

State of Idaho
Drinking Water State Revolving Fund
State Fiscal Year 2016
DRAFT Intended Use Plan

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IDAHO DRINKING WATER STATE REVOLVING FUND

DRAFT INTENDED USE PLAN

MAY 20 AND 21, 2015 BOARD PROPOSAL

I. Introduction

On August 6, 1996, the Safe Drinking Water Act (SDWA) Amendments of 1996 (Public Law 104-182) were signed into law. SDWA, Section 1452 authorized the Administrator of the United States 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 describing how those uses support the goal of protecting public health.

The State of Idaho, Department of Environmental Quality (DEQ) proposes to adopt the following IUP for state fiscal year 2016 (SFY 2016 is from July 1, 2015 through June 30, 2016). The source of federal funding identified in this IUP is the federal fiscal year (FFY) 2015 and 2014 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 Note: projects are technically funded via the purchase of debt but are referred to, for ease of reading, as “loans”
- 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	\$48,439,043
Transfer From DWSRF into CWSRF	(10,000,000)
EPA Capitalization Grant FFY 2014 (remainder)	3,717,481
State Match	1,077,532
EPA Capitalization Grant FFY 2015 (estimated)	6,141,000
State Match	1,780,000

Loans Receivable:		
SFY 2015 (3/1/15–6/30/15)	1,834,914	
SFY 2016	5,786,126	
SFY 2017	5,786,126	
Interest on Cash/Investments:		
SFY 2015 (3/1/15–6/30/15)	283,790	
SFY 2016	859,770	
SFY 2017	880,200	
Total Resources:		\$66,585,982
Current Remaining Loan Obligations:	(\$18,651,303)	
(Loans in construction less disbursements)	<hr/>	
Add back: 5% project shrinkage	932,565	
(Some projects will self-finance and reduce disbursement requests from the DWSRF)		<hr/>
		(17,718,738)
NET RESOURCES AVAILABLE TO PROVIDE ASSISTANCE:		\$48,867,244

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 PROVIDE ASSISTANCE**. Next projection will be made on July 1, 2015.

II. List of Projects

Attachment I is the SFY 2016 Drinking Water Loan Fundable/Priority List (Project Priority List). The final Project Priority List will be submitted for approval to the Board of Environmental Quality on May 20 and 21, 2015. 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 in achieving and maintaining 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 Blog, which contains articles on such topics as the DWSRF, operator training and certification, and treatment technology.
3. Implement a capacity development strategy. The goal of the capacity development program is to ensure that a public water system's 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 maintaining and expanding 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.
6. Entering into SFY 2016, there continues to be an imbalance in the DWSRF and CWSRF loan funds' ability to serve the state's needs. See Attachment VII for further discussion of interfund transfers.

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

1. Perform the tasks necessary to ensure that all appropriate loan assistance requested is provided in a timely manner.
2. Maintain the on-line DWSRF loan handbook, by making miscellaneous technical corrections and providing timely, up-to-date guidance.
3. Direct a minimum of approximately 10% of the capitalization grant to sustainability efforts (i.e., Green Project Reserve) and ensure that a minimum of 20% of the capitalization grant award is provided as a loan subsidy (i.e., principal forgiveness). See Section IV.A. Allocation of Funds.
4. Make necessary changes to the FFY 2015 EPA capitalization grant application.
5. Work with software developers and stakeholders to develop and implement a new loan servicing software application. The software is expected to achieve reporting efficiencies, better serve DEQ project managers in their day-to-day administration of loan projects, allow State Office staff to better manage the loan fund with long-

term forecasting and reduce duplicate data entry. The software is being purchased with an equal mix of DWSRF and CWSRF loan fees.

6. Use \$500,000 of DWSRF loan fees to help meet FFY 2015 Capitalization Grant match requirement.
7. Monitor and take necessary actions to ensure annual capitalization grant is spent within two years. Set-aside funds may be transferred into the loan fund, if it appears that the set-aside funds will not be disbursed within two years.

IV. Information on the Activities to be Supported

A. Allocation of Funds

The primary type of assistance 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 will be a ceiling of 3.00% and a floor of 1.50%. 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 1.50% of the median household income. The current policy is stated in DEQ Policy Memorandum 14-01. Principal and interest repayments must begin no later than 1 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 FFY 2015 capitalization grant funding requires that \$1,769,000 (20% of the capitalization grant, or the "floor") be distributed as a subsidy or principal forgiveness; however, Idaho can allow up to 30% of the capitalization grant to be provided as principal forgiveness (the "ceiling"). Idaho will accomplish the principal forgiveness requirement through compliance with the "Rules for Administration of Drinking Water Loan Program" (IDAPA 58.01.20.021) requirements for disadvantaged communities and will document the proposed funding terms on Attachment I, Fundable List.

The proposed funding terms, on Attachment I, will reflect a principal forgiveness provision of 25% of the FFY 2015 capitalization grant (mid-point between the floor and ceiling). 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 \$2,211,250 that is available for principal forgiveness. The proposed funding terms first adjust the length of the loan term and second adjust the interest rate to reduce the monthly user rate to 1.50% of median household income. After these steps are 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 (on an individual loan basis) at the amount necessary to get to 1.50% 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 nonprofit 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 on a federal grant award of \$8,845,000; 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 \$353,800 of the FFY 2015 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 \$176,900 of the FFY 2015 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 \$884,500 of the FFY 2015 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 \$884,500 of the FFY 2015 capitalization grant for wellhead (drinking water) protection. These funds will be used for conducting hydrologic, geotechnical, and contaminant susceptibility studies supporting 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 \$442,250 of the FFY 2015 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 work plan. 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 for the set-asides are not used by the end of the second year, the excess will be transferred into the loan corpus. When 2%, 4% and the 10% set-asides are transferred to the loan corpus, the amounts transferred may be considered as

“banked” and if additional set-aside funds are needed in the future, the set-aside programs may draw upon these “banked” funds. The 15% set-asides (used for Source Water Protection and for Capacity Development) cannot be “banked.”

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 the EPA-approved, State Environmental Review Process (SERP) for conducting environmental reviews.

The rules are outlined in IDAPA 58.01.20.

A more detailed procedural description is found in the *Drinking Water Loan Account Handbook* (Chapter 5, Forms B and C), 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 1 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 SFY 2016, the Idaho DWSRF will use 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 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’s Water Pollution Control Account and from the loan fee account.

E. State Laws and Procedures

DEQ agrees to expend each quarterly grant payment according to 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 (by DEQ’s Fiscal Section) for Single Audit Act compliance. Many federal requirements apply in an amount equal to the capitalization grant. These requirements include Disadvantaged Business Enterprise (DBE) compliance, and Federal Funding Accountability and Transparency Act (FFATA) reporting. American Iron and Steel

compliance applies to all funds (not just the capitalization grant funds) in the DWSRF and carries reporting and compliance requirements.

To minimize administrative complexity and the burden on borrowers, the DWSRF program will select projects with a dollar value equaling or marginally exceeding the most recent federal capitalization grant award, to comply with the FFATA requirements. Additionally, FFATA reporting will be conducted for set-asides' single transactions that equal or exceed \$25,000.

G. Early Repayments

During fiscal year 2013 (July 1, 2012 – June 30, 2013) DEQ received \$11,463,298 in early principal repayments. Outreach was performed to entities on the current Priority List to encourage timely utilization of the early repayments. A combination of disbursements in excess of the capitalization grant awards and a transfer of repayment funds to the CWSRF has resulted in the spend-down of the early repayments.

H. Transfers Between State Revolving Fund Loan Funds

Should transfers become needed, DEQ reserves the right to transfer surplus funds originating back to FFY 1997 capitalization grant awards. See Attachment VII for listings of capitalization grants and related narrative. Per 40 CFR 35.3550 a state may reserve the authority to transfer funds in future years. Funds may be transferred on a net basis, provided that the 33% transfer allowance associated with the DWSRF program capitalization grants received is not exceeded. Only repayments will be used for transfers. DEQ intends to transfer \$10 million from the DWSRF to the CWSRF in SFY 2016.

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 IDAPA 58.01.20.

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 Attachment I). 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 to select projects until all of the available funds are used. This selection process will also ensure 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 SFY 2016 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	12
❖ 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	21
❖ Source deficiencies	20
❖ Distribution deficiencies	14
❖ Redundancy and standby power	5
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 technical issues	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
❖ Using properly licensed Substitute Responsible Charge Operator	1
❖ Current on monitoring	1

AFFORDABILITY

❖ Project user charge exceeds affordable criteria	10
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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 United States Department of Agriculture-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 website, and notices inviting comment will be published in the state's major newspapers during the comment period.

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

Projects from the SFY 2016 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 SFY 2016 Project Priority List and the List of Fundable Projects will be submitted for approval by the DEQ Board at the May 20 and 21, 2015 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 use of loan funds may be bypassed, substituting the next highest ranking project(s) that is ready to proceed, as identified and described in IDAPA 58.01.20. DEQ intends to use Project Priority List ranking as much as possible when preparing the list of fundable projects. 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 Fundable List 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 and Priority List of Drinking Water Loan Projects

State of Idaho, Drinking Water State Revolving Loan Fund
for the Period of July 1, 2015 through June 30, 2016

Rank	Project	Rating Points	Reg. Off.	Sys. Type	Green Infrastructure Cost	System Number	Proposed Funding Terms	Loan Amt. & Est. Loan Date	Project Description
1	City of Driggs	100	IFRO	P	\$48,000 (energy and water conservation measures, Business Case required)	ID7410004	30 years at 3.00%	\$4,300,000 December 2015	Improve distribution system in order to meet peak demands, improve storage controls, improve source water protection, improve treatment and provide emergency power.
2	North Kootenai Water District – 4S Ranch - Rimrock	97	CRO	NP		ID1280009	20 years at 2.75%	\$2,453,000 April 2016	Abandon existing wells, add new booster pumps, and upgrade distribution system.
3	Smith Road Water Users Association	84	PRO	NP		ID6030049	30 years at 1.75%, with \$40,962 of principal forgiveness	\$600,000 July 2015	Replace meters, add emergency power, upgrade well house capabilities, repair storage tank, improve distribution system.
4	City of Lava Hot Springs	78	PRO	P	\$40,000 (energy efficient pumps and motors, Business Case required)	ID6030030	30 years at 1.75%, with \$300,386 of principal forgiveness	\$4,400,000 Sept. 2015	Distribution system improvements, new well, source water protection, and computerized controls.
5	City of Rexburg	77	IFRO	P	\$500,000 (source water protection and energy conservation, Business Case required)	ID7330022	30 years at 1.75%, with \$757,792 of principal forgiveness	\$11,100,000 July 2015	Address source, storage and distribution system deficiencies. Two new wells, new 2.5 million gallon storage, upgrade of undersized and aged lines, and new booster station.
6	City of Challis	62	IFRO	P	\$1,050,000 (energy and water conservation measures, Business Case required)	ID71900013	30 years at 1.75%, with \$204,809 of principal forgiveness	\$3,000,000 July 2015	New source water, improvements to distribution system, metering and computer controls.

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
7	City of Ketchum	51	TFRO	P	\$72,000 (meters, Business Case not required)	ID5070028	20 years at 2.75%	\$449,000 May 2015	Upgrade distribution system and add water meters.
8	Groveland Water and Sewer District	46	PRO	NP		ID6060095	30 years at 1.75%, with \$17,067 of principal forgiveness	\$250,000 June 2016	Add a new well and add back-up power.
9	City of Filer	40	TFRO	P		ID5420021	30 years at 1.75%, with \$391,184 of principal forgiveness	\$5,730,000 June 2016	Improve treatment system and distribution system, new generators and miscellaneous system repairs.
10	City of Glens Ferry	31	BRO	P		ID4200022	30 years at 1.75%, with \$499,050 of principal forgiveness	\$7,310,000 June 2016	Improve fire flow, add new 1 million gallon storage tank, add new generators and upgrades to distribution and treatment.
11	City of Chubbuck*	31	PRO	P		ID6030008	20 years at 2.75%	\$5,500,000 July 2015	Improve storage supply capacity.
12	City of Blackfoot*	14	PRO	P		ID6060007	20 years at 2.75%	\$3,650,000 October 2014	Improve the distribution system.
						<u>\$48,842,000</u>			

*Blackfoot and Chubbuck are expected to meet the state’s cross-cutting and reporting requirements which are required of loans that equal the state’s annual capitalization grant award amount.

ATTACHMENT II. FFY 2015 Payment Schedule

IDAHO DRINKING WATER STATE REVOLVING LOAN FUND

Payment #	Quarter Ending	Project Fund Payments	Set-Aside Payments	Total Payments
1	September 2015	\$3,051,525	\$685,487	\$3,737,012
2	December 2015	3,051,525	685,487	3,737,012
3	March 2016	0	685,488	685,488
4	June 2016	0	685,488	685,488
Total		<u>\$6,103,050</u>	<u>\$2,741,950</u>	<u>\$8,845,000</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 1 year of the payment date, in accordance with the Safe Drinking Water Act of 1996.

ATTACHMENT III. 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. To qualify for a disadvantaged loan, a loan applicant must have an annual cost of drinking water service for residential customers that exceeds 1.50% 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 1.50% of median household income. The interest rate reduction may result in a loan interest rate of as low as 1.50% for a 20-year loan (in rare instances the rate may be set at 0.00%). Loans for 30 years have a 0.25% higher interest rate than a 20-year loan but will result in lower annual repayments.

Second, if a 1.50% interest rate and 20-year repayment loan terms and conditions result in the annual user charge exceeding 1.50% 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 1.50% of median household income. Thirty-year loans will be charged a 0.25% higher interest rate than otherwise comparable 20-year loans.

Last, (assuming that a 30 year repayment period is acceptable to the applicant) if at 1.75% interest and a 30-year repayment, the annual user charge still exceeds 1.50% of median household income, the principal which causes the user charge to exceed 1.50% may be reduced. The amount of principal reduction for all projects will be capped at 25% of the capitalization grant or \$2,211,250. The principal reduction will be based on the pool of qualifying disadvantaged communities (projects) receiving an equal share in the 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 1.50% of the median household income.

- When the federal capitalization grant is ready to be closed out (that is associated with the principal forgiveness allocated for SFY 2016) any unallocated principal forgiveness (identified in the Fundable List – Attachment I), will be allocated to those disadvantaged entities that signed loans with DEQ during state fiscal year 2016 and still qualify as disadvantaged. 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 disadvantageded 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 disadvantageded) can lay claim to the disadvantageded assistance (however, the same ratio of principal forgiveness to dollars loaned will remain consistent).

ATTACHMENT IV. Public Notification and Involvement Strategy

FOR SFY 2016 WASTEWATER AND DRINKING WATER PRIORITY LISTS

The public will be involved in the SFY 2016 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 were used in part by the state and regional office staff in preparing draft lists. DEQ found 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 SFY 2016 priority lists are available for public review will be given in Idaho's six major (regional) newspapers for 4 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 website from March 19 to April 21, 2015.

Approval packages related to the four lists will be sent to the Board of Environmental Quality prior to their meeting on May 20 and 21, 2015. DEQ staff will make presentations at the Board meeting on May 20 and 21, 2015, and answer questions about the lists. The Board will consider for approval all lists on May 20 and 21, 2015.

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

IDAHO DRINKING WATER REVOLVING LOAN FUND

The following list illustrates how DEQ obtains its required match for the Safe Drinking Water Act Section 1452(g) set-aside. For the Program Management Set-Aside grant (\$884,500), DEQ must provide a 50% match above and beyond the 20% match that is required for the annual DWSRF capitalization grant. To meet this match, the following applies:

- ❖ Lines 1 through 3—DEQ applies any over-match that it supplied for the previous year’s Public Water System Supervision (PWSS) grant.
- ❖ Line 4—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. The match provided in 1993 was \$892,674.
- ❖ Line 5—The sum of adding lines 3 and 4, representing 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 2014 state funds applied towards Public Water System Supervision (PWSS) program	\$1,880,166
2. Required match for PWSS grant	<u>(404,333)</u>
3. Over-match available from Federal fiscal year 2014 funds	1,475,833
4. Amount available from the state fiscal year 1993 credit (can claim up to 50% of the match requirement)	<u>892,674</u>
5. State match available for the 1452(g) set-asides	<u>\$1,785,348</u>

Half of the required match (\$442,250) for the Program Management set-aside will come from the Federal fiscal year 2014 over-match (\$1,475,833) and the remaining match (\$442,250) will come from the state fiscal year 1993 match credit (\$892,674). Expenditure of Federal fiscal year 2014 over-match will be documented in the Federal financial reports submitted for the PWSS program.

ATTACHMENT VI. Listing of Capitalization Grants—Reference for Potential Transfers Between Funds

Drinking Water SRF

Federal Fiscal Year	Capitalization Grant Amount
1997	\$14,157,800
1998	7,121,300
1999	7,463,800
2000	7,757,000
2001	7,789,100
2002	8,052,500
2003	8,004,100
2004	8,303,100
2005	8,285,500
2006	8,229,300
2007	8,229,000
2008	8,146,000
ARRA	19,500,000
2009	8,146,000
2010	13,573,000
2011	9,418,000
2012	8,975,000
2013	8,421,000
2014	8,845,000
2015	8,845,000
Total	\$187,261,500

Note: The Drinking Water SRF fund is used to measure how much in transfers may be made, between the two loan funds, because the Drinking Water loan fund has received the lesser of capitalization grants and is therefore the limiting factor.

Only one transfer may be made each year. For SFY 2016 \$10 million will be transferred from the Drinking Water SRF to the Clean Water SRF. Per 40 CFR 35.3550 a state may reserve the authority to transfer funds in future years. Funds may be transferred on a net basis, provided that the 33% transfer allowance associated with the DWSRF program capitalization grants received is not exceeded. Only repayments will be used for transfers.

The recent past has highlighted an imbalance in demand between the two loan funds, with the CWSRF having a much higher demand than the DWSRF:

- Demand in SFY 2012 for DWSRF \$68m vs. CWSRF \$117m
- Demand in SFY 2013 for DWSRF \$27m vs. CWSRF \$149m
- Demand in SFY 2014 for DWSRF \$37m vs. CWSRF \$162m
- Demand in SFY 2015 for DWSRF \$45m vs. CWSRF \$69m
- Demand in SFY 2016 for DWSRF \$49m vs. CWSRF \$67m

The two types of projects (DW vs. CW) have the same funding sources to apply to and so there is no offsetting relief for the CW entities to seek additional funds from. Typically CW projects are more expensive than DW projects (this year the ratio is \$6m:\$4m per project). The current expectation is that the transferred funds into the CWSRF will reside there for some period of years; however, the transfer may be reversed in the future if the relative needs change.

The total amount of authority being reserved is 33% of \$187,261,500 or \$62,420,500. With the actual transfer of \$10,000,000 in SFY 2015 and the proposed transfer of an additional \$10,000,000 in SFY 2016 there will remain \$42,420,500 of remaining reserve that could be transferred from the Drinking Water SRF to the Clean Water SRF, until the reserve is increased by new Federal grants. The transfer will be taken from the loan fund corpus and will not affect set-asides. The potential for long-term diminution of DWSRF fund resources will be known as future, relative needs become known. DEQ will continue to monitor and conduct financial assessment/modeling to determine potential long-term impacts to the DWSRF fund.