drinking Water Loan Projects

State of Idaho, Drinking Water State Revolving Loan Fund
for the Period of July 1, 2012 through June 30, 2013

Rank	Project	Rating Points	Reg. Off.	Sys. Type	Green Infrastructure Cost	System Number	Proposed Funding Terms	Loan Amt. & Est. Loan Date	Project Description
1	Morning View Water Company	132	IFRO	NP	\$35,000 (metering)	ID7260063	1.25% Interest, 30 Year Extended Term Financing and \$78,533 of Principal Forgiveness	\$260,000 July 2012	Construct new well and install pump. Also, make distribution improvements.
2	Castle Mountain Creeks Owners Association	95	BRO	NP		ID4080007	2.25% Interest and 20 Year Loan Term	\$300,000 June 2013	Replace leaking/breaking mains, failing pressure reducing valves, and resolve disinfection by-product problems.
3	West Bonner Water and Sewer District	90	CDA	NP	\$60,000 (NEMA premium motors, energy efficient lighting, variable frequency drive pumps)	ID1090151	1.25% Interest, 30 Year Extended Term Financing and \$997,511 of Principal Forgiveness	\$3,302,464 July 2012	In order to mitigate health risk to existing residents construct two wells, reservoir, and distribution lines. Regionalize services with Albeni Area.

ATTACHMENT I (CONT.)

Rank	Project	Rating Points	Reg. Off.	Sys. Type	Green Infrastructure Cost	System Number	Proposed Funding Terms	Loan Amt. & Est. Loan Date	Project Description
4	City of Idaho City	84	BRO	NP	\$16,000 (use of recycled materials during construction)	ID4080025	1.25% Interest, 30 Year Extended Term Financing and \$181,230 of Principal Forgiveness	\$600,000 July 2012	Groundwater requires treatment for arsenic.
5	City of Moscow	65	LRO	P	\$300,000 (use of recycled materials during construction)	ID2290023	2.25% Interest and 20 Year Loan Term	\$2,700,000 August 2012	Construct new well, and transmission lines to provide redundancy and increase the efficiency of the system.
6	City of Chubbuck	52	PRO	P		ID6030008	2.25% Interest and 20 Year Loan Term	\$5,000,000 April 2013	Install new well source, storage reservoir, booster pump station, and distribution piping to address lack of redundant system capacity.
7	Fairview Water District	51	PRO	P		ID6210006	1.25% Interest, 30 Year Extended Term Financing and \$619,990 of Principal Forgiveness	\$2,426,294 July 2012	Construct a new well, add additional storage and improve the distribution system.

ATTACHMENT I (CONT.)

Rank	Project	Rating Points	Reg. Off.	Sys. Type	Green Infrastructure Cost	System Number	Proposed Funding Terms	Loan Amt. & Est. Loan Date	Project Description
8	Alpine Meadows Water and Sewer District	44	CDA	P		ID1280002	1.25% Interest, 30 Year Extended Term Financing and \$543,691 of Principal Forgiveness	\$1,800,000 June 2013	Source upgrade to provide adequate water and meet redundancy rules, booster pumps, storage and distribution upgrades.
9	Harpster Community System	40	LRO	NP		ID2250026	1.25% Interest, 30 Year Extended Term Financing and \$45,308 of Principal Forgiveness	\$150,000 June 2013	Replace undersized, old, leaking water tank.
10	City of Fairfield	35	TFRO	P		ID5130001	2.25% Interest and 20 Year Loan Term	\$575,000 July 2012	This system is planning to construct a new ground water source, add additional storage and improve the distribution system.
11	City of Gooding	30	TFRO	P		ID5240009	1.00% Interest and 20 Year Loan Term	\$7,000,000 October 2012	The system is planning to construct a new ground water source, improve booster station and storage facilities, and improve the distribution system.

ATTACHMENT I (CONT.)

Rank	Project	Rating Points	Reg. Off.	Sys. Type	Green Infrastructure Cost	System Number	Proposed Funding Terms	Loan Amt. & Est. Loan Date	Project Description
12	Bennington Water System Incorporated	23	PRO	NP		ID6004006	1.25% Interest, 30 Year Extended Term Financing and \$226,537 of Principal Forgiveness	\$750,000 July 2012	Rehabilitate spring source and add new storage reservoir and disinfection ports.
13	Meridian Heights Water and Sewer District	0	BRO	NP		ID4010098	2.25% Interest and 20 Year Loan Term	\$115,000 April 2013	No current facility plan. Potential funding assistance is contingent upon a complete facility plan. On the DW Planning Grant fundable list.
GRAND TOTAL =====>								<u>\$24,978,758</u>	

ATTACHMENT II.**Priority List of Drinking Water Loan Projects**

STATE OF IDAHO, DRINKING WATER STATE REVOLVING LOAN FUND
FOR THE PERIOD OF JULY 1, 2012 THROUGH JUNE 30, 2013

Rank	Project	Rating Points	Reg. Office	System Type	System Number	Loan Amount	Project Description
1	Morning View Water Company	132	IFRO	NP	ID7260063	\$260,000	Construct new well and install pump. Also, make distribution improvements.
2	Castle Mountain Creeks Owners Association	95	BRO	NP	ID4080007	\$300,000	Replace leaking/breaking mains, failing pressure reducing valves, and resolve disinfection by-product problems.
3	West Bonner Water and Sewer District	90	CDA	NP	ID1090151	\$3,302,464	Construction of two wells, reservoir, distribution lines and regionalization with Albeni Area.
4	City of Idaho City	84	BRO	NP	ID4080025	\$600,000	Test wells indicate that groundwater requires treatment for arsenic.
5	City of Moscow	65	LRO	P	ID2290023	\$2,700,000	Construct new well, and transmission lines.
6	City of Chubbuck	52	PRO	P	ID6030008	\$5,000,000	Install new well source, storage reservoir, booster pump station, and distribution piping.
7	Fairview Water District	51	PRO	P	ID6210006	\$2,426,294	Construct a new well, add additional storage and improve the distribution system.
8	Alpine Meadows Water and Sewer District	44	CDA	P	ID1280002	\$1,800,000	Source upgrade to provide adequate water and meet redundancy rules, booster pumps, storage and distribution upgrades.

ATTACHMENT II (CONT.)

Rank	Project	Rating Points	Reg. Office	System Type	System Number	Loan Amount	Project Description
9	Harpster Community System	40	LRO	NP	ID2250026	\$150,000	Replace old, leaking water tank.
10	City of Fairfield	35	TFRO	P	ID5130001	\$575,000	This system is planning to construct a new ground water source, add additional storage and improve the distribution system.
11	City of Gooding	30	TFRO	P	ID5240009	\$7,000,000	The system is planning to construct a new ground water source, improve booster station and storage facilities, and improve the distribution system.
12	Bennington Water System Incorporated	23	PRO	NP	ID6004006	\$750,000	Rehabilitate spring source and add new storage reservoir and disinfection ports.
13	Meridian Heights Water and Sewer District	0	BRO	NP	ID4010098	\$115,000	No current facility plan. Potential funding assistance is contingent upon a complete facility plan. On the DW Planning Grant fundable list.
14	Star Sewer and Water District	0	BRO	P	ID4010220	\$2,466,900	Project is primarily for growth and fire flow.
Grand Total ==>						<u>\$27,445,658</u>	

ATTACHMENT III. FFY 2012 Payment Schedule

IDAHO DRINKING WATER STATE REVOLVING LOAN FUND

Payment #	Quarter Ending	Project Fund Payments	Set-Aside Payments	Total Payments
1	September 2012	\$3,096,375	\$695,562	\$3,791,937
2	December 2012	3,096,375	695,562	3,791,937
3	March 2013	0	695,563	695,563
4	June 2013	0	695,563	695,563
Total		<u>\$6,192,750</u>	<u>\$2,782,250</u>	<u>\$8,975,000</u>

A payment is defined as an increase to the ceiling in the Automated Clearinghouse Payment System. Commitments cannot be made until the ceiling on the letter of credit is adequate to cover that commitment.

Each payment is for the beginning of each quarter with planned commitments to be made through the end of that quarter. Each payment must be committed within one year of the payment date, in accordance with the Safe Drinking Water Act of 1996.

ATTACHMENT IV. Description of Disadvantaged Loans

IDAHO DRINKING WATER REVOLVING LOAN FUND

In conjunction with the standard loans, the Department shall award loans 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, a loan applicant must have an annual cost of drinking 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 loan interest rate will be reduced from the rate established by the Director for standard loans to a rate that results in an annual charge equal to 1.5% of median household income. The interest rate reduction may result in a loan interest rate of as low as 1.00%. If at a 1.00% and a 20 year repayment loan terms and conditions results in the annual user charge exceeding 1.5% of median household income, then the length of the loan repayment will be extended in increments of years up to a maximum of 30 years until the annual user charges equals 1.5% of median household income. If at 1.25% interest and a 30-year repayment, the annual user charge still exceeds 1.5% of median household income, the principal which causes the user charge to exceed 1.5% may be reduced. The amount of principal reduction for all projects will be capped at 30% of the capitalization grant or \$2,692,800 (FFY capitalization grant of \$8,975,000). 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.

- At the end of the state fiscal year any unallocated principal forgiveness (identified in the Fundable List – Attachment I), will be allocated to those disadvantaged entities that signed loans with DEQ during the state fiscal year and still qualify as disadvantaged. Therefore, if a project's budget increases after the Fundable List is established, any year-end reallocation of unused principal forgiveness will take into account the project's new cost.
- If a disadvantaged community accepts principal forgiveness and their project is completed under budget, their remaining principal forgiveness will be allocated to those disadvantaged entities that signed loans with DEQ during the state fiscal year and still qualify as disadvantaged.
- If a project that has a claim to disadvantaged assistance (on the Fundable List) opts out of the loan process and the funding thereby goes to a lower rated project, that lower rated project (if the community is disadvantaged) can lay claim to the disadvantaged assistance

(however, the same ratio of principal forgiveness to dollars loaned will remain consistent).

ATTACHMENT V. Public Notification and Involvement Strategy

FOR SFY2013 WASTEWATER AND DRINKING WATER PRIORITY LISTS

The public will be involved in the SFY2013 priority list development at several points in the process. Involvement for the drinking water and water pollution control lists are the same: needs were solicited directly from the systems through a letter of interest mailed out by the DEQ early in the priority list process. Information on the completed letter of interest forms was used in part by the State and Regional office staff in preparing draft lists. A copy of the letter of interest form is available on the Department's website. We are finding that combining information obtained directly from eligible entities with that provided by our engineering staff results in the most accurate listing of infrastructure needs.

Notification that all four FY2013 priority lists are available for public review was given in Idaho's six major (regional) newspapers for 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 will be placed on DEQ's web site from March 19- April 18, 2012.

Approval packages related to the four lists will be sent to the Board of Environmental Quality prior to their meeting on May 3, 2012. Copies of the Issue Analyses for the DWSRF loan lists and the Board agenda will be included as attachments upon Board action. DEQ staff will make presentations at the Board meeting on May 3, 2012 and answer questions about the lists. The Board will consider for approval all lists on May 3, 2012.

ATTACHMENT VI. Documentation of Matching Requirement for Program Management (10%) Set-Aside Public Notification and Involvement Strategy

IDAHO DRINKING WATER REVOLVING LOAN FUND

The following table illustrates how DEQ obtains its required match for the Safe Drinking Water Act (Act) Section 1452(g) set aside. For the Program Management Set-Aside grant DEQ must provide a 50% match above and beyond the 20% match that is required for the annual DWSRF capitalization grant. In order to meet this match:

- ❖ DEQ applies any over-match that it supplied for the previous year’s Public Water System Supervision (PWSS) grant. This computation is illustrated in lines 1 through 3.
- ❖ As allowed in the Safe Drinking Water Act the initial state match provided in 1993 serves as a perennial credit when computing the state’s effort at meeting the PWSS 50% match requirement. This is illustrated on line #4.
- ❖ The final line in the illustration (line #5) is the additive of lines 3 and 4, and represents the match that the state can provide against the upcoming year’s 50% requirement.
- ❖ A limiting factor in how much the state can provide as match results from the requirement that individually lines 3 and 4 can only provide 50% of the required match amount, so that lower of the two figures is mirrored in the other figure (i.e. line 3 is less than line 4 could be and so line 4 is reduced to equal line 3).

1.	Federal fiscal year 2011 State funds applied towards Public Water System Supervision (PWSS) program	\$1,150,882
2.	Required match for PWSS grant	<u>(415,300)</u>
3.	Over-match available from Federal fiscal year 2011 funds	735,582
4.	Amount available from the State fiscal year 1993 credit (can claim up to \$892,674 but may not exceed the amount on line 3)	<u>735,582</u>
5.	State match available for the 1452(g) set-asides	<u>\$1,471,164</u>

50% (\$448,750) will come from the Federal fiscal year 2011 over-match and 50% (\$448,750) will come from the State fiscal year 1993 credit. Expenditure of Federal fiscal year 2011 over-match will be documented in the Financial Status Reports submitted for the PWSS program.