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August 1, 2018

Legal Notice

Legal notice of public review and comment period concerning the proposed Intended Use Plan (IUP) attached below for Oregon's Drinking Water State Revolving Fund (DWSRF) for State fiscal year 2018.

One of Oregon Health Authority (OHA) Drinking Water Services (DWS) responsibilities as a state agency managing the DWSRF program as set forth under Section 1452 (40 CFR 35.555 (b)) of the amended 1996 Safe Drinking Water Act (SDWA) is to provide the public the opportunity to comment on the proposed IUP as apart of the grant application process to the U.S. Environmental Protection Agency (EPA). This IUP explains how OHA-DWS prioritizes low-interest loan assistance to eligible community and non-profit non-community public water systems and the funding of Set-Aside activities. It also is a key aspect of how we will procure the funding resources that the EPA has appropriated Oregon during Federal fiscal year 2018.

The public comment period for the IUP will be from Wednesday, August 1 through Tuesday, September 4, 2018. If you would like to make a comment, please email me your comments by no later than 5pm on Tuesday, September 4th to be considered. If you have questions, you may also email or call me at (971) 673-0422.

Thank you!

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STATE OF OREGON DRINKING WATER STATE REVOLVING FUND PROGRAM

Intended Use Plan:
EXECUTIVE SUMMARY
(FINAL)

2018



**Oregon Health Authority
Public Health Division
Center for Health Protection
Drinking Water Services
800 NE Oregon Street, STE 640
Portland, OR. 97232**



2018 Drinking Water State Revolving Fund
Capitalization Grant Application and Intended Use Plan
Oregon Health Authority – Drinking Water Services

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ATTACHMENTS

Attached documents shown below or other relevant information can be found on our [DWSRF Resources Webpage](#) or they are located within the IUP Executive Summary.

A. REQUIRED DOCUMENTS

- AG Certification
- SFY-2018 “Combined” PPL
- FFATA Set-Aside reporting spreadsheet

B. SUPPORTING DOCUMENTS

- Annual LOI Status List (2018)
- Basic SDWRLF Financing Options (2018)
- Grant Allotment Use Summary (2018)
- Cost Allocation Letters (3)

C. FINANCIAL DATA

- Estimated - Financial Status of Oregon’s DWSRF
- Federal & State Contributions Bar Graph

D. SET-ASIDE WORK PLANS

- Administrative Expense
- Small System Technical Assistance
- State Program Management
- Local Assistance & Other State Programs:
 - i. Implementation of Protection
 - ii. Capacity Development
 - iii. Drinking Water Source Protection

E. CONTRACTS

- Circuit Rider Contract
- State & County/Dept. of Ag. Requirements PE #50: SDW Program
- Oregon Association of Water Utilities Contract

F. AGREEMENTS

- Inter-Agency Agreement (DEQ)
- Inter-Agency Agreement (Business Oregon - IFA)

G. PUBLIC NOTICES

- IUP Public Notice Postcard
- PPL Quarterly Public Notice Letters

COMMON ACRONYMS

• ACS	-	AMERICAN COMMUNITY SURVEY
• AG	-	ATTORNEY GENERAL
• AIS	-	AMERICAN IRON & STEEL
• ARRA	-	AMERICAN RECOVERY REINVESTMENT ACT
• BMP	-	BEST MANAGEMENT PRACTICES
• CA	-	COST ALLOCATION & CAPACITY ASSESSMENT
• CFR	-	CODE OF FEDERAL REGULATIONS
• CHP	-	CENTER FOR HEALTH PROTECTION
• CR	-	CONTINUING RESOLUTION
• CUPSS	-	CHECK UP PROGRAM FOR SMALL SYSTEMS
• CWSRF	-	CLEAN WATER STATE REVOLVING FUND
• DB	-	DAVIS BACON
• DBE	-	DISADVANTAGED BUSINESS ENTERPRISE
• DEQ	-	DEPARTMENT OF ENVIRONMENTAL QUALITY
• DWAC	-	DRINKING WATER ADVISORY COMMITTEE
• DWS	-	DRINKING WATER SERVICES
• DWSP	-	DRINKING WATER SOURCE PROTECTION
• DWSRF	-	DRINKING WATER STATE REVOLVING FUND
• EDU	-	EQUIVALENT DWELLING UNIT
• EPA	-	ENVIRONMENTAL PROTECTION AGENCY
• ER	-	ENVIRONMENTAL REVIEW
• ERP	-	ENFORCEMENT RESPONSE POLICY
• ETT	-	ENFORCEMENT TARGETING TOOL
• FFATA	-	FEDERAL FUNDING ACCOUNTABILITY & TRANSPARENCY ACT
• FFY	-	FEDERAL FISCAL YEAR
• FSRS	-	FFATA SUBAWARD REPORTING SYSTEM
• FTE	-	FULL TIME EQUIVALENT
• GIS	-	GEOGRAPHICAL INFORMATION SYSTEMS
• GPR	-	GREEN PROJECT RESERVE
• IAA	-	INTER AGENCY AGREEMENT
• IFA	-	INFRASTRUCTURE FINANCE AUTHORITY
• IGA	-	INTERGOVERNMENTAL AGREEMENT
• IUP	-	INTENDED USE PLAN
• LOI	-	LETTER OF INTEREST
• MCL	-	MAXIMUM CONTAMINANT LEVEL
• MHI	-	MEDIUM HOUSEHOLD INCOME
• MOU	-	MEMORANDUM OF UNDERSTANDING
• NIMS	-	NATIONAL INFORMATION MANAGEMENT SYSTEM
• OA	-	OPERATING AGREEMENT
• OAR	-	OREGON ADMINISTRATIVE RULE
• OFS	-	OFFICE OF FINANCIAL SERVICES
• OHA	-	OREGON HEALTH AUTHORITY
• OMB	-	OFFICE OF MANAGEMENT & BUDGET
• ORS	-	OREGON REVISED STATUTE
• PBR	-	PROJECT & BENEFITS REPORTING
• PER	-	PROGRAM EVALUATION REPORT
• PPL	-	PROJECT PRIORITY LIST
• PPP	-	PUBLIC PRIVATE PARTNERSHIPS
• RC	-	REGIONAL COORDINATOR
• RCAC	-	RURAL COMMUNITY ASSISTANCE CORPORATION
• RLDWA	-	REDUCTION OF LEAD IN DRINKING WATER ACT
• SDWA	-	SAFE DRINKING WATER ACT
• SDWRLF	-	SAFE DRINKING WATER REVOLVING LOAN FUND
• SFY	-	STATE FISCAL YEAR
• SIPP	-	SUSTAINABLE INFRASTRUCTURE PLANNING PROJECTS
• SOS	-	SECRETARY OF STATE
• SPM	-	STATE PROGRAM MANAGEMENT
• ULO	-	UNLIQUIDATED OBLIGATION
• WIFIA	-	WATER INFRASTRUCTURE FINANCE & INNOVATION ACT
• WIIN	-	WATER INFRASTRUCTURE IMPROVEMENT FOR THE NATION ACT

Oregon's DWSRF Program Highlights (SFY1997-2017)



Infrastructure Projects:

- * Funded / Committed Total Amount = **\$377 million**
- * Funded / Committed Projects = **208**
- * Total Assistance Provided to Systems with $\leq 10,000$ in Population = **64%**

Technical Assistance (TA):

- * Number of Systems Provided TA by Circuit Rider = **1,657**

Subsidies & Disadvantaged Communities:

- * Total Amount of Subsidies Provided to Projects = **\$54 million**
- * Total Number of Projects Funded to Disadvantaged Communities = **91**
- * Total Population Served (by the project) in Disadvantaged Communities Whom Received Funding = **233,616**

Non-Compliant Systems:

- * Total Assistance Provided to Non-Compliant Systems Trying to Achieve Compliance = **\$253 million**
- * Total Population Served to Non-Compliant Systems Trying to Achieve Compliance = **1,122,870**

Other DWSRF Funding Programs in Oregon:

- * Total Amount Subsidized for the Sustainable Infrastructure Planning Projects (SIPP), (SFY2015-2017) = **\$645,849 to 32 systems**
- * Total Amount Provided (i.e., grant & loan) for the Drinking Water Source Protection (DWSP) Program, (SFY2010-2017) = **\$1,228,749**



Introduction & Purpose

On August 6, 1996, the Safe Drinking Water Act (SDWA) Amendments of 1996 (P.L. 104-182) were signed into law. Section 1452 of this act authorized the Administrator of the U.S. Environmental Protection Agency (EPA) to establish a Drinking Water State Revolving Fund (DWSRF) program to assist public water systems with affordable financing for infrastructure needs to achieve or maintain compliance with the SDWA requirements and to protect public health.

As a part of each state's annual capitalization grant application process to the EPA, Section 1452(b) of the SDWA, requires states to submit an Intended Use Plan (IUP) identifying the use of funds in that state's DWSRF program and how those uses support the goal of protecting public health.

❖ Awarded DWSRF Capitalization Grants Cover:

- **Safe Drinking Water Project Loan Fund:** Assists eligible public water systems achieve, maintain, or regain compliance and protect public health by funding drinking water infrastructure improvement projects such as treatment, distribution, storage, or a new source.
- **Set-Asides:** Assists state primacy agencies and partners with administrative and non-construction related activities used to ensure compliance with the SDWA.

Summary

The State of Oregon, Drinking Water Services (DWS) is an Oregon Health Authority (OHA) program located within the Center for Health Protection (CHP). OHA seeks the entire grant allotment of \$14,614,000 from EPA's FFY-2018 DWSRF appropriation and will adopt the following 2018 IUP for State Fiscal Year 2019 (SFY-2019: July 1, 2018 – June 30, 2019). These efforts will be in coordination with our partners at Business Oregon by continuing to offer low interest loans from the DWSRF Loan Fund to eligible drinking water systems while continuing to support the four separate Set-Aside activities to meet federal drinking water program mandates. In Oregon, the DWSRF program is often referred to as the Safe Drinking Water Revolving Loan Fund (SDWRLF).

This IUP Executive Summary and its attachments present details of Oregon's program that was developed in close cooperation with state agency partners (i.e., Business Oregon & DEQ) and supported by many stakeholders (e.g., Oregon's Drinking Water Advisory Committee) and interested parties. Many of the details demonstrate Oregon's continued efforts to programmatically improve processes and policies while protecting public drinking water supplies statewide.

I. Need for the Program

The need for this program continues to be clear in Oregon. A nationwide Drinking Water

Infrastructure Needs Survey, sponsored by the EPA with assistance from OHA and its water suppliers, was completed back in 2015. Previous results conducted from the 2011 Needs Survey awarded OHA with 1.42 percent of the total EPA DWSRF appropriation. The recent 2015 Needs Survey results awarded OHA with a 1.32 percent.

The 2015 surveyed results indicated that Oregon’s drinking water infrastructure needs are more than \$6.25 billion over the next twenty years.

The first grants from the DWSRF, were distributed to states, tribes, and territories from the 1997 appropriation and totaled \$1.275 billion. From 1997 through 2017, cumulative federal grants (including ARRA) for the DWSRF program to states total approximately \$20 billion. Oregon’s total federal grant allocations received through FFY-2017 (including ARRA) is over \$285 million.

To augment the federal grants awarded, states are required to provide matching funds equal to 20 percent of the federal grant award. However, the once long-standing one-to-one State Program Management (SPM) Set-Aside match requirement for the DWSRF program was also recently removed by the 2016 WIIN Act revisions, Section 2103 SDWA Section 1452(g)(2).

In addition to these substantial infrastructure needs, many small water systems in Oregon lack the technical, managerial, and financial capacities to provide safe drinking water to their respective users. EPA uses the ETT/ERP approach to ensure that no community or non-profit non-community systems with project(s) from the System Scores list with a score of 11 or higher receive DWSRF funding unless the funding directly supports the water system in achieving or regaining compliance. OHA uses its own ETT list to target systems for capacity development assistance and to ensure that these systems are given the fullest possible consideration for available DWSRF infrastructure funding assistance. For Oregon’s ETT System Scores list, see here, <https://yourwater.oregon.gov/sscore.php>. OHA also utilizes an internal “Watch List” which includes Priority Non-Complying (PNC) systems taken from our own ETT list that are recommended as systems that could benefit from the DWSRF.

II. Elements of Oregon’s Program Using This Year’s Allotment

The 2018 program consists of the following elements summarized below:

(For more details, please visit the Grant Allotment Use Summary sheet in the **Attachment B** portion of the IUP)

	Federal Funds	Percent of Allotment	20% State Match Funds*
Project Loans for Water Systems	\$ 10,258,660	70%	\$ 2,922,800
Set-Aside Activities:			
1.) Administrative Expense	\$ 584,560	4%	\$ -
2.) Small System Tech. Assist.	\$ 292,280	2%	\$ -
3.) State Program Management*	\$ 1,501,760	10.2%	\$ -
4.) Local Assist. & Other St. Pro.	\$ 2,017,100	13.8%	\$ -
Total	\$ 14,654,360	100%	\$ 2,922,800

* State Match funds are drawn before federal funds. Additionally, 2015 deobligated funds (\$40,360) increase 2018 SPM.

The figures for 2018 above demonstrate a proportionality ratio of new funds (minus Set-Asides)

equaling, 77.83 percent federal funds and 22.17 percent State Match funds, which is considered optimum for financing projects. However, when Oregon deviates from those target percentages, it is likely due to its authorization to extract reserved or “banked” Set-Aside funds, which reduce the available allotment for projects. More information about the use of reserved Set-Aside funds will be explained in Section III.

Oregon’s DWSRF program is carried out through direct involvement activities and with the utilization of partnership agreements. The primacy agency is OHA via its DWS who provides direct services with a compliment of experienced regulatory technical staff.

Inter-Agency Agreements (IAA) between OHA, Business Oregon, and the Department of Environmental Quality (DEQ) are maintained and updated on a biennial basis. Both Business Oregon and DEQ are state agencies with their respective IAA agreements and are referenced in the **Attachment F** section of the IUP.

Since OHA is the lead agency, it is responsible for establishing program and project priorities, oversight of program operation, technical assistance, capacity development, and the annual capitalization grant application process.

Business Oregon operates and administers the Loan Fund for water projects, Drinking Water Source Protection (DWSP) loans and grants (when available), the Sustainable Infrastructure Planning Projects (SIPP) program (100% forgivable loans), and utilization of the principal forgiveness strategy. They also perform loan servicing functions that result from the Loan Fund.

DEQ with OHA, complete source water assessments and implement the local DWSP programs.

Additionally, this grant year, OHA will continue to impose its cost allocation plan. The cost allocation factor will affect some direct costs (e.g., Set-Aside activities), but not the Loan Fund, nor the DWSP loans or grants in the Local Assistance Set-Aside. Our current cost allocation rate is 17.15 percent and is expected to be applied to \$2,452,378 of Set-Asides, resulting in a cost of approximately \$420,583. OHA continues to undergo an in-depth cost rate review for future state fiscal years as explained in our recent cost allocation letter dated, June 1, 2018. Cost allocation acts like indirect costs, as allowed under OMB 2 CFR Part 225 (formerly OMB Circular A-87).

III. The Set-Aside Activities:

A. Establishing Set-Aside Activities and Setting Funding Levels

The SDWA authorizes states to use a maximum of 31 percent of its annual allotment for Set-Aside activities. Set-Aside activities are available to administer the Loan Fund and to assist water systems in meeting the requirements of the SDWA. OHA evaluated each of the four Set-Aside activities with a view toward protecting public health through prevention, while maximizing Loan Fund dollars for capital improvement projects and compliance purposes.

OHA decided on basic and mandated programs in each of the four Set-Aside activities, however, according to EPA 40 Code of Federal Regulations (CFR) part 35.3540(d), states are authorized to access reserved Set-Aside funds from previous grant phases. EPA Region 10 Staff has authorized Oregon to request more than the 31 percent Set-Aside maximum when

necessary. For 2018, Oregon does not plan to exercise this authority for its SPM Set-Aside. Set-Aside activities needed for OHA's SFY-2019 include:

- Administrative Expense (4 %)
- Technical Assistance (2%)
 - Circuit Rider Assistance
- State Program Management (10.2%)
 - State & County Program Support
- Local Assistance and Other State Programs (13.8%)
 - Implementation of Source Water Protection Program (10%)
 - Water System Capacity Development Program (3.6%)
 - Drinking Water Source Protection Fund/Grants (0.2%)

B. Description of Oregon Health Authority's Set-Aside Activities

Work plans for each of the Set-Aside Activities are outlined here. Specific detailed work plans are included in **Attachment D** and submitted as part of the Capitalization Grant application. All the activities described are continuation activities from the previous grant years and may include additional updates for that Set-Aside.

- 1. Administrative Expense:** OHA will use 0.70 FTE staff to prepare the annual EPA capitalization grant application, the IUP, the PPL, assess environmental reviews and capacity of each loan recipient, along with conducting financial monitoring and control. Under its partnership contract, Business Oregon will utilize 3.80 FTE necessary to making loans to water systems from the PPL. Therefore, a total of 4.50 FTE will be used to administer the overall DWSRF program.

The 2016 WIIN Act provisions provide states three options for this Set-Aside. The Act's options include:

Equal to the sum of any state fees collected and the greatest of \$400,000; 1/5 percent of the current fund value; and an amount equal to 4 percent of all grants awarded to the fund under this section for the fiscal year.

This year, OHA will plan to utilize the 4 percent of the grant award option, totaling \$584,560. For more Set-Aside information, please reference the **Attachment D** section of the IUP.

- 2. Small Systems Technical Assistance:** OHA continues providing technical assistance and related services to small water systems serving 10,000 or fewer people by contracting for these services. A total of 0.40 FTE will be associated to these Set-Aside activities.

A maximum of 2 percent of the annual grant allotment of \$14,614,000 is allowed for this activity. This year, OHA will plan to use all 2 percent of the allotment, or \$292,280. For more Set-Aside information, please reference the **Attachment D** section of the IUP.

3. State Program Management (SPM) – State and County Program Support:

These funds will continue OHA and contractual support of County drinking water programs and of the Oregon Department of Agriculture to augment the Public Water System Supervision (Primacy) program. These activities include sanitary surveys, the investigation and resolution of significant non-compliance concerns and adjacent activity. OHA will use 5.37 FTE to conduct direct services and to manage contracts.

Typically, a maximum of 10 percent of the annual allotment is allowed for this Set-Aside. This year, OHA will plan to use 10.2 percent of the \$14,614,000 allotment, or \$1,501,760. Deobligated 2015 Set-Aside funds totaling \$40,360 has been reauthorized for use solely under the 2018 SPM Set-Aside, which is already reflected in the total. For more Set-Aside information, please reference the **Attachment D** section of the IUP.

4. Local Assistance & Other State Programs:

- **Implementation of Protection:** OHA continues to assist water systems to protect their respective sources of drinking water. OHA will continue this work with 3.43 FTE. Additionally, through contracting with the DEQ and others for technical services to place source water assessment information on the GIS, and to provide training and technical support.

A maximum of 15 percent for all local assistance activities of the \$14,614,000 annual allotment is allowed for this Set-Aside. This year, OHA will plan to use 13.8 percent, or \$2,017,100. The Implementation of Protection effort will use \$1,461,400 or 10 percent of the total grant this year. For more Set-Aside information, please reference the **Attachment D** section of the IUP.

- **Capacity Development Program:** OHA works with water systems that have had histories of non-compliance to ensure that they have the technical, managerial, and financial capacities needed to return to compliance status using the strategy developed by OHA and approved by EPA. This work will be carried out by 2.22 FTE and will use \$530,700 or 3.6 percent of the grant this year. For more Set-Aside information, please reference the **Attachment D** section of the IUP.

- **Drinking Water Source Protection Fund/Grants:** The Loan Fund will assist water systems to protect their source(s) of drinking water by providing an aggregate up to a total of \$200,000 in various loans/grants to undertake source water protection activities. There is no FTE assigned to this activity since it will be part of the local assistance implementation of protection Set-Aside FTE. This activity will use \$25,000 or 0.2 percent of the 2018 grant. For more Set-Aside information, please reference the **Attachment D** section of the IUP.

The level of Set-Aside funding on a year-to-year basis will continue in collaboration with the DWAC and partner agencies to assure that public water suppliers in Oregon are well trained and knowledgeable of the most current drinking water quality standards and techniques.

Additionally, Set-Aside transfers to the Loan Fund will be performed on an as needed basis to further expedite federal funding timeline requirements.

IV. Current & Future Years of the Program

This year's program represents a continuation of significant initiatives begun in 1997 by OHA, including its partner agencies, stakeholder organizations, and service providers as well as public water systems. New initiatives, strategic proposals, and process improvements are continually being introduced between partnering agencies so our goals and federal crosscutter requirements (e.g., Davis Bacon, American Iron & Steel, Federal Funding Accountability & Transparency Act, etc....) continue to be met.

In addition, IUP attachments will continue to be available on our secure website. Please go to [DWSRF Resources Webpage](#) and login. Only authorized users may gain access to this secure webpage. To see what is included in these attachments, visit the Attachment sheet after the Table of Contents.

❖ Short-Term Goals

- Operate and manage a DWSRF program in Oregon for eligible community and non-profit non-community water systems to construct needed improvements and meet security needs.
- Provide loan assistance to projects that will address the greatest public health need while accounting for project affordability, especially to help small systems and those serving disadvantaged communities.
- Develop technical assistance and source protection efforts that improve the operation, maintenance, and management of Oregon's drinking water systems.

❖ Long-Term Goals

- Administer the DWSRF program in Oregon in a way that protects its revolving nature in perpetuity.
- Support the State's goal of ensuring Oregon's water supplies provide safe water to drink by helping to finance needed water system improvements.
- Increase water system compliance with state and federal drinking water requirements through technical assistance, capacity development and assessment of source water.

❖ Loan Principal Forgiveness

The Program has institutionalized the utilization of a Loan Principal Forgiveness strategy as an Oregon DWSRF incentive and financial tool option; augmenting the Program's existing flexible interest rate structure and repayment terms. The goal in using Loan Principal Forgiveness is to: Promote increased project affordability, enhance DWSRF accessibility, and to provide effective and innovative project financing tools to reach more water systems

in need of drinking water project financing. This expands upon the partnership the DWSRF has with the EPA.

The Loan Principal Forgiveness strategy is a tailored and targeted approach. For eligible water systems seeking financing for water system improvement projects, a reduction of the principal loan amount may be utilized as a subsidy at the time the loan is structured in addition to below market municipal bond interest rates and flexible repayment terms.

It's anticipated that Loan Principal Forgiveness will facilitate expanded affordability and will be a complimentary project financing option, so that a water system's access to capital would not be a hindrance to implementing effective water system improvements. "SDWRLF Infrastructure Financing Options 2018" within the **Attachment B** section, depicts this tailored and targeted approach in the use of the Oregon DWSRF comprehensive Loan Principal Forgiveness program; coupled with its flexible interest rates and loan repayment terms. Business Oregon closely monitors industry rates and can make necessary adjustments to our Financing Options when necessary.

Additional Loan Principal Forgiveness incentives can be found within the **Attachment B** section of the IUP.

❖ **Lead Mitigation and Educational Efforts**

With the recent Flint, Michigan lead exposure crisis, the elevated levels of lead in Portland Public Schools, and the most recent provisions set forth by the 2016 WIIN Act, OHA has taken proactive steps by providing information on our website – including detailed information about lead in Oregon and how DWSRF funding can help in the August 2016 and January 2018 semi-annual Pipeline newsletters.

For more information, visit [Reduction of Lead in Drinking Water Act \(RLDWA\)](#).

❖ **Green Project Reserve (GPR)**

While Oregon continues to encourage systems to incorporate "green" components in to their projects, Oregon will no longer be providing any additional subsidy incentives under the GPR. State DWSRF programs have the flexibility to forgo or incentivize GPR until the EPA makes it a requirement again.

❖ **Sustainable Infrastructure Planning Projects (SIPP)**

The Sustainable Infrastructure Planning Projects program objectives are to assist communities with 100 percent DWSRF forgivable loan financing for water system planning and related activities that promote sustainable water infrastructure. Priority will be given to those systems that serve fewer than 300 service connections and/or are considered disadvantaged communities.

See website for more information.

❖ **Seismic SIPP**

Funded under a separate allotment of the SIPP program, eligible water systems now have access to SIPP funding to meet the new Seismic Risk Assessment and Mitigation Plan requirements ([OAR 333-061-0060\(5\)\(a\)\(J\)](#)) for Master Plans for those systems 3,300 connections or less. This Master Plan requirement became effective in January 2018, but this funding option recently launched at the beginning of SFY2019.

For more information about this funding option, visit the SIPP webpage (shown above).

❖ **Letter of Interest (LOI) packet**

OHA and Business Oregon have had a long-standing practice of utilizing a Letter of Interest (LOI) solicitation process to inform, gather, and process (rating and ranking) requests from eligible water systems interested in obtaining financing for drinking water infrastructure improvements towards planning, design, and/or construction. For more information about project eligibilities, reference the [DWSRF webpage](#).

On April 2013, OHA and Business Oregon's DWSRF program launched its first web-based [LOI](#) (for infrastructure projects only) which is open year-round. This version saves money, streamlines the application process, is environmentally friendly, and extremely convenient for water systems. It also incorporates Business Oregon's project intake rolled in to the original LOI format. While this increases the size of the LOI, it reduces redundancy of the funding process so viable projects can obtain funding sooner than in years past.

To date, the web-based LOI has seen more than 224 accounts created with 194 LOI submissions.

The [Drinking Water Source Protection \(DWSP\)](#) grant program LOI is available separately in a fillable pdf format. Visit the web link for more information about this program and what it can offer eligible water systems with their efforts to protect their drinking water sources.

❖ **Federal Funding Accountability and Transparency Act (FFATA)**

On March 23, 2011, the EPA released a memo explaining this federal requirement to states and the use of the FFATA Subaward Reporting System (FSRS) tool. States have the option to apply FFATA to all awarded projects, or only the projects and Set-Asides equivalent to the annual federal award amount (i.e., 100% of the award). Oregon's DWSRF program has considered only applying FFATA requirements equivalent to the annual federal award amount, but to date, it has not done so.

Although not limited to these projects, the chart below demonstrates what Oregon intends to apply FFATA requirements to.

Additionally, and in accordance with the EPA September 22, 2014 memo, "Application of Equivalency Under the FFATA," these reporting requirements specific to the Set-Asides relate only to subaward contracted obligations at or above \$30,000 and that only those Set-

Aside activities that meet or exceed this amount need to be reported in to the FSRS database. Specific contract details can be found on the Set-Aside FFATA spreadsheet within the **Attachment A** section of the IUP.

Oregon's Safe Drinking Water Revolving Loan Fund 2018 IUP

FFATA Reportable Project List (including Set-Asides)

Applicant	Applicant Number	Score	Amount
City of Detroit (S18013)	SD-16-146	42	\$ 3,200,000
Seal Rock Water District (S18011)	SD-17-162	40	\$ 3,481,000
City of Banks (S18006)	SD-15-72	30	\$ 3,577,660
Set-Asides	n/a	n/a	\$ 4,395,700
FFATA Reportable Total:			\$ 14,654,360

❖ **Davis Bacon (DB) Wage Rate Compliance & Buy American Iron & Steel Provisions**

Loan recipients will be made aware of all specific programmatic requirements as part of a federal appropriation. Contract language will reflect those requirements.

Davis Bacon wage rate requirements apply to all construction, alteration and repair of treatment works carried out in whole or in part with assistance made available through the DWSRF. To ensure compliance, applicable DB contract clauses are inserted into all relevant contracts. Recipients of DWSRF funds are briefed on their responsibility to ensure that all relevant DB regulations are adhered to. In addition, Business Oregon Regional Project Managers will periodically monitor certified payroll documents and other necessary and relevant documents for the adherence to DB regulations. Recipients of DWSRF funds are encouraged to contract with individuals or organizations that have demonstrated expertise in the administration of DB rules and regulations. Principal Forgiveness is available to eligible recipients who choose to hire such expertise.

American Iron and Steel (AIS) Provisions require DWSRF assistance recipients to use iron and steel products that are produced in the United States. Language regarding Buy American will be included with all DWSRF contracts to assistance recipients. Monitoring of compliance requirements will occur at appropriate intervals to ensure that any issues are addressed with immediacy.

❖ **Emergency Funding**

Emergency DWSRF funding is available for those infrastructure projects that fit specific criteria (i.e., 5 rating characteristics) that warrant these funds. Specific details about the requirements that a system and its project must meet to qualify for emergency funding are detailed in the latest version of the Program Guidelines and Handbook (see below).

❖ **[Program Guidelines & Handbook](#)**

The SDWRLF Program Guidelines and Handbook provides guidance for those interested in

applying for and administering awards for infrastructure and DWSP projects. The Handbook serves as both an internal and external resource and is a critical element in ensuring that loan and grant funds are administered in an effective and efficient manner and that regulations and guidelines are administered correctly and uniformly.

The latest version of the Handbook is currently under construction.

❖ Operating Agreement (OA)

The original 1998 DWSRF Operating Agreement between the EPA and OHA was amended in 2016 and is effective through 2021. The OA explains and itemizes the agreed-upon implementation and management of Oregon's DWSRF program.

V. Financial Status

The financial status of Oregon's DWSRF program is detailed on the following chart. The chart provides *projected* DWSRF resources available to loan. Refer also to **Attachments B and C** in the IUP for more detailed financial information.

See chart below.

Current Resources:			
Cash			132,937,192.10
EPA Capitalization 2018			10,258,660.00
State Match 2018			2,922,800.00
Total			146,118,652.10
Scheduled Payments	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	7,460,860.52	2,266,199.83	9,727,060.35
2020	8,827,404.76	2,111,997.90	10,939,402.66
2021	6,922,729.60	1,954,344.01	8,877,073.61
Total	23,210,994.88	6,332,541.74	29,543,536.62
Future Repayments	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	64,213.00	54,081.00	118,294.00
2020	65,809.00	52,485.00	118,294.00
2021	1,306,679.00	400,850.00	1,707,529.00
Total	1,436,701.00	507,416.00	1,944,117.00
Interest on Cash/Investments			
2019			1,256,242.45
2020			1,193,430.33
2021			1,133,758.81
Total			3,583,431.59
Current Remaining Obligations			83,884,599.00
Net resources			97,305,138.31

Oregon has the option of packaging DWSRF projects with other state infrastructure program funds, including bond funds from the Oregon Bond Bank if additional funds are needed to complete projects, saving scarce loan fund dollars for more projects.

The Oregon Bond Bank is a leveraging mechanism whereby the state sells revenue bonds and lends the proceeds to local governments for drinking water and other infrastructure projects.

The state considers this a leveraging procedure, even though it does not fit EPA's definition of "leveraging."

The long-term financial viability of Oregon's Loan Fund depends on maximizing return to the Loan Fund without decreasing demand for the funds or increasing risk to Fund principal. Lending to eligible disadvantaged communities is balanced with loans funding other eligible projects to maximize the Loan Fund and still assist financially distressed communities that need system improvements.

The interest rate for the DWSRF Loan Fund base program will be set at a rate of 80% of the previous quarterly municipal Bond Buyer 20 index.

VI. Disadvantaged Community Program

Loans to Disadvantaged Communities are assessed interest on a sliding scale between the interest rate for a standard loan (i.e. 80% of municipal Bond Buyer 20 index) and one percent. Rates and principal forgiveness offerings will be based on loan affordability. The goal will be to offer the most affordable loan possible (within program constraints) such that user rates are brought as close to the affordability rate as programmatically possible for the community. The affordability rate is calculated as a ratio of the average annual water rate (based on 7,500 gallons) to the local median household income from the most recent decennial Census.

Please note that the affordability rate is adjusted annually based on an indexed percentage of local median household income (MHI). Adjustment utilized the most recent decennial Census until the next decennial Census figures are available and/or changes are made to the computational factors used. An example can be provided upon request.

The loan amortization period ranges from 20 years up to 30 years. If amortizing loan up to 30 years does not bring the user rate, as close to the affordability rate as possible programmatically, reduced interest rates will be considered which may include:

- ❖ Interest rate level will be adjusted between the standard loan rate (set quarterly to a rate between 0% and 80% of the Bond Buyer 20-Bond Index) and the fully subsidized rate of 1%. If reducing the interest rate to 1% does not bring the user rate close to the affordability rate, then Principal Forgiveness may be considered.
- ❖ Principal forgiveness will be awarded at a level sufficient to bring the user rate as close to the affordability level, including subsidies of up to 50% of the total project award or \$500,000. Principal forgiveness awards in excess of 50% of the total project award or \$500,000 may be considered based on established criteria. Additional subsidies for

administration of Davis-Bacon Labor Standards and project management assistance may also be applicable. See the current Financing Options in **Attachment B** of the IUP.

- ❖ Consolidation/Elimination of Non-Viable Public Water Systems: Within the context of this activity, a Disadvantaged Community is defined as a community served by a public water system that lacks capacity as defined by the SDWA, Sections 1420 and 1452 (a)(3). Principal forgiveness loans and reduced interest/expanded term loans will be made to the most appropriate public water system having capacity *that is willing to take over a failing* Disadvantaged Community water system.
- ❖ In most cases, this will consist of a project to run supply to and replace the distribution system in the Disadvantaged Community.
- ❖ Emergency based projects associated to eligible public water systems may be given disadvantaged community status, provided that the project meets certain characteristics. More information can be found in the current Program Guidelines and Handbook.

More detailed information on the Disadvantaged Community Status can be obtained within the Program Guidelines and Handbook – see section above.

VII. Asset Management Training

Water systems qualifying as Disadvantaged Communities are encouraged to participate in [Asset Management](#) training provided through the OHA, DWS website or other financial entities (e.g., RCAC). Types of Asset Management training includes: Fact sheets, handouts, website resource links, and training by OHA, DWS Technical Staff. Some of these materials can also be found on our [Financial Capacity](#) webpage. These types of training materials offer important insights on best management practices, how to save money while being organized, and how to project for future infrastructure improvements all at the same time. Additionally, programs like EPA’s Check Up Program for Small Systems (CUPSS) are very helpful Asset Management programs which also implement a sustainable approach for water systems and their users. These trainings will be funded through the Local Assistance Set-Aside: Capacity Development Program.

For more information about Asset Management and Oregon’s approach to implement sustainable activities for their water systems, please visit the “Capacity Development Work Plan” in **Attachment D** of the IUP, the Capacity Development Annual Report, and/or the SIPP program.

VIII. Fund Linkage between DWSRF and CWSRF

Oregon does not anticipate the transfer of funds between the Drinking Water and the Clean Water funds this grant year.

IX. Drinking Water State Revolving Fund Projects

A. Project Identification Process

Before projects are placed on the project priority list, water systems must first submit an LOI. An LOI is a document that provides information about the water system, its water quality problem, its finances, its readiness-to-proceed, and its project solution and estimated cost. This is sufficient information to rate and rank each project to create the PPL, as required by the amended 1996 SDWA. Oregon's primary focus remains with projects that address drinking water public health risks and compliance issues while assisting systems most in need on a per household basis using state affordability criteria.

During SFY-2018, a total of twenty-five new eligible projects successfully submitted an LOI for consideration. All twenty-five (i.e., 100%) serve less than 10,000 people. These twenty-five new projects are asking for over \$42 million and have been reviewed, rated, and ranked by DWS Technical Staff and the EPA and placed on the most current combined PPL. These projects are currently in the process of being funded by Business Oregon or have already been funded. The combined PPL allows Oregon to better manage the Loan Fund and assures ready-to-proceed projects continue through financing and project implementation quickly. For more information on the PPL, reference **Attachment A** of the IUP.

Most water systems not in full compliance with the Safe Drinking Water Act have some form of administrative enforcement order from OHA that defines the problem(s) to be resolved and includes a compliance schedule. If a water system has an enforcement order, then the proposed project must be able to return the water system to a full compliance status. DWSRF funds can be used to assist systems in reaching their compliance issues provided that the system has the technical and managerial capacity required to operate the system being funded.

B. Project Selection Criteria – Rating and Ranking, By-Pass

EPAs DWSRF Interim Final Rule 40 CFR Section 35.3555 (c)(1) suggests that the IUP must include a priority system for ranking individual projects for funding that is detailed and understandable. Oregon's infrastructure, DWSP, and SIPP program rating criteria are robust and meet this requirement. More information related to OHAs rating form and detailed criteria is available on request.

The By-Pass Process is equivalent to skipping over a project higher on the PPL that is not ready-to-proceed in order to fund a project lower on the PPL that is ready-to-proceed. Unfunded Projects may remain on the PPL for up to two years from the approval of the IUP of the federal grant that they submitted their LOI for. Additional by-pass information can be provided on request.

Finally, to comply with provisions of the amended 1996 SDWA, Oregon will assure at least 15% of the Loan Fund will be used to assist small water supplies, those that serve 10,000 or fewer people. If it is not at the 15% mark, then "only" these small systems will be considered until this federal requirement is met. Historically, Oregon has been in compliance with this requirement.

X. Public Reviews & Comments

❖ Process

The public has been invited to review and comment on Oregon's proposed SFY-2018 IUP of the DWSRF grant application. If comments are received and it is determined that our IUP must be amended, we will notify the EPA Region 10 office immediately.

According to the SDWA's Federal Register Interim Final Rule, Section "O. Meaningful Public Review of the IUP (40 CFR 35.3555 (b)),

- *"This interim final rule does not include specific requirements as to what constitutes "meaningful public review" of the IUP. Due to the variation among States, no single approach will work under all conditions."*

EPA interprets the above language to provide States the ability to determine what is appropriate for meeting this requirement provided an effort is made to provide the public an opportunity to make comments. EPA Region 10 also supports Oregon's public notice decisions referenced below. The result is a more rapid process that also reduces program costs.

Below is a list of resources OHA uses when posting notices for public comments related to our annual IUP and our quarterly PPL. List includes:

- DWSRF webpage, <http://healthoregon.org/srf>
- DWS main website front page, <http://healthoregon.org/dwp>
- Orange postcards mailed out (annually for the IUP) to public water systems and other interested parties throughout Oregon
- Publication of "Pipeline" Newsletter includes permanent information about policy, <http://public.health.oregon.gov/HealthyEnvironments/DrinkingWater/Operations/Pages/pipeline.aspx>

Public Notice materials can be found in **Attachment G** of the IUP.

◆ End of Summary ◆