



STATE OF ARKANSAS
SAFE DRINKING WATER FUND
INTENDED USE PLAN



STATE FISCAL YEAR

2011

FOR FEDERAL FISCAL YEAR 2010 APPROPRIATION

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I. INTRODUCTION

This is the State of Arkansas' (State) Intended Use Plan (IUP), prepared jointly by the Water Resources Development Division (Division) of the Arkansas Natural Resources Commission (ANRC) and the Arkansas Department of Health Engineering Section (ADH Engineering Section).

In Arkansas, the overall program is named the Safe Drinking Water Fund (SDWF). The SDWF is made up of two programs which are the Drinking Water State Revolving Fund (DWSRF) program and the State Set-Aside Fund program. Through the DWSRF program, the Water Division will use funds for water projects that further the goals of the SDWA. The Water Division also, through an Interagency Agreement with ADH Engineering Section, administers the DWSRF program. The State Set-Aside Fund (SSAF) Program will use the funds to provide Small Systems Technical Assistance, State Program Management, Local Assistance and Administration Funds for the DWSRF. With the exception of the Administration Funds for the DWSRF, which go to the Water Division, the ADH Engineering Section administers all facets of the SSAF program.

In coordination with the Engineering Section, the Water Division prepared this plan which identifies intended uses of the funds available to Arkansas as authorized by the SDWA, as amended in 1996 (42 U.S.C. § 300j-12 et. Seq.).

II. PROJECTS AND AVAILABLE ASSISTANCE

This IUP contains a list of projects the State anticipates to fund and information on how the State plans to use: (a) the funds carried over from State Fiscal Year (SFY) 2010, which includes set-asides from the 2006, 2007 and the 2008 capitalization grants, (b) the 2009 capitalization grant in the amount of \$10,229,000, which has been applied for, (c) the 2010 capitalization grant in the amount of \$20,539,000 which has not been applied for; (d) the matching funds that the State will provide to go with the EPA funds, and (e) the funds the State receives from the repayment of loans previously made from the Drinking Water State Revolving Fund (DWSRF) Program.

The DWSRF program expects to disburse approximately \$27 million to projects in SFY 2011. These projects are all designed to (a) help ensure public health protection, (b) comply with the SDWA, (c) ensure affordable drinking water and (d) help to maintain the long-term financial health of the SDWF. We expect to spend \$5.2 million from the SSAF program in SFY 2011 to provide assistance to communities as well as to provide administration funding for both the Water Division and the Engineering Section. More information pertaining to these projected expenses is available in Chart 6-2 of this report.

III. GOALS

The Division is committed to support the overall goals of the Federal DWSRF program:

- To support **Goal 1** of the Safe Drinking Water Act (SDWA), which is to ensure public health protection, we will provide technical assistance to small systems through the Small System Technical Assistance set-aside. We will provide a highly trained staff in the Engineering Division, which is partially funded through the State Program Management set-aside, to provide technical assistance to and

oversight of Public Water Systems (PWS) within the State. We will also provide Wellhead Protection Services and Capacity Development Strategy Assistance to PWS through funding received from the Local Assistance set-aside.

- To support **Goal 2**, which is compliance with the Safe Drinking Water Act, we have implemented the programs listed above to include providing Small Systems Technical Assistance, Oversight, Wellhead Protection Services, and Capacity Development Strategy Assistance.
- To support **Goal 3**, which is to ensure affordable drinking water, we provide PWSs with technical assistance on how to use their systems more efficiently, and we offer low cost financing to PWS within the state.
- To support **Goal 4**, which is to maintain the long-term financial health of the SDWF, we ensure that our borrowers have the managerial, operational and financial capabilities to operate their systems properly. As long as the systems are operated efficiently and have the required expertise --either on staff or by contract-- to assure that the assets of the program are managed properly, the PWSs will have the resources to repay their loans.

A. Short-term Goals

The Division has committed to meet the following goals in the next 1 – 2 years.

- Arkansas will continue to implement the State source water assessment and protection program (Goals 1 & 2). All initial assessments required by regulation have been completed and new assessments will be processed as new systems go on line. Technical assistance within the protection element of the program is pursued upon the request of public water system officials.
- Arkansas will continue to implement the State capacity development program strategy at no cost to entities (Goals 1, 2 & 3). A vital element of this program is the technical assistance contracts provided under the Small System Technical Assistance Set-aside. ADH also has a contract to work with small systems, which is providing infrastructure location by GPS coordinates and GIS mapping service. Goals for these contracts are 83 assessments, 55 strategies, and 2500 on-site man-hours of effort. Other anticipated efforts include 2 eight-hour training courses, 24 one-hour group training sessions and four CPEs. Under Small Systems Technical Assistance set-aside, ADH contractors will provide general training to PWSs in areas of budgeting and rates, asset management and compliance monitoring.
- Arkansas will continue to screen projects using the Project Priority System to assure the SDWA overall goals are given priority in the DWSRF program (Goals 1, 2 & 3). Goals are 30 projects for the Project Priority List.
- Arkansas will continue to implement the State Public Water Supply Supervision Program plan in conformance with all requirements of the SDWA. The State Program Management set-aside will fund a portion of this implementation effort. This will include activities such as: review and approval of 200 (goal) plans and

specifications, logging and tracking 1400 (goal) plan submissions, 250 (goal) sanitary surveys, technical assistance to PWSs in a variety of ways, and other implementation activities.

- The Division anticipates entering into nine binding commitments for a total of \$134,000,000. Out of these nine binding commitments, the Water Division anticipates closing five (5) loans for a total of \$57,500,000.
- The Division will submit the Intended Use Plan by the deadline with approval expected to follow in SFY 2011.
- The Division anticipates applying for the 2010 federal cap grant in SFY 2011.
- The Division anticipates disbursing approximately \$27 million to projects and to spend \$5.2 million from the SSAF program including program administration in SFY 2011.
- The Division agrees to comply with all requests for data related to the use of the funds under Section 1452 of the Safe Drinking Water Act (SDWA), and to report all uses of the funds no less than quarterly, as EPA specifies for the Drinking Water Project Benefits Reporting database.
- The Division agrees to provide in its Annual Report information regarding key project characteristics, milestones, and environmental/public health protection results in the following areas: 1) achievement of the outputs and outcomes established in the Intended Use Plan; 2) the reasons for delays if established outputs or outcomes were not met; 3) any additional pertinent information on environmental results; 4) compliance with the Green Project Reserve requirement as outlined in the FY 2010 procedures document; and 5) compliance with the additional subsidization requirement as described in the FY 2010 procedures document.
- The Division agrees to use at least 30 percent of the funds provided by this grant to provide additional subsidization in accordance with P.L. 11-88.
- The Division agrees to make a timely and concerted solicitation for projects that address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities.
- The Division agrees to include in all agreements to provide assistance for any construction project carried out in whole or in part with such assistance made available by a drinking water revolving loan fund as authorized by section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12), a term and condition requiring compliance with the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C.300j-9(e)) in all procurement contracts and sub-grants, and require that loan recipients, procurement contractors and sub-grantees include such a term and condition in subcontracts and other lower tiered transactions.

- The Division agrees to track and account for the ARRA funds so that they can be clearly identified separately and will be in compliance with the requirements to track data as stated in section 1512 of the ARRA.

B. Long-term Goals

Arkansas has committed to continually work towards these goals.

- Arkansas will continue to implement the Public Water System Supervision Program in accordance with the requirements of the federal SDWA and in conformance with its Primacy commitments.
- Arkansas will continue to implement the State source water assessment/protection program (Goals 1 & 2).
- Arkansas will continue to implement the State capacity development program strategy (Goals 1, 2 & 3).
- The Division will provide entities with a source of long-term, low-interest financing that will allow them to protect their customers' health and comply with the SDWA (Goals 1, 2 & 3).
- Arkansas will continue to screen projects using the Priority System to assure the SDWA overall goals are given priority in the DWSRF program (Goals 1, 2 & 3).
- The Division is committed to enhance the DWSRF program for the benefit of future generations (Goal 3) by continuing to streamline the application process.
- The Division will maximize the number of entities meeting the SDWA requirements by combining the DWSRF program with other State and Federal funding programs (Goal 3).
- The Division plans to maintain the fiscal integrity of the DWSRF (Goal 3 & 4).
- The Division is committed to maintaining the fund in perpetuity by protecting the principal that has been and continues to be deposited into the DWSRF program (Goal 4).
- The Division will meet the growing demand for the DWSRF program by leveraging the Fund when the demand exceeds the current revenue streams (Goals 3 & 4).

IV. DISTRIBUTION OF FUNDS

In this section of the IUP, we will discuss the decisions the Division makes in choosing how to distribute the funds made available to the SDWF. In SFY 2011, our expectation is to have Binding Commitments of \$134 million from nine projects. More information is available on these Binding Commitments in Chart 5-2 of this report.

The Division has defined the Binding Commitment date as the date the Bond Purchase Agreement (BPA) is signed by all parties.

A. Distribution of Funds between DWSRF Program and SSAF Programs

Arkansas puts a priority on providing existing PWS with technical assistance to insure all PWS' met the requirements of the Safe Drinking Water Act. Arkansas endeavors to provide these services at no cost to the systems. To meet this goal, Arkansas allocates all available funds to the SSAF programs. There are federal restrictions on the amount of funds that can be allocated to these programs, so Arkansas plans to distribute funds to these programs to the maximum amount allowed. Specifically, Arkansas will allocate 10% of grant funds to State Program Management, 2% to Small System Technical Assistance, 6% to Wellhead Protection Activity and 9% to Technical and Financial Assistance to PWS for Capacity Development this year. The Engineering Section will be responsible for the management and reporting needed for all of these SSAF programs.

The Administration of the DWSRF program also falls in the category of SSAF programs. The Division plans to use the full 4% allowed for Administration. The Water Division will be responsible for the administration and reporting needed for the DWSRF program.

Arkansas Department of Health (ADH) SSAF program is banking funds from 2008 grant for \$409,160, the 2009 grant for \$409,160 and the 2010 grant for \$821,560 to be used for the construction of projects by ANRC.

See Page 13 Section A. Capitalization Grant Programs and Amounts Request for additional details on funds banked by ADH.

B. Distribution to Specific Projects in the DWSRF Program

Arkansas' method for the development of the Priority List and Fundable List explains the process used to select systems to receive assistance.

1. Priority System

The Engineering Section is responsible for developing the Priority System. They have developed a System that includes factors for projects that:

- (a) address the most serious risk to human health,
- (b) are necessary to ensure compliance with the requirements of the SDWA, and
- (c) assist systems most in need on a per household basis according to State affordability criteria.

The Priority System Questionnaire is sent to each Public Water System (PWS) in the State each year. The Questionnaire describes the Priority System used by the DWSRF program and lists the point values assigned to each category in the Priority System. The Engineering Section sends the Questionnaire to the PWS so they can add new projects to the Priority List. The Engineering Section evaluates the Questionnaires that are returned and assigns point values to

the various categories, included as Appendix A. A project's total points are used to determine the project's ranking. The more points that a project receives, the higher it is placed on the priority list. The new projects are added to the projects which were not funded from the previous Priority List, and a new Priority List is assembled.

The only way a project can be placed on the Priority List is by an entity submitting a Questionnaire for the project. Since submitting the Questionnaire is a voluntary task, only projects that expect to be funded by the DWSRF program are listed on the Priority List. Once the Engineering Section prepares the Priority List, it is the Water Division's responsibility to create a Fundable List from the Priority List.

2. Priority List of Projects

The Priority List is a list of projects that are interested in utilizing funding from the DWSRF program. Each project goes through an evaluation process to determine its relative priority as compared to the rest of the projects seeking funding through the DWSRF program. The Engineering Section prepares the Priority System used to rank projects, included as Appendix A, sends out the Questionnaires, determines the priority points for the projects that return Questionnaires and develops the Priority List. The Water Division then takes the Priority List and from this list establishes a Fundable List. The Fundable List is not a separate list, but is instead composed of projects from the Priority List that expect to expend funds in the near future (twelve months).

In theory, the projects with the highest priority points get funded first. But in practice, it does not work that way. Most of the projects on the list cannot be funded exclusively through the DWSRF program. These projects typically require large amounts of grant funds that the DWSRF program cannot provide. The projects on the Fundable List are projects that either can be funded exclusively through the DWSRF program or have all of their other funding in place.

40 CFR 35.3555(d) states that the Priority Lists of projects may be amended during the year under provisions established in the IUP as long as additions or other substantive changes to the lists, except projects funded on an emergency basis, go through a public review process.

3. Fundable List of Projects

40 CFR 35.3555I(2)(i) states that the IUP must contain a fundable list of projects that are expected to receive assistance from available funds designated for use in the current IUP. The Water Division defines "receive assistance" to mean closing a loan and expending funds. So, the planned start of construction or of expending funds is our indication of when a project will "receive assistance." The process whereby the Water Division has developed a Fundable List from the Priority List consists of contacting -- in writing -- each PWS that submitted a project on the Priority List. In this letter we ask each PWS if it is going to start construction or expending funds on its project within the next twelve months. The letter makes it clear that by telling us that they will not be ready to proceed within 12 months does not jeopardize their chance for receiving funding from the DWSRF program. We explain that this process is how the Water Division makes its cash flow projections.

With this information, the Water Division can project the amount of funds needed and compare these projections with the amount of funds available. By comparing projections with funding

availability, the Water Division can determine if all of the projects can be funded or if some will have to wait for the DWSRF to receive additional funds.

It is Arkansas' intent to offer funding to all of the projects listed on the Priority List. The Fundable List simply shows those projects that expect to be offered funding from the DWSRF in the near future.

The Fundable Priority List is provided in Chart 7-1.

4. Green Project Reserve (GPR) Project Priority List

DWSRF projects that are qualified (in whole or in part) for GPR will be ranked on the same State priority list with non-GPR projects, and will be identified as GPR projects on those lists. Once ranked they will be selected separately from non-GPR projects, using the same priority system principles described above, until the total value of executed assistance agreements in qualified GPR projects totals an amount equal to at least 20 percent of the State's capitalization grant for FY 2010.

The GPR Priority List is provided in Chart 7-1.

5. Bypass Procedures

Arkansas' intention is to fund every project on the Priority List as it becomes ready to proceed. With the exception of an emergency public health project, the State does not plan to bypass a project that is ready to proceed for another project with a lower ranking.

If a project's readiness to proceed status changes after it was placed on the Fundable List, the State reserves the right to put the project on hold and take another project from the Priority List that is ready to proceed in its place. Previous examples of this kind of problem include court cases being filed, other funding being withdrawn, or change in administration of the entity proposing the project. If a project is not ready to proceed, the Water Division will substitute the next project on the priority list that is ready to proceed.

If the situation develops which causes the State to bypass a project that is ready to proceed for another project, the State will report the case to EPA and include an explanation of the situation in the Annual Report.

6. Emergency Public Health Projects

Arkansas reserves the right to fund projects not on the Priority List if these projects protect the public from an Imminent Health Threat. The Arkansas Department of Health is the sole entity in Arkansas that can declare a situation to be an Imminent Health Threat. The Director or his designee would make the determination of an Imminent Health Threat based on an immediate risk to the public health caused by a situation that is amenable to correction. The project developed to correct the situation would still have to meet eligible qualifications for funding from the DWSRF program. This procedure would allow a project designated as an Imminent Health Threat to bypass the Priority List and Fundable List phases of the DWSRF program only.

Arkansas would notify EPA in the event that a project was designated as an Imminent Health Threat. This project would be reported in the Annual Report for that year and would be discussed during EPA's annual review.

C. Rationale Used to Determine the Type and Terms of Assistance

The Division has made the decision to only provide one type of assistance - loans. This decision was made because loans provide the most flexible use of the funds in the DWSRF program. The use of other types of assistance, Insurance or Guarantees, means that funds are tied up and their uses are restricted. By providing assistance in the form of loans, the Division can vary the terms of the loans to help Disadvantaged Communities, refinance existing debt to improve the finances of entities or pledge the loans to Leverage Issues which would increase the funds available for the DWSRF program.

The two terms that the Division modifies when it makes loans to entities are the Lending Rate and the Repayment Period.

Chart 5-1 and Chart 5-2 list the projects that ANRC anticipates funding from the DWSRF program. These charts show which projects are designated as a Disadvantaged Community or a Small System.

1. Lending Rate

The lending rate is composed of two parts: the interest rate and the servicing fee. The lending rate is established at the time the project is approved by ANRC. The lending rate is based on the Division's financial assistance objectives, an analysis of communities' ability to repay loans and the State's taxable or tax-exempt bond rate. ANRC's initial objective is to establish a lending rate for DWSRF loans ranging from 100 basis points to 300 basis points below current State's taxable or tax-exempt bond rate depending on whether the borrower is a taxable or tax-exempt entity.

The servicing fee is currently set at 1.0%. Therefore, if the lending rate is 3.5%, it is composed of a 1.0% servicing fee and a 2.5% interest rate. The servicing fee is the same for all projects, so changes in the interest rate mirror changes in the lending rate.

The Division also varies the lending rate depending on the length of the repayment period. Currently, the lending rate is 3.00% for loans that repay in 10 years or less which makes an effective interest rate of 3.53%. Lending rate for loans that repay in 10 – 20 years is 3.25% which makes an effective interest rate of 3.41%. Lending rate for loans that repay in 20 – 30 years is 3.5% which makes an effective interest rate of 3.66%. Thirty years is the maximum length of time allowed to repay a loan.

The Division varies the Lending Rate in this manner to encourage entities to repay loans as quickly as possible. The quicker that entities repay the sooner the DWSRF program will be able to use these funds on future projects.

2. Repayment Period

The Repayment Period is adjusted to provide Disadvantaged Communities with an incentive to use the DWSRF program. The typical maximum length of time allowed to repay a loan is 20 years. If an entity qualifies as a Disadvantaged Community, it will be allowed the option of extending its repayment period to 30 years.

D. Fees Assessed on Entities

The servicing fee mentioned in Section IV.C.1. is collected as part of the semi-annual loan repayment. These funds are placed in the DWSRF Administration Account and are used to fund eligible program expenses.

E. Green Project Reserve (GPR)

ANRC agrees to make a timely and concerted solicitation for projects that address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities. ANRC agrees to include in its IUP such qualified projects, or 4 components of projects, that total an amount at least equal to 20% of its capitalization grant. If there are not sufficient qualified projects or components already in the IUP that total 20% of the FY 2010 funds available, ANRC agrees to conduct additional solicitation, to amend its project list to include any such qualified projects thus identified, and to provide not less than 20% of such FY 2010 funds available to such projects on its amended project list. If there are not sufficient qualified projects or components on the amended project list after such additional solicitation, ANRC may if necessary submit a waiver request to EPA in accordance with the FY 2010 Procedures.

ANRC will be considered to have met the 20% requirement when an amount equal to at least 20% of its FY 2010 capitalization grant allotment is in executed assistance agreements for qualifying GPR projects. The amount of the 2010 Cap Grant to be reserved for Green Project Reserve is \$4,107,800.00.

The Green Project Reserve List is provided in Chart 7-1.

F. Additional Subsidies

ANRC agrees to use at least 30 percent of the funds provided by the FY 2010 grant to provide additional subsidization in accordance with P.L. 11-88. The amount of the 2010 Cap Grant to be reserved for Additional Subsidies is \$6,161,700.00, which can be given in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these).

The subsidy may be provided to a community water system when either the proposed water rate necessary for the proposed project (existing debt service, proposed debt service, operational costs, maintenance costs, and replacement costs) exceeds one percent of the median household income for the community in which the system is located or the median household income is at or below the state median household income and the proposed rates would present an economic hardship to the community.

In addition to economic factors, a subsidy may be provided when a system has additional levels of treatment due to a change in PWSS regulation; has additional costs from a project

encouraging or resulting in system consolidation or regionalization; is converting to a surface water source or implementing ground water conservation in critical ground water areas defined by ANRC; or is conserving water, energy or is innovative in nature.

The Arkansas legislature approved House Bill 1645 which would establish authority to provide zero percentage loans, principal forgiveness, negative interest loans, and grants. Arkansas House Bill 1645 became Act 458 on March 18, 2009.

The Additional Subsidies List is provided in Chart 7-1.

G. Wage Rate Requirements (Davis-Bacon)

ANRC agrees to include in all agreements to provide assistance for any construction project carried out in whole or in part with such assistance made available by a drinking water revolving loan fund as authorized by section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12), a term and condition requiring compliance with the requirements of section 1450(e) of the Safe Drinking Water Act (42 5 U.S.C.300j-9(e)) in all procurement contracts and sub-grants, and require that loan recipients, procurement contractors and sub-grantees include such a term and condition in subcontracts and other lower tiered transactions. All contracts and subcontracts for any construction project carried out in whole or in part with assistance made available as stated herein shall insert in full in any contract in excess of \$2,000 the contract clauses as attached hereto entitled "Wage Rate Requirements Under FY 2010 Appropriations." This term and condition applies to all agreements to provide assistance under the authorities referenced herein, whether in the form of a loan, bond purchase, grant, or any other vehicle to provide financing for a project, where such agreements are executed on or after October 30, 2009 and before October 1, 2010.

H. ARRA Projects and Funding

Arkansas entered into contracts which proceeded to construction or award of construction contracts for all projects before the deadline of February 17, 2010. Arkansas did not transfer funds between the Drinking and Clean Water programs. Arkansas exceeded the 20% requirement for Green Project Reserve (GPR). Our Green Project Reserve contracts represent 20.3% (over \$4.9 million) of the total cap grant. Arkansas also exceeded the 50% requirement for Additional Subsidization. Our Additional Subsidization contracts represent 50.03% (over \$12.2 million) of the total cap grant. Arkansas expensed a total of \$13,873,287 in ARRA funds in State Fiscal Year 2010. ANRC anticipates that the remaining balance of all ARRA funds will be expensed by June 30, 2011.

Table 1 summarizes the ARRA funds disbursed by the Commission for loans.

**Table 1
ARRA Uses of Capitalization Grant**

USES	AMOUNT	Cumulative Totals
Disbursements:		
Principal Forgiveness	\$6,243,134	\$6,243,134
Loan	\$7,630,153	\$7,630,153
TOTAL USES		\$13,873,287

V. FINANCIAL PLANNING PROCESS

The Division is not limited to just the DWSRF program in meeting the drinking water needs in the State. ANRC has three other State programs that can fund the same kinds of projects. There are two other Federal programs in Arkansas that also fund these types of projects. The Financial Planning Process used for the DWSRF program considers all of these sources of funding and each one's strengths and weaknesses.

Arkansas also has an organization called the Water/Wastewater Advisory Committee that reviews all water and wastewater projects before the project applies to a funding program. This process allows the Water Division to have some idea of future projects and who they are likely to apply to for funding. This information is also used to project the future demand for DWSRF funds.

The Division has hired professional Financial Advisors and Bond Counsel to help keep abreast of changes in the financial market and both State and Federal bond law. These professionals advise us on current market conditions so Lending Rates and Repayment Periods can be adjusted as needed. They also provide information on the consequences of leveraging, both in terms of funds that can be raised and the long-term effects of repaying the bondholders.

The DWSRF program is continually being reviewed in terms of future demand, changes in loan terms and the need to leverage the program. The primary concern is always to provide low cost loans to entities in Arkansas while maximizing the funds available so no one is turned away because of the lack of funds.

From time to time the Division, through ADFA, issues bonds secured by the revenues from the pledged DWSRF project loans. Proceeds from any bonds issued will be deposited directly into the DWSRF. To the extent that it would benefit the Program, ANRC may choose to exercise its option to cross-collateralize when issuing revenue bonds. The Division plans to implement a new system for leveraging bonds. We will meet with EPA Region 6 regarding our new system for bond leveraging prior to any bond leveraging activities. Also, with the new system of leveraging, our current cash flow system will be subject to change.

VI. FINANCIAL STATUS

The Division receives funds for the SDWF from grants from EPA, the State match needed for the EPA grants, repayments from existing loans and interest earnings on various accounts in the SDWF. The funds are used to fund SSAF programs, the DWSRF program and pay the cost to administer the DWSRF program.

Chart 3 provides a summary of the Sources and Uses of Funds in the SDWF.

VII. SET-ASIDE ACTIVITIES

Arkansas plans to seek funding for five of the set-aside programs. The programs are:

- Administration of the DWSRF program. 4% of grant requested. Used by Water Division
- Small Systems Technical Assistance. 2% of grant requested. Used by Engineering Section
- State Program Management. 10% of grant requested. Used by Engineering Section
- Wellhead Protection Program. 6% of grant requested. Used by Engineering Section
- Capacity Development Strategy. 9% of grant requested. Used by Engineering Section

Detailed information pertaining to set-aside activities are as follows:

SDWF Summary of ADH Funding for SRF Capitalization Grant Set-Asides										
SRF Grant Year	Set-Aside	% of Grant	Total Available	Total Reserved	Total Budgeted	Total Expended To Date	Grant Start Date	Expense Begin Date	Expense End Date	Grant End Date
2004	Admin -ANRC									
	SPM	10%	\$ 898,910	\$ -	\$ 898,910	\$ 898,923	10/1/2005	Nov-07	Jan-08	9/30/2009
	TA	2%	\$ 179,782	\$ -	\$ 179,782	\$ 179,782		Aug-07	Apr-08	
	WHP	5.6%	\$ 500,000	\$ -	\$ 500,000	\$ 505,778		Nov-07	Apr-09	
	CapDev	9.4%	\$ 848,365	\$ -	\$ 848,365	\$ 503,493		Nov-07	Jun-09	
Admin -ANRC										
2005	SPM	10%	\$ 897,010	\$ -	\$ 897,010	\$ 897,010	10/1/2006	Jan-08	Jul-09	9/30/2010
	TA	2%	\$ 179,402	\$ -	\$ 179,402	\$ 179,402		Jan-08	Apr-09	
	WHP	5.6%	\$ 500,000	\$ -	\$ 500,000	\$ 500,000		Jan-08	Mar-10	
	CapDev	9.4%	\$ 845,515	\$ -	\$ 845,515	\$ 845,515		Jan-08	Oct-09	
	Admin -ANRC									
2006	SPM	10%	\$ 1,033,320	\$ -	\$ 1,033,320	\$ 1,033,320	10/1/2007	Apr-10	Jul-10	9/30/2011
	TA	2%	\$ 206,664	\$ -	\$ 206,664	\$ 205,342		Apr-09	Oct-10	
	WHP	6%	\$ 619,992	\$ -	\$ 619,992	\$ 283,492		Jun-09	Jun-11	
	CapDev	9%	\$ 929,988	\$ -	\$ 929,988	\$ 929,988		Jun-09	Aug-10	
	Admin -ANRC									
2007	SPM	10%	\$ 1,033,300	\$ -	\$ 1,033,300	\$ 147,707	10/1/2008	Jul-10	Aug-11	9/30/2012
	TA	2%	\$ 206,660	\$ -	\$ 206,660	\$ -		Oct-10	Feb-12	
	WHP	5%	\$ 619,980	\$ -	\$ 516,650	\$ -		May-11	Jun-12	
	CapDev	10%	\$ 929,970	\$ -	\$ 1,033,300	\$ 210,821		Jul-10	May-11	
	Admin -ANRC									
ARRA 09	SPM	10%	\$ 2,448,500	\$ 2,448,500	\$ -	\$ -	2/17/2009	N/A	N/A	9/30/2011
	TA	2%	\$ 489,700	\$ 489,700	\$ -	\$ -		N/A	N/A	
	WHP	0%	\$ -	\$ -	\$ -	\$ -		N/A	N/A	
	CapDev	0%	\$ -	\$ -	\$ -	\$ -		N/A	N/A	
	Admin -ANRC									
2008	SPM	10%	\$ 1,022,900	\$ -	\$ 1,022,900	\$ -	10/1/2009	Jul-11	Mar-12	9/30/2013
	TA	2%	\$ 204,580	\$ -	\$ 204,580	\$ -		Jan-12	Aug-12	
	WHP	5%	\$ 613,740	\$ -	\$ 511,450	\$ -		May-12	May-13	
	CapDev	10%	\$ 920,610	\$ -	\$ 1,022,900	\$ -		Apr-11	May-12	
	Admin -ANRC									
2009	SPM	10%	\$ 1,022,900	\$ 400,000	\$ 622,900	\$ -	10/1/2010	Feb-12	Sep-12	9/30/2014
	TA	2%	\$ 204,580	\$ 204,580	\$ -	\$ -		N/A	N/A	
	WHP	5%	\$ 613,740	\$ -	\$ 511,450	\$ -		May-13	Apr-14	
	CapDev	10%	\$ 920,610	\$ -	\$ 1,022,900	\$ -		Apr-12	Mar-13	
	Admin -ANRC									
2010	SPM	10%	\$ 2,053,900	\$ 500,000	\$ 1,553,900	\$ -	1/1/2011	Aug-12	Oct-13	12/31/2014
	TA	2%	\$ 410,780	\$ 200,000	\$ 210,780	\$ -		Jul-12	May-13	
	WHP	5%	\$ 1,026,950	\$ -	\$ 1,026,950	\$ -		Jan-14	Dec-15	
	CapDev	10%	\$ 920,610	\$ -	\$ 1,022,900	\$ -		Feb-13	Mar-13	
	Admin -ANRC									

NOTE: This chart only shows the amounts available of each grant, how much of that grant was spent in SFY10 and the remaining balance as of the above date. It does not show projected expenditures.

Arkansas received the 2009 Capitalization Grant and will apply for the 2010 Capitalization Grant which is included below.

A. Capitalization Grant Programs and Amounts Requested

Administration of the DWSRF Program – The Water Division has the responsibility of managing the DWSRF program and will use the funds allocated to this set-aside program to defray the administrative costs associated with managing the program.

Administration of the DWSRF program includes funds from 2008 grant for \$409,160, the 2009 grant for \$409,160 and the 2010 grant for \$821,560 to be used by the Water Division.

Small Systems Technical Assistance Program – ADH uses these funds to provide assistance to small water systems in assessing and implementing capacity development (goal 25 assessments) which will identify individual water system needs, provide corrective action plans addressing identified deficiencies (goal 25), and provide technical assistance in correcting these deficiencies (goal 1500 man-hours). A mix of the 2006 and 2007 cap grant allotments will be used in SFY 2011.

Small Systems Technical Assistance includes funds from the 2006 grant for \$206,664 (projected unused balance of \$67,000 available), the 2007 grant for \$206,660, the 2008 grant for \$204,580, the 2009 ARRA grant for \$489,700 (reserved), the 2009 grant for \$204,580 (reserved) and the 2010 grant for \$410,780 to be used by the Engineering Section.

State Program Management Program – The full amount of set-aside is being requested. These funds will be used to enable the ADH Engineering Section to continue to operate its Public Water Supply Supervision Program activities to insure compliance with requirements of the Safe Drinking Water Act. Funds will be used to support full time employees and related expenses including such items as salary, fringe, indirect costs, travel, training, office supplies, PC/LAN/GIS equipment and upgrades, and similar routine costs. Day to day activities will include such activities as sanitary surveys (goal 250), engineering plan reviews (goal 1400), complaint investigations, compliance tracking and grading, and technical assistance in a variety of forms to water systems, administrative activities, and other activities. ADH anticipates using a mix of the 2006, 2007 and 2008 cap grant allotments in SFY 2011.

State Program Management includes funds from the 2006 grant for 1,033,320 (projected unused balance of \$30,000 available), the 2007 grant for \$1,033,300, the 2008 grant for \$1,022,900, the 2009 ARRA grant for \$2,448,500 (reserved), the 2009 grant for \$1,022,900 (\$622,900 available and \$400,000 reserved) and the 2010 grant for \$2,053,900 to be used by the Engineering Section.

Wellhead Protection Program – ADH uses these funds to provide the necessary staff resources and support to enable the Section to continue implementation and expansion of its wellhead protection program and to insure an updated and well-maintained GIS database system. Activities will typically include such items as delineation of wellhead protection areas, assistance to public water systems in well siting, aquifer identification and recommended

construction features, inventories for sources of contamination in wellhead areas, hydrologic sensitivity assessments of ground water sources, public outreach efforts on the importance of wellhead protection, and other activities. A mix of the 2006 and 2007 cap grant allotments will be used in SFY 2011.

Wellhead Protection Program includes funds from the 2006 grant for \$619,992, the 2007 grant for \$619,980, the 2008 grant for \$613,740, the 2009 grant for \$613,740 and the 2010 grant for \$1,232,340 to be used by the Engineering Section.

Capacity Development Program - ADH uses these funds to accomplish the overall objective under this set-aside which is to provide a variety of technical assistance and public education activities, which will help to insure continued sustainability and performance of public water systems in the State. Activities to be accomplished under this set-aside include such items as training and technical assistance to water systems in drafting CCRs (goal 711), water operator training and certification, publish and disseminate an informative quarterly newsletter (goal 1300 copies) for operators and other interested parties, a coordinated review of and protection from proposed point and non-point discharges (goal 600 miscellaneous permits) into sources of drinking water, provide assistance to water systems in developing local source water protection plans, participation in EPA's Area Wide Optimization Program efforts, conducting Comprehensive Performance Evaluations at water systems, and other activities. This effort will require full time employees and associated expenses. A mix of the 2006 and 2007 cap grant allotments will be used in SFY 2011.

Capacity Development Strategy includes funds from the 2006 grant for \$929,988, the 2007 grant for \$929,970, the 2008 grant for \$920,610, the 2009 grant for \$920,610 and the 2010 grant for \$1,848,510 to be used by the Engineering Section.

VIII. SMALL SYSTEM ASSISTANCE

Arkansas is required to allocate a minimum of 15% of the total funds available each year to funding small systems. Small systems are defined as systems that regularly serve 10,000 or fewer persons. In Arkansas there are approximately 727 Public Water Systems (PWS). Of those systems, approximately 62 serve a population of over 10,000 people and 665 serve a population of 10,000 or less.

Arkansas has worked hard with the small systems to help them meet all of the regulatory requirements of the DWSRF program. However, over the last few years, the small systems have found the DWSRF program to be slow and cumbersome and have looked elsewhere for funding. By working with applicants, the Water Division continues to be able to interest small systems in the program as shown in Chart 5-2 for SFY 2011. We expect to sign Bond Purchase Agreements (Binding Commitments) on nine systems of which four are to small systems.

Arkansas is committed to continually modifying the DWSRF program in an effort to make the program more attractive to small systems. We continue to streamline the application process and shorten the time for planning and design work.

Chart 5-2 has information on which projects are designated as small systems. Arkansas is required to demonstrate that at least 15% of the funds are used for small systems. In SFY 2011, the cumulative calculation looks like this:

Cumulative Loans	\$287,926,000
Cumulative Small Systems	\$62,405,000
Percentage of Small System BCs	21.67%

ANRC has ongoing marketing plans at various conferences and meetings describing the benefits of the RLF program available to cities and communities. As always, we evaluate the need to lower the interest rates to cities that request funding. Our goal is to provide a subsidy without harming the program in the long term.

IX. DISADVANTAGED COMMUNITY ASSISTANCE

Arkansas will provide some incentive for Disadvantaged Communities to use the DWSRF program. Because of the limited funds the DWSRF program receives, that assistance is limited to extending the repayment period for loans from 20 years to 30 years.

A. What is a Disadvantaged Community?

In Arkansas, a Disadvantaged Community has been defined as any community with a Median Household Income (MHI) below that of the State's MHI. This information is collected as part of the Priority List, and Arkansas' MHI is \$32,182.00.

B. Affordability Criteria

Since the only assistance offered to Disadvantaged Communities is an extension of the repayment period, the only criteria used are to compare the entity's MHI against the State's MHI.

C. Identification of Projects

Chart 5-1 and Chart 5-2 has information on which projects qualify as Disadvantaged Communities and the loan amounts they are requesting.

X. TRANSFER PROCESS

The Division does not have any plans to transfer funds between the DWSRF base program and the CWRLF base program at this time.

XI. CROSS-COLLATERALIZATION PROCESS

The Division implemented a new system for leveraging bonds and part of that new system is cross-collateralization.

XII. PUBLIC COMMENT

The Division addresses this requirement in Appendix B titled Public Notices and Comments. The Division received no public comments.

XIII. ENVIRONMENTAL RESULTS

The Division's DWSRF Program will satisfy EPA's Strategic Goal 2 for Clean and Safe Water, Objective 2.1 for Protecting Human Health, Subobjective 2.1.1 for Water Safe to Drink by relating the activities of the Program to quantifiable environmental results.

The following short term goals are presented in order to be in compliance with EPA Order #5700.7.

The Division anticipates entering into nine binding commitments for a total of \$134,000,000. Out of these nine binding commitments, the Water Division anticipates closing five (5) loans.

Arkansas will continue to implement the State capacity development program strategy at no cost to entities (Goals 1, 2 & 3). A vital element of this program is the technical assistance contracts provided under the Small System Technical Assistance Set-aside. ADH also has a contract to work with small systems, which is providing infrastructure location by GPS coordinates and GIS mapping service. Goals for these contracts are 83 assessments, 55 strategies, and 2500 on-site man-hours of effort. Other anticipated efforts include 2 eight-hour training courses, 24 one-hour group training sessions and four CPEs.

Arkansas will continue to screen projects using the Priority System to assure the SDWA overall goals are given priority in the DWSRF program (Goals 1, 2 & 3).

CHARTS



SDWF Federal Capitalization Grant (FCG) Allocations – Chart 1

**SDWF Summary of ADH Funding for SRF Capitalization
Grant Set-Asides – Chart 1-A**

SDWF Flow-of-Funds Model – Chart 2

SDWF Sources and Uses of Funds Statements – Chart 3

**SDWF Comparison of Grant Payments, State Match and
Set-Asides (State Fiscal Year) – Chart 4-1**

**SDWF Comparison of Grant Payments, Required Binding Commitments and
Actual Binding Commitments (State Fiscal Year) – Chart 4-2**

SDWF Actual Binding Commitments – Chart 5-1

SDWF Projected Binding Commitments – Chart 5-2

SDWF Actual Disbursement Schedule – Chart 6-1

SDWF Projected Disbursement Schedule – Chart 6-2

Fundable Project Priority List – Chart 7-1

Chart 1 – SDWF Federal Capitalization Grant (FCG) Allocations

**Chart 1-A - SDWF Summary of ADH Funding for SRF
Capitalization Grant Set-Asides**

Chart 2 - SDWF Flow-of-Funds Model

Chart 3 - SDWF Sources and Uses of Funds Statements

Chart 4-1 – SDWF Comparison of Grant Payments, State Match and Set-Asides (State Fiscal Year)

Chart 4-2 – SDWF Comparison of Grant Payments, Required Binding Commitments and Actual Binding Commitments (State Fiscal Year)

Chart 5-1 – SDWF Actual Binding Commitments

Chart 5-2 – SDWF Projected Binding Commitments

Chart 6-1 – SDWF Actual Disbursement Schedule

ARRA Chart 6-1 – ARRA Program Actual Disbursement Schedule

Chart 6-2 - SDWF Projected Disbursement Schedule

ARRA Chart 6-2 – ARRA Program Projected Disbursement Schedule

Chart 7-1 – Fundable, GPR and Additional Subsidy Project Priority List

APPENDICES



DWSRF Priority Setting Procedures - Appendix A

Public Notices and Comments - Appendix B

EPA Assurances - Appendix C

Appendix A

Priority Setting Procedures for Drinking Water State Revolving Loan Fund

A. Priority Points shall be used for ranking proposed drinking water projects for eligibility for funding from the Drinking Water State Revolving Loan Fund (Fund). The points system presented below will be used.

A project otherwise determined to be eligible under the Fund may not receive funding for improvements that were not included in the original project for which priority points were assigned. The additional unranked improvements must rely on alternate funding sources for these improvements, or wait for the next funding cycle for a new point's assessment. Fundable projects proposing to omit specific improvements for which points were assigned must show that this will not compromise public health and will not otherwise impair the water system's capacity when compared to the original project. Acceptable downsized projects will be reassessed and reranked under the priority ranking system, possibly resulting in a lower priority status.

PRIMARY MCL VIOLATIONS FACTORS	POINTS
1. Surface Water or Groundwater under the direct influence of surface water with no filtration	100
2. Treatment technique violations, microbiological MCL violations	
a. Total points for first two violations	100
b. Points for additional violations after first two	5
c. Points for imminent violation of future regulation	50
3. Acute Chemical Violations	
a. Total points for first two violations	100
b. Points for additional violations after first two	5
c. Points for imminent violation of future regulation	50
4. New Service Areas for area(s) with contaminated private drinking water sources	
a. Points for Microbial Contamination	100
b. Points for Acute Chemicals	100
c. Points for Other Chemicals	50
5. Chemical MCL Violations	
a. Total points for first two violations	50
b. Points for additional violations after first two	5
c. Points for imminent violation of future regulation	50
SOURCE VULNERABILITY FACTOR	POINTS
1. Vulnerable to point or non-point upstream discharge	
a. Microbiological	25
b. Industrial, agricultural, or mineral	15
c. Unprotected watershed	15
CONSOLIDATION / INTERCONNECTION FACTOR	POINTS
1. Consolidation with an existing system	
< 40 service connections	50
41 - 200	40
201 - 1,320	30
1,321 - 4,000	20
> 4,000	10
2. Interconnection with an existing system	
< 40 service connections	25
41 - 200	20
201 - 1,320	15

1,321 - 4,000	10
> 4,000	5
AFFORDABILITY FACTOR	
	POINTS
1. Total Population Served: Service Connections < 1,321	10
2. Affordability Ratio	
a) > 2.49 %	15
b) 2.0 % - 2.49 %	12
c) 1.5 % - 1.99 %	9
d) 1.0 % - 1.49 %	6
e) <1.0 %	3
OTHER DEFICIENCIES FACTOR	
	POINTS
1. Secondary MCL violation	25
2. Quantity deficiencies	
Continual/frequent outages	25
Peak demand/daily shortages	20
Peak demand/seasonal shortages	10
Peak demand/sporadic shortages	5
3. Design deficiencies	
Disinfection	10
Chemical Feed	8
Mixing	8
Clarification	8
Filtration	8
Storage	8
Distribution/low pressures	10
Distribution/deteriorated mains	8
Distribution/unaccounted for water	8
Treatment capacity	8
Intake structure	8
Well construction	10

B. Eligibility for Priority Points

Projects for public water systems shall not be eligible for points in any category unless they meet the requirements specified below for that category. Should two or more projects accumulate the same number of points, priority will be given beginning with the project serving the least population and moving to the project serving the next higher population, until all projects with that point total are prioritized.

It should be noted that discretion will be used in the awarding of points in the following categories. If a public water system is accumulating violations due to negligence or inattention on the part of the system, points will not be awarded. The system must be taking reasonable actions to achieve compliance.

Primary MCL Violations Factors

1. Surface Water or Ground Water under the direct influence of surface water with inadequate filtration. Points will be awarded only for a water system that currently is required by the Safe Drinking Water Act to provide filtration, and the system does not have a filtration system that complies with the Safe Drinking Water Act regulations. In the case of consolidating systems where the project applicant does not qualify, but one of the consolidating systems does, then points will be awarded based on the consolidating system. If there are multiple consolidating systems within the same project which are SW or GWUDI, then an additional five (5) points will be awarded for each system after the first.

2. Treatment technique violations and microbiological MCL violations.

Points will be awarded only for a water system that has had more than one treatment technique or microbiological MCL violation of the Safe Drinking Water Act during the eighteen months proceeding the date of the most recent ranking questionnaire.

Each microbiological MCL violation and treatment technique violation will be counted as an individual violation, even if they occur in the same month. Points can be awarded for multiple violations of the same type or in combination with other violation types, (e.g.; if a system had both a microbiological MCL and a treatment technique violation in the same month, they would get points for two violations in that month.).

2.a. One hundred (100) points total will be awarded for the first two (2) violations.

2. b. Five (5) points will be awarded for each additional violation.

2.c. Fifty (50) points may be awarded to a project whose purpose is to prevent a future NPDWS treatment technique or microbiological violation based upon promulgated EPA regulations or EPA regulations which are essentially final, but not yet promulgated.

3. Acute Chemical & Chemical MCL violations. Points will be awarded only for a water system that currently has contamination from a Safe Drinking Water Act regulated contaminant, or other chemical contaminant for which no MCL has been adopted, which presents an acute health risk to consumers, based on EPA standards, health advisories, or other peer reviewed health risk studies found acceptable to the Department.

3. a. One hundred (100) points will be awarded for the first two (2) violations.

3. b. Five (5) points will be awarded for each additional violation.

3. c. Fifty (50) points may be awarded to a project whose purpose is to prevent a future NPDWS violation based upon promulgated EPA regulations or EPA regulations which are essentially final, but not yet promulgated.

4. New Service Area for Area(s) with contaminated Private Drinking Water Sources. Points may be awarded for a project to provide public drinking water service to an unserved area provided that:

4. a. At least 10% of the private water sources in the project area are sampled at random for microbiological contamination and at least 50% of those samples are coliform positive; or

4. b. At least 10% of the private water sources in the project area are sampled at random for a regulated acute chemical contaminant and at least 50% of those samples exceed the Maximum Contaminant Level or Action Level specified by EPA; or

4. c. At least 10% of the private water sources in the project area are sampled at random for other chemical contaminants and at least 50% of those samples exceed the Maximum Contaminant Level or Action Level specified by EPA.

5. Chemical MCL Violations. Points will be awarded only for a water system that currently has contamination from a Safe Drinking Water Act regulated contaminant at a level which exceeds the MCL or Action Level specified by EPA, and has not already received points under “Acute Chemical Violations.”

Each chemical MCL violation will be counted as an individual violation, even when multiple violations occur in the same reporting period. Points can be awarded for multiple violations of the same type (inorganic, organic, radiochemical, etc.) or in combination with other violation types, (e.g.; if a system had both an arsenic MCL and a barium MCL in the same reporting period, they would get points for two violations in that reporting period.).

5. a. Fifty (50) points will be awarded for the first two (2) violations.

5. b. Five (5) points will be awarded for each additional violation.

5.c. Fifty (50) points may be awarded to a project whose purpose is to prevent a future NPDWS violation based upon promulgated EPA regulations or EPA regulations which are essentially final, but not yet promulgated.

Source Vulnerability Factors

1. a. Source Vulnerable Due to Contamination from a Point or Non-point Source Discharge (with the potential to cause microbiological contamination). Points will be awarded only to a surface water source where there exists identifiable point or non-point discharges which can be documented to result in, or can potentially result in, instances where the raw water coliform concentrations exceed the limitations set forth in Section IX.A of the “Rules and Regulations Pertaining to Public Water Systems”, or otherwise cause significant microbiological contamination of the source water.

1. b. Source Vulnerable Due to Contamination from Industrial Operations. Points will be awarded for a water source where analyses indicate the occasional presence of hazardous chemicals from an industrial source. In the case of a water system utilizing a ground water source, points will be awarded when documentation is provided that a contaminant plume exists in the source aquifer and is approaching the wellhead.

Source Vulnerable Due to Contamination from Agricultural Operations. Points will be awarded for a water source where analyses indicate the occasional presence of agricultural chemicals. Points will be awarded in the case of a water system utilizing a ground water source, only when analyses indicate the occasional presence of contaminants of agricultural origin in the source water or documentation of a contaminant plume in the source aquifer which is approaching the wellhead.

Source Vulnerable Due to Potential Contamination from Oil, Gas, or Mineral Operations. Points will be awarded for a surface water source where analyses indicate the occasional presence of contaminants from oil, gas, or mineral operations. Points will be awarded for a

ground water source where the recharge area contains oil, gas, or mineral operations that have caused a plume of contamination that is approaching the water supply wellhead.

1. c. Source with Inadequate Buffer Zone. Points will be awarded for a surface water source where the required 300-foot buffer zone required under the Arkansas Rules and Regulations Pertaining to Public Water Systems has not been obtained. Points will be awarded for a ground water source where the 100-foot radius buffer area zone required in these regulations has not been obtained.

Consolidation/Interconnection Factor

1. Consolidation with an Existing System. Points will be awarded only for systems which agree to legally merge with another water system which is fully compliant with Safe Drinking Water Act water quality regulations or will become compliant as a result of the merger. In cases where multiple systems will consolidate, point assignments will be based upon the number of service connections of the smallest system. Extra points for additional consolidating systems under the same project will be assigned at a rate of ten percent (10%) of the original rate for each additional consolidating system.

2. Interconnection with an Existing System. Points will be awarded only for systems which propose an interconnection and water purchase agreement with another water system, which is SDWA compliant, as a means of resolving a water quantity or quality problem for which points are awarded. In cases where multiple systems will interconnect, point assignments will be based upon the number of service connections of the smallest system. Extra points for additional systems under the same project will be assigned at a rate of ten percent (10%) of the original rate for each additional consolidating system.

3. Projects are eligible for either consolidation points or interconnection points, but not both.

Affordability Factor

1. Total Population Served. Points will be awarded for systems serving fewer than 1321 service connections.

2. Affordability Ratio. Points will also be awarded based on the value of the Affordability Ratio, calculated as the current average yearly residential rate, based on a usage of 4000 gallons of water per month, divided by the Median Household Income. The Median Household Income shall be based on the entire service area of the project water system using the most current information available.

Other Deficiencies Factor

1. Secondary MCL Violations. Points will be awarded only for those water systems where analyses document that a violation of an MCL for any of the Secondary Drinking Water Standards has occurred.

2. a. Quantity Deficiencies, Continual Shortage (Frequent Outages). Points will be awarded only for a water system that experiences frequent complete pressure losses, which are the result of demand exceeding supply, and are not the result of main break, equipment failure, lack of proper maintenance, or other operational failures.

2. b. Quantity Deficiencies, Shortage During Peak Demand Period (Daily). Points will be awarded only for a water system that frequently experiences minimal pressures due to daily demand exceeding supply.
2. c. Quantity Deficiencies, Shortage During Peak Demand Period (Seasonal). Points will be awarded only for a water system that has to routinely issue conservation orders during heavy use periods or experiences minimal pressures during heavy use periods.
2. d. Quantity Deficiencies, Occasional Shortage During Peak Demand Period. Points will be awarded only for a water system that, once or twice a year, experiences some pressure loss due to peak demands.
3. a. Design Deficiencies, Inadequate Disinfection. Points will be awarded for a water system that either does not disinfect or does not continuously disinfect due to equipment failure or lack of adequate feed rate capacity. Points may also be awarded for inadequate chlorine contact time (CT) as defined by regulation.
3. b. Design Deficiencies, Inadequate Chemical Feed. Points will be awarded only for a water system that is unable to either reliably or consistently feed adequate chemicals to meet treatment objectives.
3. c. Design Deficiencies, Inadequate Mixing. Points will be awarded only for a water system whose rapid mixing detention time is inadequate based on Department design standards.
3. d. Design Deficiencies, Inadequate Clarification. Points will be awarded for a water system whose clarification process is functioning improperly due to an inadequate detention time, using Department accepted design standards. Points will be awarded for a water system where improper functioning is occurring due to mechanical or structural failure.
3. e. Design Deficiencies, Inadequate Filtration. Points will be awarded for a water system whose filtration process is functioning improperly due to excessive filtration rates, damaged underdrains, or other physical plant defects. Points shall not be awarded under this section if points were awarded under the section pertaining to filtration of surface water or groundwater under the direct influence of surface water.
3. f. Design Deficiencies, Inadequate Storage. Points will be awarded only for a water system whose usable storage is less than one day's average system demand.
3. g. Design Deficiencies, Inadequate Distribution (Low Pressures). Points will be awarded only for a water system that has areas of chronic low pressure due to localized peak demands.
3. h. Design Deficiencies, Inadequate Distribution (Deteriorated Mains). Points will be awarded only for a water system that has chronic consumer complaints that can be directly tied to the deterioration of cast iron, galvanized, or other metal piping, or has frequent main breaks due to deteriorated pipe.
3. i. Design Deficiencies, Inadequate Distribution (Unaccounted for Water). Points will be awarded only for a water system that has Unaccounted for Water at a level that exceeds 10% of average daily production.
3. j. Design Deficiencies, Inadequate Treatment Unit Capacity. Points will be awarded only for a system whose plant, or individual process units in the plant, are undersized for process flow rates determined by using Department accepted design standards.

3. k. Design Deficiencies, Inadequate Intake Structure. Points will be awarded only for a water system whose intake structure is either unable to deliver an adequate quantity of water or whose intake structure will not allow for adjustment of withdrawal depth.

3.l. Design Deficiencies, Improper Well Construction. Points will be awarded only for a water system whose well is vulnerable to surface drainage into the well from either improper wellhead and appurtenances construction or inadequate casing and/or grouting.

Appendix B

2011 DWSRF Comprehensive Project Priority List

No.	Year	Water System Name	Points	PWS ID	Services	Retail Pop	MHI	Project Cost	Project Description
1	2007	Ozark Mountain Regional PWA	384	998	7,551	18,461	\$25,380	\$49,754,975	New Source, Treatment and Distribution System
2	2000	North East Water Association	331	033	1,595	3,540	\$19,689	\$12,200,000	System Expansion to serve Henderson & Gamaliel Areas
3	2010	Central Arkansas Water	198	465	119,272	371,434	\$45,836	\$3,600,000	Highway 10 Water Main Extension for Wye Mountain
4	2002	N Howard Rural Water Assn	140	1075	622	1,023	\$21,277	\$3,860,531	Expand Dierks WTP, New Distribution System
5	2010	Siloam Springs Water Works	124	056	6,484	19,022	\$34,513	\$21,033,125	Water Treatment Facility Improvements
6	2008	West Pulaski Water Users Authority	124		747	1,868	\$54,375	\$6,250,000	New Water Distribution System Connection to CAW
7	2010	Bryant Water Works	92	486	6,378	14,635	\$48,870	\$7,500,000	Water Distribution System Improvements
8	2009	Paron-Owensville Water Authority	74	883	671	1,825	\$25,340	\$1,477,365	New Water Treatment Plant
9	2010	Central Arkansas Water	61	465	119,272	371,434	\$45,836	\$17,830,000	Stage 2 Disinfection by-Products Rule Improvements
10	2010	Jacksonville Water Works	54	466	9,513	30,430	\$41,631	\$25,000,000	Water Works System Improvements
11	2010	Beebe#3	54	592	2,899	5,000	\$35,250	\$1,600,000	Distribution System Improvements
12	2010	Conway Corporation	53	189	22,823	52,000	\$40,967	\$8,000,000	Water Quality Compliance Project
13	2004	Siloam Springs	45	056	6,287	14,672	\$34,513	\$9,600,000	Rehab Tank, New RW Transmission Main, Rehab AC Dist Mains
14	2008	Paris Waterworks	43	328	1,884	4,715	\$25,424	\$4,000,000	WTP Improvements
15	2008	Wye Mountain Water Association	41	410	513	1,330	\$31,083	\$1,300,000	New BS Transmission Main to CAW and New BS and Tank
16	2009	Gilmore	36	154	104	292	\$20,625	\$1,288,000	New Water Treatment Plant and New Elevated Storage Tank
17	2010	Beebe	33	592	2,899	5,000	\$35,250	\$1,065,000	LWPWA Connector Main
18	2009	Lonoke White Public Water Authority	32		46,487	104,982	\$37,689	\$62,240,000	Create New PWS/Interconnect Systems in White/Lonoke Counties
19	2007	City of Flippin	25	351	1,391	3,325	\$19,395	\$2,000,000	Storage/Distribution Improvements
20	2009	Wabbaseka Waterworks	23	283	131	244	\$9,375	\$405,000	Water Treatment Rehab
21	2006	Mountain View Water & Wastewater	21	542	2,462	5,864	\$19,302	\$675,000	Distribution System Improvements
22	2009	West Memphis	19	156	9,725	27,780	\$27,399	\$3,445,000	New Water Treatment Plant and New Elevated Storage Tank
23	1998	Trumann Water and Sewer Commission	19	435	2,812	6,889	\$26,533	\$250,000	Miscellaneous Projects
24	2009	City of Sunset	17	472	323	880	\$17,788	\$175,000	Radio Meter Replacement

No.	Year	Water System Name	Points	PWS ID	Services	Retail Pop	MHI	Project Cost	Project Description
25	2009	Ladd Water Association	16	277	1,045	2,800	\$28,891	\$365,000	Water System Improvements
26	2010	Searcy	13	590	9,391	22,036	\$32,321	\$17,800,000	Water Treatment Plant Improvements
27	2009	Hope Tank Rehab	11	230	4,571	11,405	\$25,385	\$500,000	Tank Rehab
28	2009	Hampton Waterworks	11	070	712	1,730	\$25,057	\$296,340	Water Tank Rehab
29	2009	Elkins	11	567	1,033	2,480	\$39,318	\$2,900,000	Replace failing 8" Main with 14" PVC
30	2009	Hope WL	3	230	4,571	11,405	\$25,385	\$450,000	WL Replacement
31	2001	Warren Waterworks	3	066	2,818	6,904	\$16,243	\$2,937,941	Distribution Improvements

Appendix C
STATE OF ARKANSAS
SAFE DRINKING WATER FUND
INTENDED USE PLAN
FEDERAL CAPITALIZATION GRANTS FOR SFY 2011
Public Notices and Comments

On August 8, 2010 the State of Arkansas published the required public notice advertisement for the Intended Use Plan in the Arkansas Democrat-Gazette, a statewide paper. A public meeting was scheduled for August 23, 2010 and a deadline for submittal of written comments was given by COB on August 23, 2010.

ANRC held a meeting on August 23, 2010 at the ANRC offices in Little Rock, to accept comments from the public on the DWSRF 2011 Intended Use Plan. Representatives of ANRC and ADH Engineering Section were available to answer questions about the IUP.

No adverse comments were received.



Appendix D

STATE OF ARKANSAS

SAFE DRINKING WATER FUND

EPA ASSURANCES

Arkansas' Intended Use Plan includes the following assurances as required by the EPA DWSRF Program Guidelines:

1. Assurance that the State has the authority to establish a fund and to operate the DWSRF program in accordance with the SDWA.

The Arkansas Safe Drinking Water Fund Act (ACT 772 of 1997), ANRC Regulation XV and the Interagency Agreement between the ADH, the ADFA and ANRC establishes the proper authority, assigns responsibilities and sets up the necessary funds to manage the SDWA, section 1452 programs.

2. Assurance that the State will comply with State statutes and regulations.

The State of Arkansas agrees to comply with all State statutes and regulations that are applicable to DWSRF funds, including Federal Capitalization Grant funds, state match, interest earning, bond proceeds and repayments, and funds used for set-aside activities.

3. Assurance that the State has the technical capability to operate the program.

Since 1961 ANRC has administered State financial assistance programs. The ANRC currently manages both the DWSRF and the CWRLF programs. Because of the similarities between the DWSRF and the CWRLF programs, ANRC is now utilizing the experienced CWRLF staff to administer both programs.

With the exception of Administration, the ADH manages the set-aside programs. There was 22 new staff positions created upon the availability of the initial set-aside funds. ADH has been granted primacy from the EPA to administer the State Public Water Supply Supervision program and continues to receive favorable reviews from the EPA Region 6 staff.

The ADFA manages the banking, fund accounting and auditing requirements. It has administered the CWSRF program since 1987 and many other state and federal financial assistance programs. No new staff positions are anticipated.

4. Assurance that the State will accept Federal Capitalization Grant funds in accordance with a payment schedule.

The State of Arkansas agrees to accept the federal grant payments in accordance with the negotiated payment schedule (reference Chart 4) and use those payments for the activities of the DWSRF and State set-aside programs under SDWA Section 1452.

5. Assurance that the State will deposit all Federal Capitalization Grant funds in the fund or set-aside accounts.

The State of Arkansas agrees to deposit all the Federal Capitalization Grant funds into the Drinking Water State Revolving Fund account except for those portions of the grant that Arkansas intends to use for set-aside purposes authorized under the SDWA (Section 1452(a)(1)(b)). Funds for set-aside activities will be placed in separate accounts inside the SDWF but outside the DWSRF account.

6. Assurance that the State will provide an amount at least equal to 20 percent of the Federal Capitalization Grant (state match) in the Fund.

The State of Arkansas agrees to provide an amount into the DWSRF equaling at least 20% of the amount of each Federal Capitalization Grant.

7. Assurance that the State will deposit net bond proceeds, interest earning, and repayments into the Fund.

The State of Arkansas agrees to credit the applicable proportion of net bond proceeds and interest earnings, and the DWSRF borrower's principal and interest repayments into the Arkansas DWSRF.

The State of Arkansas also agrees to deposit any 1452(k)(1) loans principal and interest repayments into the Arkansas DWSRF.

8. Assurance that the State will match Federal Capitalization Grant funds uses for 1452(g)(2) set-asides.

The State of Arkansas agrees to provide 100% state match funds equaling its Federal Capitalization Grant for 1452(g)(2) set-asides.

9. Assurance that the State will use Generally Accepted Accounting Principles.

The State of Arkansas agrees to establish fiscal controls and accounting systems, according to Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board, that are sufficient to account for and report DWSRF Program activities.

10. Assurance that the State will have the fund and set-aside accounts audited annually in accordance with Generally Accepted Government Auditing Standards (GAGAS).

The State of Arkansas agrees to conduct an annual audit on the Arkansas Safe Drinking Water Fund in accordance with Generally Accepted Government Auditing Standards (GAGAS).

11. Assurance that the State will adopt policies and procedures to assure that borrowers have a dedicated source of revenue for repayments (or in the case of a privately owned system, demonstrated that there is adequate security).

The State of Arkansas does require all DWSRF borrowers to have a dedicated source of revenues for repayments (or in the case of a privately owned system, demonstrated that there is adequate security) per ANRC Regulation XV.

12. Assurance that the State will commit and expend funds as efficiently as possible and in an expeditious and timely manner.

The State of Arkansas agrees to commit and expend all funds allotted under SDWA section 1452 “as efficiently as possible” (Section 1452(g)(3)) and in an expeditious and timely manner.

Federal EPA/ACH payments shall be expended within 16 quarters from scheduled payment dates. The Bond proceeds shall be expended within 3 years from the bond issue dates. The State Match funds shall be expended in a prudent and expeditious managerial manner.

13. Assurance that funds will be used in accordance with the Intended Use Plan.

The State of Arkansas agrees to expend DWSRF funds in accordance with the Intended Use Plan (Section 1452(b)) that has undergone public review and comment.

14. Assurance that the State will provide EPA with an annual report.

The State of Arkansas DWSRF agrees to complete and submit an annual report with available financial information to the Region within 90 days after the end of the States reporting period.

15. Assurance that the State will comply with all Federal cross-cutting authorities.

The State of Arkansas agrees to ensure that all applicable Federal cross-cutting authorities will be complied with.