

State of Idaho
Drinking Water State Revolving Fund
State Fiscal Year 2021
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 Idaho Department of Environmental Quality (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, DEQ adopted the following IUP for state fiscal year 2021 (SFY 2021 is from July 1, 2020 through June 30, 2021). The source of federal funding identified in this IUP is the federal fiscal year (FFY) 2022, 2021, 2020 and 2019 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	\$47,652,383
EPA Capitalization Grant FFY 2019 (remainder)	2,216,070
State Match	642,512
EPA Capitalization Grant FFY 2020 (estimated)	7,597,590
State Match	2,202,200
EPA Capitalization Grant FFY 2021 (estimated)	7,597,590
State Match	2,202,200
EPA Capitalization Grant FFY2022 (estimated)	7,597,590

State Match	2,202,200	
Loans Receivable:		
SFY 2020 (3/1/18–6/30/18)	2,127,256	
SFY 2021	6,923,981	
SFY 2022	6,923,981	
Interest on Cash/Investments:		
SFY 2020 (3/1/18–6/30/18)	300,000	
SFY 2021	950,000	
SFY 2022	950,000	
Total Resources:		\$98,085,553
Current Remaining Loan Obligations: (Loans in construction less disbursements)	(\$68,552,266)	
Add back: project shrinkage (Some projects will self-finance and reduce disbursement requests from the DWSRF)	3,427,613	<u>(65,124,653)</u>
NET RESOURCES AVAILABLE TO PROVIDE ASSISTANCE:		<u>\$32,960,900</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, 2020.

II. List of Projects

Attachment I is the SFY 2021 Drinking Water Loan Fundable and Attachment II is the SFY 2021 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 14, 2020. 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 help public drinking water system's improve or optimize their technical, managerial, and financial framework so they can sustainably provide safe drinking water to their customers in a cost-effective manner. This goal is facilitated by supporting public water systems in maintaining and expanding their technical, managerial, and financial capacity.
4. Implement a source water assessment and protection strategy. . The goal is supported through the assessment of public drinking water sources, protection planning, and providing tools and technical assistance to support implementation of protection strategies.
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. 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.
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 2021 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 corrosive 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.
9. Implement the creation of the administrative framework needed to leverage through the Idaho State Bond Bank.

10. Establish administrative framework for funding the testing, removal, and treatment of non-regulated contaminants (e.g. PFAS).
11. Establish a standard operating procedure for allocating new disadvantaged grant to existing loans; starting with using the grant proceeds to fund the completion of projects that don't have the debt authority to increase their loan. Followed by systems that are disadvantaged and qualify for principal forgiveness.

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 19-01. 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 2020 capitalization grant funding is expected to require \$2,202,200 (20% of the \$11,011,000 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 \$5,505,500). 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

Idaho will adopt a 23% (of the capitalization grant) principal forgiveness allocation to include \$700,000 for emergencies and lead remediation. The proposed funding terms, on Attachment I, will reflect a principal forgiveness provision of 23% of the FFY 2020 capitalization grant. The capitalization grant equaled \$11,011,000 (for the entire state) and 23% of that figure is \$2,532,530. Disadvantaged systems will share equally, on a project cost pro-rata basis, in \$1,832,530 of the \$2,532,530 and the remaining \$700,000 will be used for emergencies and lead remediation.

To automatically be considered for principal forgiveness, the system's annual user rates will need to exceed 2.00% of the community's median household income. To be

considered for principal forgiveness, if user rates fall between 1.50% and 2.00% of median household income, DEQ will verify that:

- the most recent census reports a decline in population for the community during the recent five year reporting period:
<http://factfinder.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>
- unemployment exceeds the statewide average as posted on the Idaho Department of Labor’s website, as of March 5, 2020: <http://labor.idaho.gov/dnn>

To the extent those entities on the Fundable List exceed user rates of \$100 per month, up to 50% of the \$1,832,530 will be allocated proportionally. After the allocation of the initial 50% of principal forgiveness, all disadvantaged systems will share equally, on a project cost pro-rata basis, in the remaining \$916,250 that is available for principal forgiveness. 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 the highest rates amongst the fundable systems. 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) 373-0122 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. Infrastructure repairs or replacements will only be made to fix the proximate cause of the emergency.
- * 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.
- * Receipts will have to be submitted to justify all costs. “All” costs include any cash advances or costs incurred prior to the funding assistance agreement having been signed.
- * Any over-payments by DEQ (most likely happening in the context of an advance) will require reimbursement by the funding recipient.
- * Rules for SRF loans will be followed to determine cost/expense eligibility.
- * Volunteers will not be compensated for their time. All personnel time, in order to be eligible, must be supported by the existence of W-2’s or contracts.

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 \$11,011,000. If the grant is less or more, the set-aside amounts will be proportionately reduced or increased.

DEQ plans to reserve 4% or \$440,440 of the FFY 2020 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 \$220,220 of the FFY 2020 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 \$1,101,100 of the FFY 2020 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 \$1,101,100 of the FFY 2020 capitalization grant for source water protection. These funds will be used to assess public drinking water sources to characterize the water source and determine its susceptibility to contamination; assist with developing and implementing source water protection plans; implement source water protection projects and develop tools and resources to facilitate source water protection implementation efforts; and provide source water protection education, outreach, training, and technical assistance to owners and operators of public water systems, staff at local governments, schools, businesses, and the public. 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 5% or \$550,550 of the FFY 2020 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 funds 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 2019, the fee revenues were \$488,198, and for SFY 2020 the expected fee revenue should total \$188,755. The fee cash balance, mid-way through SFY 2020, was \$1,034,166. In the second half of SFY 2020, approximately \$150,000 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 2021, DEQ expects to expend approximately \$450,000 of fee revenues, to fund Capacity Development costs and to partially fund costs of approximately \$350,000 for drinking water planning grant efforts. Additionally, \$300,000 of fees will be used for capitalization grant match, along with \$50,000 for leveraging, and \$100,000 for database software.

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, 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), 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 2021, 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 a combination of 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 the most recent federal capitalization grant award that is reserved for loans, 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. Through SFY 2020 \$40 million in transfers will have been made from the DWSRF to the CWSRF.

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 2021 Fundable/Priority List are as follows:

	Maximum Points
PUBLIC HEALTH HAZARD (Maximum section points is 112)	
❖ Microbiological violations	26
❖ Chemical violations	12
❖ Surface water treatment technique	12
❖ Low pressure events	24
❖ Reduction in source capacity	24
❖ Significant system deficiencies	18
❖ Unregulated contaminants	12
GENERAL CONDITIONS OF EXISTING FACILITY (Maximum section points = 60)	
❖ Treatment deficiencies	21
❖ Source deficiencies	17
❖ Distribution deficiencies	14
❖ Redundancy and standby power	5
SUSTAINABILITY EFFORTS (Maximum section points = 50)	
❖ Management-based efforts	25
❖ Technology-based efforts	60
❖ Construction practices	10
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	2

analyses

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 2021 Priority List for which DEQ intends to provide loan funding are identified in Attachment I. These projects will be considered for approval by the DEQ Board at the May 14, 2020, 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, 2020 through June 30, 2021

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	Murray Water Association	132	Coeur d'Alene	Private	\$0	ID1400039	100	30 years at 1.75% with \$272,888 of PF	\$735,000 July 2020	Add new wells, pumps, generator, and upgrade distribution system
2	Panhandle Village Water	106	Coeur d'Alene	Public	\$150,000	ID1280132	130	30 years at 1.75% with \$748,402 of PF	\$4,320,000 July 2020	New distribution system, add a well or booster station
3	City of Clifton	103	Pocatello	Public	\$1,600,000	ID6210002	280	30 years at 1.75% with \$207,774 of PF	\$2,200,000 July 2020	Upgrade source water and increase water supply
4	Sunnyside Water Association	95	Coeur d'Alene	Private	\$0	ID1090132	44	30 years at 1.75% with \$456,736 of PF	\$1,251,000 July 2020	Add booster stations, replace and upgrade water mains
5	Elk City Water and Sewer Association	92	Lewiston	Private	\$5,000	ID2250017	320	30 years at 1.75% with \$68,641 of PF	\$439,238 July 2020	Improvements to the water reservoir
6	City of Priest River	88	Coeur d'Alene	Public	\$0	ID1090107	1,773	20 years at 2.75%	\$1,890,000 July 2020	Construct new reservoir, install new generator

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	Southside Water and Sewer District	60	Coeur d'Alene	Public	\$0	ID1090131	575	30 years at 2.75%	\$1,030,000 June 2021	Add a new well and storage reservoir
8	City of Bliss	46	Twin Falls	Public	\$1,360,320	ID5240002	320	30 years at 1.75% with \$78,059 of PF	\$1,424,000 July 2020	Add a new well and storage reservoir
9	City of Rockland	45	Pocatello	Public	\$86,500	ID6390019	318	20 years at 2.75%	\$250,000 January 2021	Add standby generator, relocate storage tank, replace water meters
10	Remington Recreational Water District	42	Coeur d'Alene	Public	\$100,500	ID1280270	900	30 years at 2.75%	\$2,835,000 July 2020	Improve or add wells
11	City of Wilder	41	Boise	Public	\$840,000	ID3140138	1,533	20 years at 2.75%	\$1,000,000 January 2021	Add a booster station, and make distribution improvements
12	City of Aberdeen	37	Pocatello	Public	\$54,000	ID6060001	1,929	20 years at 2.75%	\$1,200,000 July 2020	Add a new well for redundancy
13**	City of Lewiston	99	Lewiston	Public	\$0	ID2350014	15,001	25 years at 1.625%	\$9,917,339 July 2020	Upgrade to treatment, water supply, booster pumps, storage and the distribution system
14	Systems w/Corrosive Water or Lead Fixtures Presenting a Public Health Hazard	Unk	All	All	All	Unk	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

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
15	Emergency	Unk	All	All	Unknown	Unk	Unk	\$200,000 of principal forgiveness	\$200,000	See Section IV.A. of Intended Use Plan
Totals ==>					<u>\$4,196,320</u>			<u>\$2,532,500</u>	<u>\$29,191,577</u>	

NOTES:

*Lewiston and Clifton 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.

** Increase to an existing loan.

ATTACHMENT II. Description of Disadvantaged Loans

IDAHO DRINKING WATER REVOLVING LOAN FUND

To initially 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 debt. 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 may be reduced. If a disadvantaged community's user rates exceed 2.00% of median household income there will be no more qualification requirements for that community in order to receive principal forgiveness. If the user rates fall in between 1.50% - 2.00% of median household income see requirements in Section IV.A (page 6).

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 2021) 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 2021 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 III. Public Notification and Involvement Strategy

FOR SFY 2021 CLEAN WATER AND DRINKING WATER PRIORITY LISTS

The public was involved in the SFY 2021 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 2021 priority lists were available for public review were given in Idaho's six major (regional) newspapers for 30 days. Notices were published three times in each of the newspapers. Copies of proofs of publication were included as attachments to the final IUP.

Notification of availability of the lists were also placed on DEQ's website from March 18 to April 17, 2020.

Approval packages related to the four lists were sent to the Board of Environmental Quality prior to its meeting on May 14, 2020. 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 answered questions about the lists.

The Board approved all lists on May 14, 2020.

**ATTACHMENT IV. 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	8,241,000
2018	8,241,000
2019	8,165,000
2020	8,341,666
Total	\$228,562,166

Note: The Drinking Water SRF fund is used to measure how much in transfers may be made, between the two loan funds.

Only one transfer may be made each year. For SFY 2021 \$10 million may be transferred from the Drinking Water SRF to the Clean Water SRF, dependent upon whether or not systems on the DWSRF 2020 Fundable List opt out of the loan process, thereby freeing up funds to be used by CWSRF borrowers. 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 \$24m vs. CWSRF \$92m
- Demand in SFY 2018 for DWSRF \$36m vs. CWSRF \$264m
- Demand in SFY 2019 for DWSRF \$39m vs CWSRF \$137m
- Demand in SFY 2020 for DWSRF \$71m vs CWSRF \$78m
- Demand in SFY 2021 for DWSRF \$29m vs CWSRF \$80m

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 \$2.75m: \$1.0m per project, respectively). 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 \$228,562,166 or \$75,425,515. With the actual transfers of \$10,000,000 in SFYs 2015, 2016, 2017, and 2018 there will remain \$35,425,515 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. Transfers 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.