

STATE OF IDAHO
DEPARTMENT OF ENVIRONMENTAL QUALITY

DRINKING WATER
STATE REVOLVING FUND
ANNUAL REPORT

for
State Fiscal Year 2019
July 1, 2018 - June 30, 2019

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INTRODUCTION

This annual report is prepared for and submitted to the United States Environmental Protection Agency (EPA) in compliance with the requirements of Section 1452 of the Safe Drinking Water Act. The reporting period is state fiscal year (SFY) 2019, which began July 1, 2018 and ended June 30, 2019. This report describes how the Department of Environmental Quality (DEQ) has met the goals and objectives of its Drinking Water State Revolving Fund (DWSRF) as identified in the Intended Use Plans and Capitalization Grant Applications. In addition to addressing these documents, this report reflects the sources and uses of all DWSRF funds during SFY 2019.

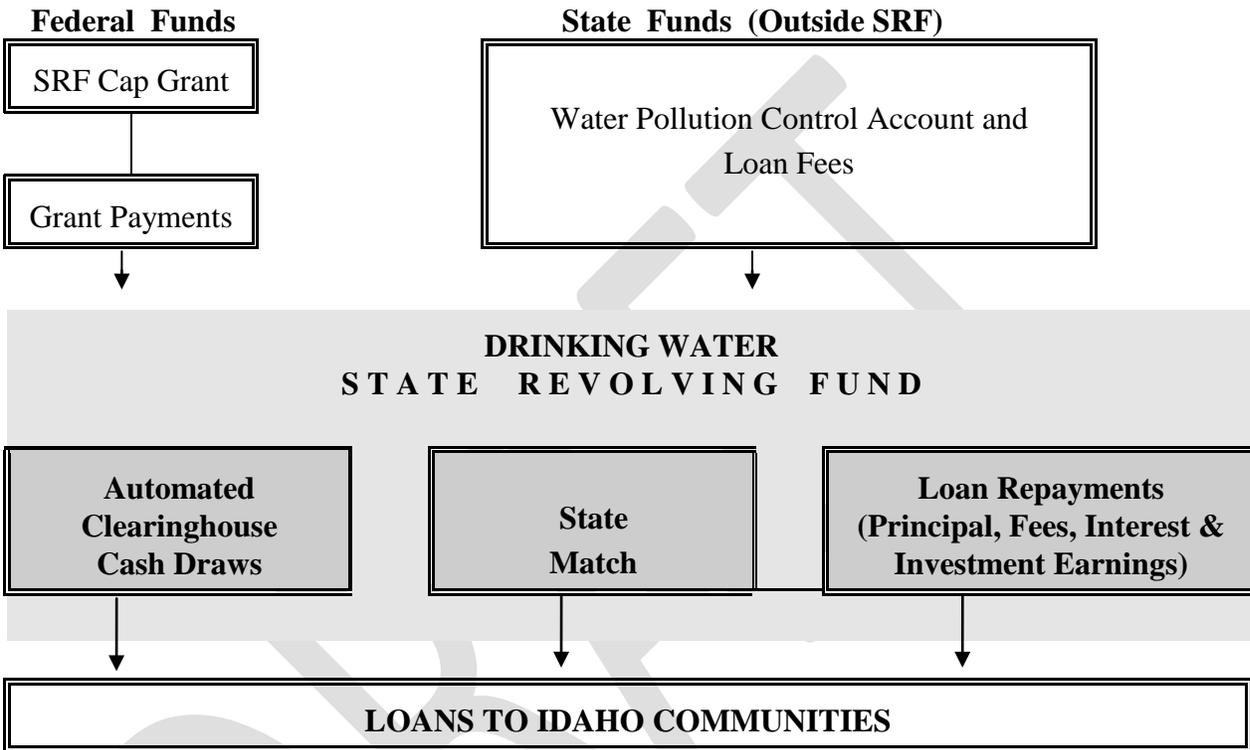
At the end of SFY 2019, the DWSRF was capitalized with twenty-three federal capitalization grants and the corresponding state match. Table 1 shows these funds by federal fiscal year (FFY) as well as the allocation of the funds for set-aside activities and for loans.

TABLE 1. IDAHO DWSRF FUNDING THROUGH 6/30/19

Federal Fiscal Year	Capitalization Grant Amount	Less: Set-Asides	Balance of Cap. Grant	20% State Match	Net Available for Drinking Water Loans
1997	\$14,157,800	\$2,406,826	\$11,750,974	\$2,831,560	\$14,582,534
1998	7,121,300	1,246,121	5,875,179	\$1,424,260	7,299,439
1999	7,463,800	1,409,970	6,053,830	1,492,760	7,546,590
2000	7,757,000	2,404,670	5,352,330	1,551,400	6,903,730
2001	7,789,100	2,414,621	5,374,479	1,557,820	6,932,299
2002	8,052,500	2,496,275	5,556,225	1,610,500	7,166,725
2003	8,004,100	2,481,271	5,522,829	1,600,820	7,123,649
2004	8,303,100	2,573,961	5,729,139	1,660,620	7,389,759
2005	8,285,500	2,568,505	5,716,995	1,657,100	7,374,095
2006	8,229,300	2,563,328	5,665,972	1,645,860	7,311,832
2007	8,229,000	2,550,990	5,678,010	1,645,800	7,323,810
2008	8,146,000	2,525,260	5,620,740	1,629,200	7,249,940
ARRA	24,500,000	0	24,500,000	0	24,500,000
2009	8,146,000	2,525,260	5,620,740	1,629,200	7,249,940
2010	13,573,000	3,911,894	9,661,106	2,714,600	12,375,706
2011	9,418,000	2,919,580	6,498,420	1,883,600	8,382,020
2012	9,080,824	2,888,074	6,192,750	1,816,165	8,008,915
2013	8,421,000	2,610,510	5,810,490	1,684,200	7,494,690
2014	8,845,000	2,741,950	6,103,050	1,769,000	7,872,050
2015	8,787,000	2,741,950	6,045,050	1,757,400	7,802,450
2016	8,312,000	2,576,720	5,735,280	1,662,400	7,397,680
2017	8,241,000	2,625,070	5,615,930	1,648,200	7,264,130
2018	11,107,000	3,443,170	7,663,830	2,221,400	9,885,230
Total	\$219,969,324	\$56,625,976	\$163,343,348	\$39,093,865	\$202,347,213

Figure 1 illustrates the flow of monies through the DWSRF. The Idaho Water Pollution Control Account perpetually appropriates the state match and loan fees may also be used for match.

FIGURE 1. STATE REVOLVING FUND AND ACCOUNTS FLOW CHART



BASE GRANT LONG TERM GOALS AND PROGRESS

The Intended Use Plan (IUP), submitted to the EPA with the capitalization grant application, identified six long-term goals. DEQ has made progress toward achievement of these long-term goals.

GRANT GOAL 1

Protect public health of citizens served by drinking water systems by offering financial assistance to construct the most cost-effective drinking water facilities. Financial assistance includes below-market-rate loans, longer loan terms, and may include principal forgiveness for disadvantaged communities under limited circumstances.

Progress

By June 30, 2019, DEQ had completed twenty-three annual rounds of establishing priority lists in order to make the funding available. Historically the need of all communities has been much larger than the available funds; as a result, DEQ has attempted to base funding for projects as much as

possible on priority order and readiness to proceed. Loan applications are only solicited for amounts equal to the funds available. This prevents communities from having to incur the cost of preparing an application for which funds are not available.

DEQ staff communicates with other state and federal agencies that provide funding for drinking water projects in order to coordinate efforts. It is likely that some future projects for which SRF loans will be awarded will also have Army Corps of Engineering grants, Community Development Block grants and U.S. Department of Agriculture Rural Development grants and loans.

GRANT GOAL 2

Assist public water systems in achieving and maintaining statewide compliance with federal and state drinking water standards. DEQ will provide information and technical assistance in the form of brochures and the electronic Drinking Water Blog, which contains articles on such topics as the DWSRF, operator training and certification, and treatment technology.

Progress

DEQ has provided information and technical assistance in the form of brochures, use of social media, auto-dialer phone and email, on such topics as the DWSRF, operator training and certification, and ground water under the direct influence of surface water monitoring and treatment technology.

GRANT GOAL 3

Implement a capacity development strategy. The goal of the capacity development program is to ensure that our current capacity to deliver safe, reliable water is both maintained and expanded to meet future needs. This goal is facilitated by supporting public water systems in the maintenance and expansion of their technical, financial, and managerial capacity.

Progress

The focus of the Idaho Capacity Development Program is to assist Idaho's public water system owners and operators in establishing and maintaining their technical, financial and managerial capacity to deliver safe and reliable water to their customers, both now and into the future. To ensure water systems develop and maintain capacity, assistance is provided to public water systems by several methods. DEQ Regional Office and District Health Department staffs provide one-on-one technical assistance to owners and operators. The on-line Public Drinking Water Switchboard provides both technical assistance and compliance assistance to water systems. Workshops are held on an as-needed basis for system operators by the DEQ staff. The Drinking Water Program continues to update its technical, financial, and managerial guidance document to provide a foundation for the capacity development program.

DEQ recognizes the needs of small water systems with assistance in the area of financial capacity. We have taken over implementation and management of a public water system financial health evaluation tool from the New Mexico Environmental Finance Center (<http://www2.deq.idaho.gov/water/SMSWS/Pages/Login.aspx>). This tool will evaluate a

system's revenues, expenses, assets, liabilities, debt, and reserves. The information collected in the use of this tool will be utilized during engineering review of new or significantly modified systems, sanitary surveys, and grant and loan approvals.

Planning grants continue to be funded with the capacity development set-aside monies to assist public water system owners and operators in preparing the reports and documents necessary to apply for low interest loans from the State Revolving Fund program. These efforts provide significant assistance so that more water systems are located, designed, constructed, maintained and operated to deliver safe and reliable water to their customers.

GRANT GOAL 4

Implement a source water assessment and protection strategy. A source water assessment provides information on the potential threats to public drinking water sources. In Idaho 96% of the drinking water comes from ground water sources.

Progress

DEQ's ongoing implementation of its Source Water Assessment and Protection strategy focuses on three major components of source water protection: Assessment, Planning, and Implementation.

Assessment

The state completed the Idaho Source Water Assessment (SWA) Plan in 1999, at which time it was approved and recognized by the U.S. Environmental Protection Agency (EPA). DEQ was successful in completing assessments on all recognized public water sources by May 2003, in accordance with the timetable set forth by the state and approved by EPA. DEQ continues to complete assessments for new public water sources as well as update assessments as new information becomes available.

In SFY 2019, DEQ completed the following tasks:

- ◆ Completed 105 Source Water Assessments (SWA) reports. All assessments are available on the DEQ interactive SWA website at www2.deq.idaho.gov/water/swaonline.
- ◆ Maintained the SWA database, website, and interactive mapper (SWA online) and completed the following enhancements and fixes to the application.
 - Updated the soil drainage class and agricultural land use GIS layers.
 - Added septic drain fields and managed recharge sites to PCI.
 - Added look up tables to the database to help maintain integrity for land use data.
 - Updated land use Zone 1A section of spring assessments to include 100 feet around spring rather than 50 feet. Approximately 175 reports were updated.
 - Updated the detected contaminant section of 1800 assessments to meet the following criteria:
 - Detections within the last 18 years
 - Document detections of secondary contaminants

- Remove construction related detections

Planning:

DEQ assisted communities with planning efforts to protect drinking water sources through the development of plans and ordinances. In SFY 2019, DEQ completed the following tasks:

- Assisted Payette, Owyhee, and Boise Counties with regional planning efforts (non-certified plan). Contracted with Idaho Rural Water Association to provide information and assistance to cities and counties implementing source water protection ordinances using templates developed by Jerry Mason of Mason & Stricklin LLP .
- Certified or recertified 12 source water protection plans in SFY2019, including eight plans developed with DEQ assistance, and four developed with assistance from a DEQ contractor Idaho Rural Water Association (IRWA) and reviewed by DEQ staff. Additional public water sources were also protected through the implementation of a Source Water Protection (SWP) ordinance or ongoing SWP program, bringing the number of Public Water Systems (PWS) implementing source water protection measures to 313 out of 742 community systems. The population served by community public water systems that were protected through ordinances, programs, or protection plans in FY19 increased 2% from 64% to 66%. A total of 872,956 people were protected out of 1,320,465 total population served by community public water systems.
- Completed enhancements to the online source water protection planning application. The online planning application is a tool that water systems and communities can use to assist in developing a source water protection plan and contingency plan. The application extracts information from the source water assessment, the Safe Drinking Water Information System (SDWIS), and other DEQ databases and allows users to input system specific information and narrative to develop an automated source water protection plan and contingency plan customized to their system. The contingency plan framework meets the requirements for both DEQ's drinking water and source water protection programs. Enhancements completed in FY19 include:
 - Added narrative box to susceptibility analysis section to include information on auto highs and other scoring details.
 - Added notification to systems administrator when a plan is submitted.
 - Added edit feature to allow changed to the protection activities listed in the implementation tracking section.
 - Added warning when user navigates away from page without saving information
 - Changed type code in water quality sampling data query to state classification code so more information on contaminant types.
 - Added maps to the contingency plan to show source locations.

Implementation:

DEQ assists communities with implementation of SWP activities by providing technical and financial assistance, educational materials, and training opportunities. In SFY 2019, DEQ completed the following tasks:

- Conducted four full-day training workshops focused on SWP and asset management to assist local governments and public drinking water systems with source water protection. Workshops were held in Post Falls, Idaho Falls, Twin Falls and Boise, Idaho. Over 190 people attended the workshops.
- Conducted two workshops on cyanotoxins in drinking water. Workshops were held in Boise and Post Falls, Idaho. The workshops were in partnership with the U.S. Environmental Protection Agency and the Rural Community Assistance Corporation. The goal of the workshops were to increasing participants understanding of the impacts of cyanotoxins to public drinking water sources, and improve the ability of public water systems to respond appropriately to a cyanotoxin detection in finished drinking water, if it occurs. Over 100 people attended the workshops.
- Participated in 82 outreach activities including school presentations, community health fairs, and training events.
- Initiated the Idaho SWP Grant program. Twenty-six (26) applications totaling nearly \$230,000 in requests were officially submitted and considered for funding. Twelve projects were selected, totaling over \$100,000 in funding for projects in state fiscal year 2020.
- Provided funding for on the ground implementation efforts including funding for Project WET (water education for teachers) in Idaho, Project Learning Tree, Idaho Department of Water Resources, and planning and implementation assistance through Idaho Rural Water Association.

GRANT GOAL 5

Administer Idaho's DWSRF to ensure its financial integrity, viability and revolving nature in perpetuity.

Progress

Loan applications have been carefully scrutinized to assure technical, managerial and financial capacity and thereby loan repayment. Loans are either secured by revenue bonds that will be held as collateral for the loan, or, in the case of projects that are funded using the "ordinary and necessary" provisions allowed by the *Idaho Constitution*, are secured by promissory notes. All loans require the establishment of reserve accounts, to be drawn upon to make a loan repayment in case of a shortfall in the collection of user charges.

The pace of the loan program was moderate during SFY 2019 and did not fully maximize the total available loan resources.

GRANT GOAL 6

In the previous 4 years there has been an imbalance in the DWSRF and CWSRF loan funds' ability to serve the state's needs. This imbalance has developed over the last several years. Entering into SFY2019 both funds had sufficient available resources to fund the entire Priority List. DEQ will monitor this disparity and evaluate the impact of transferring money between the two loan funds.

Progress

DEQ implemented Legislature and Board approved action to transfer \$10 million from the DWSRF into the CWSRF. The actual transfer occurred in SFY2019. The transfers are discussed in more detail in the SFY 2020 IUP.

SHORT TERM GOALS AND PROGRESS

In its Intended Use Plan DEQ identified nine short-term goals to be implemented in SFY 2019. These have been addressed as follows:

SHORT TERM GOAL 1

Perform all necessary tasks to assure that all loan assistance requested for SFY 2019 funding is provided to projects on the list in a timely manner.

Progress

DEQ staff has worked diligently to obtain loan applications from any and all projects that were willing and able to proceed. Many meetings were held with potential loan applicants. DEQ signed six new loans and amended one existing loan. Many small systems are opting for USDA-Rural Development (RD) funding assistance due to extended RD financing (40 year terms) and fewer Federal requirements (i.e. Davis Bacon labor standards).

SHORT TERM GOAL 2

Maintain the on-line loan handbook.

Progress

A few, minor revisions were made during the past year. The Handbook is posted to the DEQ website at http://www.deq.idaho.gov/media/651373-dw_loan_handbook.pdf.

SHORT TERM GOAL 3

Direct a minimum of approximately 10% of the capitalization grant to sustainability efforts (i.e., Green Project Reserve) and ensure that 28.4% of the capitalization grant award is provided as a loan subsidy (i.e., principal forgiveness).

Progress

DEQ has retained the GPR goals to both ready itself for potential sustainability grant conditions and to encourage cost effective infrastructure management practices. DEQ has posted the following memoranda in SFY 2019: nine (9) Preliminary GPR Justifications, nine (9) GPR Technical Memorandums and fifteen (15) Final GPR Justifications

The goal to meet the EPA grant requirement, to equitably distribute \$2,362,400 of principal forgiveness, was accomplished by June of 2019 (loans to Mores Creek Rim Ranches, Willowbrook Estates Property Owners Association Inc., Wayside Estates Association Inc., the City of Elk River, the City of Georgetown, and the City of Athol). The following narrative explains the process:

Loan Repayment Reductions and GPR

Over the past several years, a portion of loans awarded to State Revolving Fund borrowers have had their repayment obligation reduced. To DEQ's knowledge, this practice will be continued by Congress. To better assist, loan recipients' planning efforts we would like to briefly describe how the loan reductions are made.

- ◆ The amount that DEQ can provide for loan reductions is set as a range (20% to 50% of the capitalization grant) by the EPA.
- ◆ In the Intended Use Plan all of the principal forgiveness for the upcoming year is identified in the Fundable List. Therefore, any project cost increases identified after the Fundable List is finalized will not be "matched" with proportional increases to the amount of loan reduction.
- ◆ The amount of the repayment reduction identified on the Fundable List is based upon the cost of the project identified on the Fundable List, so if a project cost decreases the repayment reduction will also proportionately decrease.
- ◆ If any of the systems identified on the annual Fundable List do not come forward for loans during the year, the amount of repayment reduction associated with those systems will be allocated to those systems that did come forward for loans during the year.
- ◆ The repayment reductions are only available to loans recipients for a given year's Intended Use Plan (i.e. closed loans are not eligible for retroactive repayment reductions).
- ◆ Reallocations of repayment reductions are only available to those loan recipients that entered into loans during the year the annual reduction amount was offered.
- ◆ Whenever a loan recipient with a repayment reduction closes their loan, no further repayment reductions may occur. However, if the first loan recipient with a repayment reduction closes and their project is under budget then the repayment reduction savings will be shared with the other loan recipients (that entered into loans in the same year) that have a reduced repayment schedule.

- ◆ If a loan recipient’s project cost is reduced to the extent that rates no longer exceed the “disadvantaged community” threshold of 1.5% of median household income, then the loan recipient will not receive a repayment reduction.

The goal for Green Project Reserve (GPR) was to identify \$1,110,700 of GPR costs (10% of the most recent DWSRF grant). DEQ, in partnership with the communities, was able to identify \$2,407,000 of GPR costs, primarily related to water conservation and energy conservation measures.

SHORT TERM GOAL 4

Make necessary changes to the FFY 2019 EPA capitalization grant application.

Progress

The FFY 2019 grant application was successfully submitted.

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SHORT TERM GOAL 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.

Progress

Some progress was made on this goal, but with staff changes in the Fiscal-Purchasing staff and program staff, the request for proposal will be issued the following year.

SHORT TERM GOAL 6

Dedicate a portion of the additional subsidization to reduce the risk of lead in systems that are influenced by aggressive water (see Fundable List, Attachment I).

Progress

Financial assistance was provided to the City of Elk River to replace piping and fixtures (\$79,500 with no repayment obligation).

SHORT TERM GOAL 7

Monitor and take necessary actions to ensure annual capitalization grant is spent within two years. Set-aside funds will be transferred into the loan fund, if it appears that the set-aside funds will not be disbursed within two years.

Progress

The annual capitalization grant set-asides were expended as planned and no transfers into the loan corpus were required.

SHORT TERM GOAL 8

Implement funding for emergency situations.

Progress

No emergency funding was allocated in SFY2019, but a request for SFY2020 has already been submitted. .

SHORT TERM GOAL 9

Research the potential to allow DWSRF to leverage through the Idaho State Bond Bank

A contract between Public Financial Management, Inc. and DEQ has been agreed upon. Assessments are on-going to establish the ability to leverage and to what extent.

DWSRF LOAN AND SET-ASIDE ACTIVITIES

The following is a detailed discussion of the DWSRF activities during SFY 2019. Details are provided on the sources of program funding, the status of loan activities and the status of set-aside activities.

Tables 2 and Table 3 (on page 14) provide information about the sources and uses of DWSRF funding. Table 2 shows new sources of DWSRF funds available in SFY 2019. It also shows the binding commitments, work plan commitments, and administrative funding commitments made each year from those funds. Table 3 shows Idaho's actual disbursements in SFY 2019. (Note: disbursed funds reflect cash outlays from the current year's committed funds as well as from the funds committed in previous years.)

SOURCES OF DWSRF FUNDING

The DWSRF received funding from the following sources in SFY 2019:

◆ Capitalization Grants

EPA has awarded Idaho \$214,969,324 in federal capitalization grants through 6/30/2019 and \$5,000,000 was provided by the U.S. Department of Education. The EPA has awarded Idaho \$11,107,000 of regular SRF federal capitalization grants for FFY 2018.

◆ State Match

Idaho deposited \$2,221,400 as the required 20 percent state match for the FFY 2018 capitalization grant into the DWSRF. The source of the state match was the Water Pollution Control Account, which is perpetually appropriated by Idaho statute. When Automated Clearing House cash draws are made the appropriate state match is transferred.

◆ Interest Earnings

There was \$192,010 in cash basis interest earnings on investments during the reporting period. The long-term investments earned 2.09% and the short-term investments earned 2.32%.

◆ Repayments

DEQ received \$6,508,317 in cash basis loan repayments during SFY 2019. The repayments consisted of \$1,114,488 in interest and \$5,393,829 in principal.

USES OF DWSRF FUNDS

To fund set-aside activities \$3,443,170 was made available from the FFY 2018 capitalization grant. Specific information regarding set-asides is provided later in this document.

LOAN ASSISTANCE STATUS

The DWSRF entered into six new loan agreements and one amendment to existing loan agreements with public water systems for a total of new commitments of \$6,065,155 during the reporting period. A list and description of the funded projects follows on Table 4.

◆ Binding Commitments

On a cumulative basis, including deobligations, the DWSRF has obligated \$257,271,520 of available loan funds to projects. This amount of commitments exceeds the total capitalization grants *available for loans* and their related state match by \$54,924,307

◆ Small Systems

All states are required to provide at least 15% of DWSRF funds available to small systems (serve fewer than 10,000 people). To date 101 small systems have been funded totaling \$191,847,502 or 95% of the available funds.

◆ Disadvantaged Community Systems

Four disadvantaged loans were issued during SFY 2019 with \$2,362,650 in total commitments and \$1,904,789 of principal forgiveness (i.e. subsidy).

◆ Disbursements

\$15,306,230 was disbursed to loan recipients during SFY 2019.

TABLE 2. SOURCES AND USES OF COMMITTED DWSRF FUNDING

Sources	
Capitalization Grant	\$11,107,000
State Match	2,221,400
Investment Interest Earnings	192,010
Principal Repayments	5,393,829
Loan Interest Earnings	1,114,488
SOURCES TOTAL	\$20,028,727
Uses	
<i>LOANS</i>	
DWSRF Loan Account Binding Commitments	\$6,065,155
LOANS SUBTOTAL	6,065,155
<i>SET-ASIDE WORKPLAN COMMITMENTS</i>	
Technical Assistance (maximum of 2%) - 1452(g)(2)	222,140
State Program Management (maximum of 10%) - 1452(g)(2)	
PWSS Program	\$1,110,700
Operator Certification	<u>0</u>
<i>State Program Management Subtotal</i>	1,110,700
Wellhead Protection	1,110,700
Capacity Development	<u>555,350</u>
SET-ASIDE WORKPLAN COMMITMENTS SUBTOTAL	2,998,890
<i>SET-ASIDE ADMINISTRATION COMMITMENTS</i>	
Administration (4% for FFY 2016) - 1452(g)(2)	<u>444,280</u>
SET-ASIDE ADMINISTRATION COMMITMENTS SUBTOTAL	3,443,170
USES TOTAL	\$9,508,325

TABLE 3. USES OF DISBURSED DWSRF FUNDING*

Loan Uses	
Standard Loans - 1452(a)	\$0
Small Systems (<10,000 pop.) - 1452(a)(2)	
Standard	\$410,000
Disadvantaged Communities - 1452(d)	<u>\$5,648,650</u>
<i>Committed Subtotal</i>	<u>6,058,650</u>
LOAN DISBURSEMENT SUBTOTAL	\$6,058,650
Set-Aside Uses	
Technical Assistance (maximum of 2%) - 1452(g)(2)	\$215,058
State Program Management (maximum of 10%) - 1452(g)(2)	

PWSS Program		\$955,682
Other State Programs (maximum of 15%) - 1452(k)		
Capacity Development	\$312,747	
Wellhead Protection	\$907,849	
<i>Other State Programs Subtotal</i>		<u>\$1,220,596</u>
DWSRF Administration - 1452(g)(2)		\$493,393
SET-ASIDE SUBTOTAL		<u><u>\$2,884,729</u></u>
USES TOTAL		<u><u>\$8,943,379</u></u>

***Note: The DWSRF uses a grant specific proportionality method for cash draws.**

The percentages of federal funds drawn from each capitalization grant are:

- 80.58% for Federal Fiscal Year (FFY) 1997;**
- 80.66% for FFY 1998;**
- 79.17% for FFY 1999;**
- 77.53% for FFY 2000 through 2005;**
- 77.49% for FFY 2006;**
- 77.53% for FFY 2007 through 2019.**

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TABLE 4. Funded Projects in State Fiscal Year 2019

Loan Number	Loan Recipient	Loan Accepted Date	SFY 2019 Loan Amount	SFY 2019 Subsidy	Pop.
DW1901	Mores Creek Rim Ranches Water District	6/12/2019	\$985,000	\$706,079	175
DW1902	Willowbrook Estates Property Owners Association Inc.	11/24/2018	650,000	605,393	4100
DW1903	Wayside Estates	1/15/2019	648,150	513,817	50
DW1904	City of Elk River	1/23/2019	79,500	79,500	126
DW1905	City of Georgetown	6/26/2019	410,000	0	470
DW1906	City of Athol	6/18/2019	3,286,000	0	757
DW1603A	Smith Road Water Users Association	9/27/2018	31,000	0	54
Total Commitments Prior to Deobligations =>			6,089,650		
Deobligations	Loans: DW1209, DW1704	Various	(24,495)		Various
			<u>\$6,065,155</u>	<u>\$1,904,789</u>	

Set-Aside Activity Status

The following pages provide an overview of activities funded with DWSRF set-aside monies in SFY 2019.

Set-Aside: Administration

\$444,280 was set-aside from the FFY 2018 capitalization grant. The majority of funds from this set-aside paid salaries and associated expenses of personnel administering the DWSRF program. The DWSRF program is utilizing fees to supplement available set-aside funds. In the last year, the DWSRF staff has completed the following administrative activities:

- ◆ Development of comprehensive priority list of projects
- ◆ Project selection and development of IUP
- ◆ Conduct public notice of priority list and IUP
- ◆ Preparation of capitalization grant application
- ◆ Development of set-aside work plans
- ◆ Scoping of project management software needs
- ◆ Solicitation of applications
- ◆ Awarding of 6 new loan and increases to 1 existing loan
- ◆ Closing of 3 existing loans

TABLE 5.

Funds Available 7/1/18	Spent During SFY 2019	Funds Available 6/30/19
FFY17 - \$197,862	\$197,862	\$0
FFY18 - \$444,280	\$295,531	\$148,749

Set-Aside: Small Systems Technical Assistance

\$222,140 was set-aside from the FFY 2018 capitalization grant. The FFY 2018 set-aside amount will be used to complete Plan and Specification reviews for drinking water systems serving populations under 10,000. This level of funding is sufficient to cover approximately 40 percent of the cost associated with this activity.

TABLE 6.

Funds Available 7/1/18	Spent During SFY 2019	Funds Available 6/30/19
FFY17 - \$0	\$0	\$0
FFY18 - \$222,140	\$215,058	\$7,082

Set-Aside: State Program Management

\$1,110,700 was set-aside from the FFY 2018 capitalization grant. These funds have been used mostly to maintain the Drinking Water Program’s computer databases and related compliance activities. A portion of the funding has been used for contracts with the District Health Departments around the state that assist small drinking water systems.

TABLE 7.

Funds Available 7/1/18	Spent During SFY 2019	Funds Available 6/30/19
FFY17 - \$591,304	\$591,304	\$0
FFY18 - \$1,110,700	\$364,379	\$746,321

Set-Aside: Local Assistance and Other Programs

Idaho set-aside funds for wellhead protection and capacity development.

◆ Set-Aside: Wellhead Protection

\$1,110,700 was set-aside from the FFY 2018 capitalization grant to implement Wellhead Protection efforts. These funds were, and are continuing to be, utilized to (a) perform delineations and assess the vulnerability of new public water sources to contamination, and (b) develop and implement drinking water and source water protection activities throughout the state.

Within Idaho, the focus of the Wellhead Protection program is continuing to transition from primarily an *assessment* program to a *protection* program. The goal of drinking water protection is to implement preventive measures to minimize the possibility that land uses will contaminate the water used by public water systems. Drinking water protection measures include, among others, (a) public education efforts, (b) the implementation of on-the-ground drinking water protection projects, and (c) community assistance with the development and implementation of both *local* and *regional* drinking water protection plans.

TABLE 8.

Funds Available 7/1/18	Spent During SFY 2019	Funds Available 6/30/19
FFY16 - \$(1,943)	\$9,057	\$(11,000)
FFY17 - \$824,100	\$832,150	\$(8,050)
FFY18 - \$1,110,700	\$66,642	\$1,044,058

Idaho DEQ used funds from the Capacity Development set-aside for the State’s Capacity Development Strategy.

◆ Set-Aside: Capacity Development and Operator Training and Certification

\$555,350 set-aside is from the FFY 2018 capitalization grant and designated for Capacity Development efforts. The set-aside is used to implement the State’s Capacity Development Strategy and to fund facility-planning efforts. Developments in the programs include the use of a smart management financial tool which allows water systems to assess their financial health, as well as use of a preliminary inspections findings form to coordinate technical assistance with 3rd party service providers. Full details of program activities can be reviewed in the latest Drinking Water Program annual reports.

TABLE 9.

Funds Available 7/1/18	Spent During SFY 2019	Funds Available 6/30/19
FFY17 - \$16,046	\$16,046	\$0
FFY18 - \$555,350	\$296,700	\$258,650

COMPLIANCE WITH OPERATING AGREEMENT AND GRANT CONDITIONS

Idaho has complied with the conditions of the DEQ/EPA Operating Agreement and Capitalization Grants. The DWSRF program has met and continues to be in compliance with the following conditions:

- ◆ Establish state instrumentality and authority
- ◆ Comply with applicable state laws and procedures
- ◆ Review technical, financial and managerial capacity of loan recipients
- ◆ Establish DWSRF loan account and set-aside accounts
- ◆ Deposit all funds in appropriate accounts
- ◆ Follow state accounting and auditing procedures
- ◆ Require loan recipient accounting and auditing procedures
- ◆ Submit IUP and use all funds in accordance with the plan
- ◆ Comply with enforceable requirements of the Safe Drinking Water Act
- ◆ Establish capacity development authority
- ◆ Develop and submit priority ranking system
- ◆ Take payments based on payment schedule

Payments were received based upon the schedule included in the grant awards for SFY 2019.

- ◆ Deposit state matching funds

The State matching funds are derived from loan fees and the Water Pollution Control Account, which by law is perpetually appropriated.

- ◆ Submit Annual Report and Annual Audit

The next required Annual Report, this report, is due 10/30/2019.

The Legislative Auditor shall conduct an annual agreed upon procedure of the DWSRF. The completed audit shall be made available to the EPA to fulfill that responsibility.

◆ Assure that borrowers have dedicated source of repayment

The ability to pay by each loan applicant is reviewed by Department. This review determines that the user charge is sufficient to repay the loan, any previous loans, as well as ongoing operation and maintenance expenses. All loan agreements require that applicants issue a revenue bond, general obligation bond, local improvement district bond or promissory note as collateral for the loan. Additionally, a pledge of system revenue is made by the loan applicant.

◆ Use funds in a timely and expeditious manner

For projects that have been awarded loans, DWSRF staff will monitor construction progress to ensure that operations are initiated within a reasonable period.

◆ Ensure recipient compliance with applicable federal cross-cutting authorities

The DWSRF program and the loan recipients have complied with all applicable federal crosscutting authorities.

An availability analysis was conducted to determine an overall fair share objective for Disadvantaged Business Enterprises (DBE). All loan recipients are required to solicit DBE participation in bid solicitations and are required to submit annual reports on DBE utilization. DWSRF staff has compiled the project reports into single annual reports that were submitted to EPA.

◆ Encourage loan recipients to comply with Single Audit Act requirements

DEQ included Office of Management and Budget Circular A-133 Single Audit Act (SAA) compliance requirements in loan agreements that met or exceeded the amount of capitalization grants received. DEQ's Fiscal Office has taken the lead on monitoring ongoing loan recipient compliance.

◆ Conduct environmental reviews

Of the six water systems receiving a newly signed DWSRF loan during the last year one required a Finding of No Significant Impact (Mores Creek Rim Ranches Water District), and five required a Categorical Exclusion (Willowbrook Estates, Wayside Estates, Georgetown, and Athol) .

◆ Implement operator certification program

The Idaho legislature passed a bill in 1997 that gave DEQ authority to adopt and implement

a mandatory drinking water operator certification program. Under authority of this legislation DEQ requires operators to be certified at the appropriate level. Rules necessary to implement certification went into effect on April 15, 2000. DEQ submits a separate annual report to EPA regarding the status of the operator certification program.

◆ Report on interfund transfers

In state fiscal year 2019, DEQ transferred \$10,000,000 from the DWSRF to the CWSRF. A fifth transfer (of \$10,000,000) may take place during state fiscal year 2020.

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