

**State of Idaho
Drinking Water State Revolving Fund
State Fiscal Year 2018
Intended Use Plan**

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IDAHO DRINKING WATER STATE REVOLVING FUND

INTENDED USE PLAN

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. The DWSRF is administered by the DEQ Water Quality Division Loan Program, which also administers the Clean Water State Revolving Fund (CWSRF).

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 2018 (SFY 2018 is from July 1, 2017 through June 30, 2018). The source of federal funding identified in this IUP is the federal fiscal year (FFY) 2017 and 2016 capitalization grants.

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	\$41,089,774
Transfer From DWSRF into CWSRF	(10,000,000)
EPA Capitalization Grant FFY 2016 (remainder)	4,139,300
State Match	1,199,797
EPA Capitalization Grant FFY 2017 (estimated)	5,735,280
State Match	1,662,400
EPA Capitalization Grant FFY 2018 (estimated)	5,735,280

State Match	1,662,400	
Loans Receivable:		
SFY 2017 (3/1/17–6/30/17)	2,056,473	
SFY 2018	6,746,930	
SFY 2019	6,746,930	
Interest on Cash/Investments:		
SFY 2017 (3/1/17–6/30/17)	261,467	
SFY 2018	985,000	
SFY 2019	960,000	
Total Resources:		\$68,981,030
Current Remaining Loan Obligations:	(\$37,305,741)	
(Loans in construction less disbursements)		
Add back: project shrinkage	5,000,000	
(Some projects will self-finance and reduce disbursement requests from the DWSRF)		<u>(32,305,741)</u>
NET RESOURCES AVAILABLE TO PROVIDE ASSISTANCE:		<u>\$36,675,289</u>

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, 2017.

II. List of Projects

Attachment I is the SFY 2018 Drinking Water Loan Fundable and Attachment II is the SFY 2018 Drinking Water Loan Priority List. Upon completion of the public comment period, a final Priority List was approved by the Board of Environmental Quality on May 11, 2017. Projects are arranged on the 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.

III. Program Goals

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

1. Protect the public health of citizens served by drinking water systems by offering financial assistance to construct cost-effective drinking water facilities. Financial assistance includes below-market-rate loans, longer loan terms, and may include principal forgiveness for disadvantaged communities.
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 DEQ 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 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, 95% 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. Manage the imbalance between the demand upon DWSRF and CWSRF resources. Entering into SFY 2018, there continues to be an imbalance in the DWSRF and CWSRF loan funds' ability to serve the state's needs. See Attachment V for further discussion of interfund transfers.

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

1. Ensure all appropriate loan assistance requested is provided in a timely manner.
2. Maintain the on-line DWSRF loan handbook, by making technical corrections and providing timely, up-to-date guidance. Implement changes to guidance to reflect changes to State Environmental Review Process (SERP).
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 2018 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 DEQ 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. Dedicate a portion of the additional subsidization to reduce the risk of lead in systems that are influenced by aggressive water (see Fundable List, Attachment I).
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.
8. Implement the ability to provide funding for emergencies.

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 effective rate of interest will vary from a ceiling of 3.00% and a floor of 1.50%. An interest rate floor is established to help offset the effects of inflation and to encourage communities to complete their projects in a timely manner.

In some instances 0.00% interest loans will be considered if the community's annual drinking water 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 one year after the date the constructed facility initiates operations.

All loans will be paid back over a period not to exceed 30 years. Disadvantaged loans may have lower interest rates, and principal forgiveness (see Attachment III for an explanation of the Disadvantaged Loans program). The average design life of the project must equal or exceed the repayment term.

The FFY 2017 capitalization grant funding is expected to require \$1,648,200 (20% of the \$8,241,000 capitalization grant, or the "floor") be distributed as a subsidy or principal forgiveness; however, Idaho can allow up to 50% of the capitalization grant to be provided as principal forgiveness for disadvantaged communities (the "ceiling" which equals \$4,120,500). 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.

Principal Forgiveness, Project Subsidies and Emergencies

The proposed funding terms, on Attachment I, will reflect a principal forgiveness provision of 28.4% of the FFY 2017 capitalization grant. The capitalization grant equaled \$8,241,000 (for the entire state) and 28.7% of that figure is \$2,362,400. Disadvantaged systems will share equally, on a project cost pro-rata basis, in \$1,662,400 of the \$2,362,400 and the remaining \$700,000 will be used for emergencies and lead remediation. This level of principal forgiveness is in keeping with recent years' levels, during which an analysis of fund balances and revenues have shown consistently rising year-end amounts; therefore, it is reasonable to conclude that a level of principal forgiveness above the "floor" does not endanger the perpetuity of the DWSRF.

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.

a. Reduction of Lead Exposure

Public drinking water systems (and including public schools (K-12)) will have access to \$500,000, per year for the entire state, for projects that:

- remediate corrosive water for systems with lead service lines or fixtures; or,
- replaces lead pipes or fixtures; and,
- have been identified by DEQ as at risk.

At the end of the year unused project subsidy funds will not be rolled forward into the next year.

b. Emergencies

DEQ's SRF program will provide funding for emergency situations up to a total of \$200,000 for the state. Public water systems seeking emergency funding shall call the DEQ State Office (208) 373-0439 to discuss their needs and application process.

Should there be any principal forgiveness monies that were not utilized by economically disadvantaged communities they will be considered for emergency use on a case-by-case basis.

Criteria for emergency funding:

- An emergency must be declared by a local, state or national governmental entity.
- Public health must be at imminent risk.
- Intended for like-kind replacement, unless the damaged infrastructure would not meet current standards.
- Replacement work should all be done in existing footprint of damaged infrastructure, unless such an approach would not allow the facility to meet current standards.
- Costs incurred for replacement prior to a loan being signed will be considered for inclusion in the loan.
- Legal debt authority must be obtained if DEQ is unable to entirely meet replacement needs with project subsidy.

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. If 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 \$8,241,000 if the grant is less or more, the set-aside amounts will be proportionately reduced or increased.

DEQ plans to reserve \$400,000 of the FFY 2017 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 \$164,820 of the FFY 2017 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 \$824,100 of the FFY 2017 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 \$824,100 of the FFY 2017 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 \$412,050 of the FFY 2017 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 projected to be used by the end of the second year, the excess will be transferred into the loan corpus. When 2%, 4% and 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.”

D. Assistance Agreement Fees

To support administrative costs associated with operating the Drinking Water State Revolving Fund (DWSRF) program or to otherwise facilitate the operation of the DWSRF effort, a fee program has been instituted. The fee will be 1% of the unpaid balance of the assistance agreement (unless the grand total of the interest rate and fee is less than 1%, in which case the fee will be reduced), payable when the regular

repayments are made. Herein the term *effective interest* will be the sum of the fee and the true interest. The interest rate will be reduced by the corresponding percentage of the fee, so there is no net effect on borrowers. Fees are only being charged on new assistance agreements or on projects in progress for which an assistance agreement offer amendment is required.

For SFY 2016, the fee revenues were \$348,367, and for SFY 2017 the expected fee revenue should increase to about \$399,000. The fee revenue account balance, mid-way through SFY 2017, was \$1,613,780. In the second half of SFY 2017, approximately \$300,000 of fee revenues will be used to fund DWSRF administrative and technical support costs incurred beyond the federal capitalization grant support level, drinking water planning grant support.

For SFY 2018, DEQ expects to expend approximately \$800,000 of fee revenues, to fund Capacity Development costs and to partially fund costs of approximately \$600,000 for drinking water planning grant efforts.

Support for drinking water planning grants will include 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 drinking water planning grants. In the state office, the personnel time will consist of financial and environmental review staff.

Surplus fee revenues will be transferred into the assistance agreement repayment account, to increase *available resources* for assistance agreements. Surplus fees will earn the same interest as regular repayment idle monies and will be periodically transferred to the fund corpus. Should a cash flow deficiency arise in the fund corpus, surplus fees would be transferred ad hoc.

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, 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), located at <http://www.deq.idaho.gov/media/1117871/dw-loan-handbook.pdf>

B. Binding Commitments

DEQ will enter into binding commitments in an amount equal to the most recent grant award and proportional state match within 1 year of receipt of those funds.

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 2018, 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 make expenditures 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, and Davis Bacon wage provisions 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-aside single transactions that equal or exceed \$25,000.

G. 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 IV 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 2018. With this transfer a total of \$40 million will have made from the DWSRF to the CWSRF over the last 4 years.

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 joint Fundable/Priority List are eligible for funding.

DEQ reserves the right to fund lower priority projects over higher priority projects that are not ready to proceed. In such instances, DEQ will comply with established bypass procedures. DEQ may add projects to the Fundable List 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, although any project without a repayment obligation would not require underwriting.

The rating criteria used for the SFY 2018 Fundable/Priority List are as follows:

	Maximum Points
PUBLIC HEALTH HAZARD (Maximum section points is 100)	
❖ Microbiological violations	26
❖ Chemical violations	12
❖ Surface water treatment technique	12
❖ Low pressure events	24
❖ Reduction in source capacity	24
❖ Significant system deficiencies	18
GENERAL CONDITIONS OF EXISTING FACILITY (Maximum section points = 60)	
❖ Treatment deficiencies	21
❖ Source deficiencies	20
❖ Distribution deficiencies	14
❖ Redundancy and standby power	5
SUSTAINABILITY EFFORTS (Maximum section points = 50)	
❖ Management-based efforts	45
❖ Technology-based efforts	50
❖ Construction practices	30

CONSENT ORDER, COMPLIANCE AGREEMENT SCHEDULE, OR COURT ORDER
(Maximum section points = 30)

- ❖ Funding solves technical issues 30

INCENTIVES (Maximum section points = 10)

- ❖ Current source water protection plan 2
- ❖ Cross-connection control program 2
- ❖ No significant deficiencies in last sanitary survey 2
- ❖ Using properly licensed Substitute Responsible Charge Operator 2
- ❖ No more than one failure to monitor violations in past 5 years for all analyses 2

AFFORDABILITY (Maximum section points = 10)

- ❖ Project user charge exceeds affordable criteria 10

VII. Additional Information Requirements

A. Public Review and Comment

The IUP contents, including the Priority List, are subject 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. 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 Fundable List and the Priority List, was posted on the DEQ website, and notices inviting comment were published in the state's major newspapers during the comment period.

A summary of the public participation process is included as Attachment III.

Projects from the SFY 2018 Priority List for which DEQ intends to provide loan funding are identified in Attachment I. These projects were approved by the DEQ Board at the May 11, 2017, 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 Priority List ranking as much as possible when preparing the list of fundable projects. However, a 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 Priority 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 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, 2017 through June 30, 2018

Rank	Project	Rating Points	Regional Office	System Type	Green Infrastructure Cost	System Number	Pop. Served	Proposed Funding Terms	Loan Amt. & Est. Loan Date	Project Description
1	City of Troy	102	Lewiston	Public	\$150,000	ID2290041	850	20 years at 2.75%	\$1,500,000 December 2017	Improve distribution, add new storage, new standby power and improve controls
2	City of Sugar City	96	Idaho Falls	Public	\$3,700,000	ID7330026	1,514	20 years at 1.50%	\$3,700,000 May 2018	Add new well, add new booster pump and new tank, improve distribution and upgrade meters
3	City of New Meadows	92	Boise	Public	\$100,000	ID3020012	475	30 years at 1.75%, with \$195,492 of principal forgiveness	\$1,500,000 June 2018	Add new storage tank, replace booster pumps, add new well and improve distribution
4	Kootenai County Water District	89	Coeur d'Alene	Public	\$250,000	ID1280106	800	20 years at 2.75%	\$800,000 July 2017	Add new storage, upgrade distribution and replace meters
5	City of Iona	81	Idaho Falls	Public	\$185,500	ID7100041	1,803	20 years at 2.75%	\$3,100,000 June 2018	Add a new storage tank, a new well and transmission line
6	City of Donnelly	75	Boise	Public	\$75,000	ID4430019	200	30 years at 1.75% with \$182,459 of principal forgiveness	\$1,200,000 July 2017	Add new well, improve booster station, improve distribution and add new controls

ATTACHMENT I (CONT.)

Rank	Project	Rating Points	Regional Office	System Type	Green Infrastructure Cost	System Number	Pop. Served	Proposed Funding Terms	Loan Amt. & Est. Loan Date	Project Description
7	City of Weston	68	Pocatello	Public	\$50,000	ID6210019	448	30 years at 1.75%, with \$293,173 of principal forgiveness	\$2,249,500 October 2017	Improve water storage by adding new tank
8	City of Heyburn	65	Twin Falls	Public	\$4,034,000	ID5340006	3,150	30 years at 1.75%, with \$991,275 of principal forgiveness	\$7,606,000 December 2018	Add new storage, rehabilitation of pumping, add back-up power and rehabilitate well
9	Star Sewer and Water District	63	Boise	Public	\$200,000	ID4010220	7,295	20 years at 2.75%	\$3,500,000 June 2018	Improve water storage capacity
10	City of Georgetown	61	Pocatello	Public	\$15,000 (asset management and source water protection, Business Case required)	ID6040013	465	20 years at 2.69%	\$1,400,000 May 2018	The city needs to add a new chlorinator and upgrade its distribution system. Improvements to distribution system, new valves, treatment enhancements, and source water protection
11	Carlin Bay Property Owners Association	58	Coeur d'Alene	Private	\$0	ID1280039	200	20 years at 2.75%	\$40,000 September 2017	Engage in planning effort to address aging infrastructure and investigate new source
12	City of Ammon	55	Idaho Falls	Public	\$132,000	ID7100004	14,685	20 years at 2.75%	\$1,000,000 August 2017	Make upgrades, repairs to well, and storage tank, add standby power and make distribution system improvements
13	Southside Water and Sewer District	48	Coeur d'Alene	Public	Unknown (meters, Categorical exemption)	ID1090131	500	21 years at 1.50%	\$931,000 June 2018	The district needs to augment its source capacity and make improvements to Storage by adding new source and new storage

ATTACHMENT I (CONT.)

Rank	Project	Rating Points	Regional Office	System Type	Green Infrastructure Cost	System Number	Pop. Served	Proposed Funding Terms	Loan Amt. & Est. Loan Date	Project Description
14	City of Mountain Home	45	Boise	Public	\$25,000	ID4200032	13,780	20 years at 2.75%	\$2,700,000 October 2017	Improve water storage capabilities by adding new tank
15	City of Rigby	45	Idaho Falls	Public	\$30,000	ID7260032	4,037	20 years at 2.75%	\$2,500,000 October 2017	Increase water storage capacity, new booster station, add SCADA and back-up generator
16	City of St. Maries	34	Coeur d'Alene	Public	\$1,100,000	ID1050024	2,300	20 years at 2.75%	\$1,100,000 August 2017	Upgrade distribution system
17	Systems w/Corrosive Water or Lead Fixtures Presenting a Public Health Hazard	20	All	All	All	All	Unk	\$500,000 of principal forgiveness	\$500,000	Fund Planning, Design and Construction to remediate corrosive/aggressive water situations that present a clear threat to public health
18	Emergency	Unk	All	All	Unknown	All	Unk	\$200,000 of principal forgiveness	\$200,000	See Section IV.A. of Intended Use Plan
Totals ==>					<u>\$10,046,500</u>			<u>\$2,362,400</u>	<u>\$35,526,500</u>	

*NOTE: Star, Mountain Home, Heyburn and Rigby 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. Priority List of Drinking Water Loan Projects

State of Idaho, Drinking Water State Revolving Loan Fund
for the Period of July 1, 2017 through June 30, 2018

Rank	Project	Rating Points	Regional Office	System Type	System Number	Pop. Served	Loan Amt. & Est. Loan Date	Project Description
1	City of Troy	102	Lewiston	Public	ID22900 41	850	\$1,500,000 December 2017	Improve distribution, add new storage, new standby power and improve controls
2	City of Sugar City	96	Idaho Falls	Public	ID73300 26	1,514	\$3,700,000 May 2018	Add new well, add new booster pump and new tank, improve distribution and upgrade meters
3	City of New Meadows	92	Boise	Public	ID30200 12	475	\$1,500,000 June 2018	Add new storage tank, replace booster pumps, add new well and improve distribution
4	Kootenai County Water District	89	Coeur d'Alene	Public	ID12801 06	800	\$800,000 July 2017	New storage, upgrade of distribution lines and replace meters
5	City of Iona	81	Idaho Falls	Public	ID71000 41	1,803	\$3,100,000 June 2018	Add a new storage tank, a new well and transmission line
6	City of Donnelly	75	Boise	Public	ID44300 19	200	\$1,200,000 July 2017	Add new well, improve booster station, improve distribution and add new controls

Rank	Project	Rating Points	Regional Office	System Type	System Number	Pop. Served	Loan Amt. & Est. Loan Date	Project Description
7	City of Weston	68	Pocatello	Public	ID6210019	448	\$2,249,500 October 2017	Improve water storage by adding new tank
8	City of Heyburn	65	Twin Falls	Public	ID5340006	3,150	\$7,606,000 2019 or 2020	Add new storage, rehabilitation of pumping, add back-up power and rehabilitate well
9	Star Sewer and Water District	63	Boise	Public	ID4010220	7,295	\$3,500,000 June 2018	Improve water storage capacity
10	City of Georgetown	61	Pocatello	Public	ID6040013	465	\$1,400,000 May 2018	The city needs to add a new chlorinator and upgrade its distribution system. Improvements to distribution system, new valves, treatment enhancements, and source water protection
11	Carlin Bay Property Owners Association	58	Coeur d'Alene	Private	ID1280039	200	\$40,000	System is seeking planning loan. System is in need of extensive repairs and a new source
12	City of Ammon	55	Idaho Falls	Public	ID7100004	14,685	\$1,000,000 August 2017	Make upgrades, repairs to well, and storage tank, add standby power and make distribution system improvements
13	Southside Water and Sewer District	48	Coeur d'Alene	Public	ID1090131	500	\$931,000 June 2018	The district needs to augment its source capacity and make improvements to Storage by adding new source and new storage
14	City of Mountain Home	45	Boise	Public	ID4200032	13,780	\$2,700,000 October 2017	Improve water storage capabilities by adding new tank

Rank	Project	Rating Points	Regional Office	System Type	System Number	Pop. Served	Loan Amt. & Est. Loan Date	Project Description
15	City of Rigby	45	Idaho Falls	Public	ID72600 32	4,037	\$2,500,000 October 2017	Increase water storage capacity, new booster station, add SCADA and back-up generator
16	City of St. Maries	34	Coeur d'Alene	Public	ID10500 24	2,300	\$1,100,000 August 2017	Upgrade distribution system
17	Systems w/Corrosive Water or Lead Fixtures Presenting a Public Health Hazard	20	All	All	All		\$500,000	Fund Planning, Design and Construction to remediate corrosive/aggressive water situations that present a clear threat to public health.
18	Emergency	Unk	All	All	All	Unk	\$200,000	See section IV.A. of the Intended Use Plan
Totals ==>							<u>\$35,526,500</u>	

ATTACHMENT III. Description of Disadvantaged Loans

IDAHO DRINKING WATER REVOLVING LOAN FUND

In conjunction with the standard loans, DEQ shall award loans to applicants deemed disadvantaged using the following criteria, to the extent allowed 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 census data for the county in which it is located, or may use a DEQ-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 DEQ 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 yearly increments up to a maximum of 30 years until the annual user charges equals 1.50% of median household income.

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 50% of the capitalization grant or \$4,215,600. The principal reduction will be based on the pool of qualifying disadvantaged communities (projects) and communities in need of emergency assistance. Principal forgiveness may not be 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 2018) any unallocated principal forgiveness for disadvantaged communities (identified in the Fundable List – Attachment I), will be allocated to those disadvantaged entities that signed loans with DEQ during state fiscal year 2018 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 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 ratio of principal forgiveness to dollars loaned will remain consistent).

ATTACHMENT IV. Public Notification and Involvement Strategy

FOR SFY 2018 CLEAN WATER AND DRINKING WATER PRIORITY LISTS

The public will be involved in the SFY 2018 priority list development at several points in the process. Involvement for the drinking water and clean water 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 the 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 2018 priority lists are available for public review were given in Idaho's six major (regional) newspapers for 28 days. Notices were 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 also be placed on DEQ's website from March 17 to April 14, 2017.

Approval packages related to the four lists were sent to the Board of Environmental Quality prior to its meeting on May 11, 2017. Copies of the issue analyses for the DWSRF lists and the Board agenda were included as attachments for Board action. DEQ staff made presentations at the Board meeting and answer questions about the lists.

The Board approved all lists on May 11, 2017.

ATTACHMENT V. 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
2016	8,312,000
2017	8,312,000
Total	\$203,885,500

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 2018 \$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 \$46m vs. CWSRF \$67m
- Demand in SFY 2017 for DWSRF \$23.6m vs. CWSRF \$92m
- Demand in SFY 2018 for DWSRF \$34.7m vs. CWSRF \$264.3m

The two types of projects (DW vs. CW) have the same funding sources to apply to, so there is no offsetting relief for the CW entities from which to seek additional funds. Typically CW projects are more expensive than DW projects (this year the ratio is \$7.2m:\$2.4m 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 \$203,885,500 or \$67,961,827. With the actual transfers of \$10,000,000 in SFYs 2015, 2016 and 2017, and the proposed transfer of an additional \$10,000,000 in SFY 2018 there will remain \$27,961,827 of 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 repayments 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.