

2024 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN



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Executive Summary

The Drinking Water Intended Use Plan (IUP) communicates to drinking water systems, the public, the U.S. Environmental Protection Agency (EPA), and other State departments and divisions how money in the Drinking Water State Revolving Fund (DWSRF) will be used and on what terms. The IUP also provides specific details on key aspects of the program, including recent and cumulative performance of the Utah DWSRF, our State's short- and long-term goals, the priority-setting process used to rank projects, lists of projects eligible to receive funding from DWSRF, and programmatic requirements to receive funding.

Utah agrees to comply with all EPA DWSRF regulations, federal grant regulations at 2 CFR Part 200, all applicable federal cross-cutting authorities, and the specific conditions included with each grant. Utah will apply for federal grants from the EPA as allocated in April 2024 in the amounts listed below.

| Federal SRF Awards available to Utah | | | |
|--|---------------|---------------|---------------|
| Grant | Allotment | Current Plan | Future Plan |
| 2024 Base | \$ 4,661,000 | \$ 4,661,000 | \$ - |
| 2024 BIL Supplemental | \$ 22,985,000 | \$ 22,985,000 | \$ - |
| 2024 BIL Emerging Contaminants | \$ 7,640,000 | \$ 7,640,000 | \$ - |
| 2024 BIL Lead Service Line Replacement | \$ 28,650,000 | \$ - | \$ 14,325,000 |
| Subtotal BIL Funding | \$ 59,275,000 | \$ 30,625,000 | \$ 14,325,000 |
| Total EPA SRF Funding | \$ 63,936,000 | \$ 35,286,000 | \$ 14,325,000 |

As detailed in the table above, we are not applying for the Lead Service Line Replacement (LSLR) grant now; we may in 2025 if the demand for replacement project funds increases.

The first requirement for a system to obtain funding is to be added to the Utah Project Priority List (PPL). See Table 4 for the PPL dated June 2024. Additions to the PPL are typically approved each time the Utah Drinking Water Board meets for a regularly scheduled meeting. For a summary of the DWSRF project priority list ranking criteria, please see the Description of Criteria and Method Used for Distribution of Loan Funds section on page 20 of this IUP.

Utah will expend the requested grant amounts under the terms and conditions included with each grant. Utah's queue of approved projects awaiting funds is listed in Table 5. Most of these projects are less waiting for funds, than working to meet all the federal or bonding requirements to close on their agreements or loans. Though not visible in Table 3c except as a footnote, our first EC project closed in September 2024!

Our approach for set-aside funds is to reserve (bank) the maximum allowed on our Base grant and to reserve none of the BIL grants. For the Supplemental grant we are requesting the maximum set-asides; for Emerging Contaminants that approach is moderated. See Table B-1 & Tables 8 for more details.

SECTION A: Drinking Water State Revolving Fund (DWSRF)

A-1 Background & Introduction

The federal Drinking Water State Revolving Fund (DWSRF) program was established by the Safe Drinking Water Act (SDWA) Amendments of 1996. It authorizes the U.S. Environmental Protection Agency (EPA) to award capitalization grants to states, which in turn may provide low-cost loans and other types of assistance to eligible public water systems to finance the costs of infrastructure projects needed to achieve or maintain compliance with SDWA requirements. States are also authorized to set aside a portion of their capitalization grants to fund a range of activities including administration, technical assistance, source water protection, capacity development, and operator certification.

Congress made significant changes to the Drinking Water State Revolving Fund operating requirements with the Water Infrastructure Improvement for the Nation Act (WIIN) in 2016 and America's Water Infrastructure Act (AWIA) of 2018. Furthermore, with the 2021 Bipartisan Infrastructure Law (BIL), Congress made significant changes to the Drinking Water State Revolving Fund program with the largest investment since the program's initiation. This new investment will be released in grant years 2022-26 (5 years) and will be disbursed in three new grants—DWSRF Supplemental, Lead Service Line Replacement, and Emerging Contaminants—and for Utah should total about \$305 million. This IUP will reference these BIL grants except Lead Service Line Replacement (LSLR), plus the traditional base DWSRF grant.

The Utah Legislature enacted Utah Code Annotated (UCA) 19-4-101 et seq. establishing the Utah Safe Drinking Water Board (Board). UCA 19-4-104 empowers the Board with rule-making authority to meet the requirements of federal law governing drinking water. UCA 19-1-105(1)(b) establishes the Division of Drinking Water (DDW) which is tasked with the responsibility to administer UCA 19-4-101 et seq. The Board has promulgated rules for making loans incorporating the Federal Safe Drinking Water Act requirements at Utah Administrative Code (UAC) R309-705. Additionally, the Board is authorized by UCA 19-4-104(1)(a)(v) and 19-4-104(2) to promulgate rules for certification of operators and governing capacity development in compliance with Section 1419 and 1420 of the Federal Safe Drinking Water Act.

The responsibility of the Board is to develop policies and procedures for program implementation and to authorize loans in the DWSRF program. The Utah Department of Environmental Quality (DEQ) through DDW directly administers the DWSRF program. The DDW's primary DWSRF activities include administering loans and managing and coordinating the fund.

DDW receives assistance and support from the DEQ's Office of Support Services, the State Division of Finance, the State Attorney General's Office, and the State Treasurer's Office. The salaries and benefits of the employees, as well as indirect costs based on direct salary costs, are charged to the DWSRF program. The State of Utah personnel benefits plan covers employees charging time to the DWSRF program. The DWSRF program is charged a loan administration fee by the Division of Finance.

The DWSRF Base Program, DWSRF Supplemental Program, Lead Service Line Replacement Program, and Emerging Contaminants Program require the states to deposit to the loan fund an amount equal to at least 20%, 20%, 0%, and 0% respectively of the capitalization grant. Loan repayments made by assistance recipients return to the loan fund and provide a continuing source

of financing. The following tables summarize awards received by DDW, the allocation between loan and set-aside funds, and the required state 20% match for the Base & Supplemental SRF grants.

TABLE 1 - DWSRF GRANTS SUMMARY

| DIVISION OF DRINKING WATER | | | | | | | | |
|-------------------------------------|--------------------|------------------|------|----------------|---------|-----------------|---------|---------------|
| State of Utah | | | | | | | | |
| Department of Environmental Quality | | | | | | | | |
| Table 1 | | | | | | | | |
| Summary of DWSRF Base Grants | | | | | | | | |
| June 30, 2024 | | | | | | | | |
| Federal | Award Dated | Award Allocation | | | | | | State |
| Fiscal Year | | Total | | Loan Fund | | Set-Aside Funds | | 20% Match |
| | | Amount | % | Amount | % | Amount | % | |
| 1997 | February 9, 1998 | \$ 12,558,800 | 100% | \$ 9,755,575 | 77.679% | \$ 2,803,225 | 22.321% | \$ 2,511,760 |
| 1998 | September 20, 1999 | \$ 7,121,300 | 100% | 5,633,563 | 79.109% | 1,487,737 | 20.891% | 1,424,260 |
| 1999 | May 1, 2000 | \$ 7,463,800 | 100% | 6,019,720 | 80.652% | 1,444,080 | 19.348% | 1,492,760 |
| 2000 | August 21, 2000 | \$ 7,732,000 | 100% | 6,515,880 | 84.272% | 1,216,120 | 15.728% | 1,551,400 |
| 2001 | September 7, 2001 | \$ 7,789,100 | 100% | 6,542,844 | 84.000% | 1,246,256 | 16.000% | 1,557,820 |
| 2002 | July 30, 2002 | \$ 8,052,500 | 100% | 6,384,100 | 79.281% | 1,668,400 | 20.719% | 1,610,500 |
| 2003 | August 11, 2003 | \$ 8,004,100 | 100% | 6,473,444 | 80.877% | 1,530,656 | 19.123% | 1,600,820 |
| 2004 | July 8, 2004 | \$ 8,303,100 | 100% | 6,724,604 | 80.989% | 1,578,496 | 19.011% | 1,660,620 |
| 2005 | June 16, 2005 | \$ 8,285,500 | 100% | 6,709,820 | 80.983% | 1,575,680 | 19.017% | 1,657,100 |
| 2006 | June 29, 2006 | \$ 8,228,900 | 100% | 6,583,120 | 80.000% | 1,645,780 | 20.000% | 1,645,780 |
| 2007 | June 27, 2007 | \$ 8,229,400 | 100% | 6,562,696 | 79.747% | 1,666,704 | 20.253% | 1,645,880 |
| 2008 | July 31, 2008 | \$ 8,146,000 | 100% | 6,516,800 | 80.000% | 1,629,200 | 20.000% | 1,629,200 |
| 2009 | May 18, 2009 | \$ 19,500,000 | 100% | 18,915,000 | 97.000% | 585,000 | 3.000% | 0 |
| 2009 | June 22, 2009 | \$ 8,146,000 | 100% | 6,822,275 | 83.750% | 1,323,725 | 16.250% | 1,629,200 |
| 2010 | June 9, 2010 | \$ 13,573,000 | 100% | 11,401,320 | 84.000% | 2,171,680 | 16.000% | 2,714,600 |
| 2011 | July 1, 2011 | \$ 9,418,000 | 100% | 7,440,220 | 79.000% | 1,977,780 | 21.000% | 1,883,600 |
| 2012 | June 12, 2012 | \$ 8,975,000 | 100% | 6,590,250 | 73.429% | 2,384,750 | 26.571% | 1,795,000 |
| 2013 | June 26, 2013 | \$ 8,421,000 | 100% | 6,224,890 | 73.921% | 2,196,110 | 26.079% | 1,684,200 |
| 2014 | June 9, 2014 | \$ 9,229,000 | 100% | 6,779,460 | 73.458% | 2,449,540 | 26.542% | 1,845,800 |
| 2015 | June 8, 2015 | \$ 9,169,000 | 100% | 6,645,060 | 72.473% | 2,523,940 | 27.527% | 1,833,800 |
| 2016 | May 19, 2016 | \$ 8,674,000 | 100% | 5,903,760 | 68.063% | 2,770,240 | 31.937% | 1,734,800 |
| 2017 | September 28, 2017 | \$ 8,600,000 | 100% | 5,800,000 | 67.442% | 2,800,000 | 32.558% | 1,720,000 |
| 2018 | September 26, 2018 | \$ 11,107,000 | 100% | 8,200,000 | 73.827% | 2,907,000 | 26.173% | 2,221,400 |
| 2019 | August 18, 2019 | \$ 11,103,000 | 100% | 8,199,000 | 73.845% | 2,904,000 | 26.390% | 2,220,600 |
| 2020 | July 16, 2020 | \$ 11,011,000 | 100% | 8,093,360 | 73.502% | 2,917,640 | 26.498% | 2,202,200 |
| 2021 | July 14, 2021 | \$ 11,100,000 | 100% | 8,694,900 | 78.332% | 2,405,100 | 21.668% | 2,220,000 |
| 2022 | September 16, 2022 | \$ 7,008,000 | 100% | 5,020,920 | 71.646% | 1,987,080 | 28.354% | 1,401,600 |
| 2023 | October 25, 2023 | \$ 4,938,000 | 100% | 3,489,120 | 70.659% | 1,448,880 | 29.341% | 987,600 |
| | Total | \$ 259,886,500 | 100% | \$ 204,641,701 | 78.743% | \$ 55,244,799 | 21.257% | \$ 48,082,300 |

Note: The 2021 reallocation of \$99K from Wyoming is reflected here.

| Table 1a | | | | | | | | |
|--------------------------------------|--------------------|------------------|------|---------------|---------|-----------------|--------|------------------|
| Summary of DWSRF Supplemental Grants | | | | | | | | |
| June 30, 2024 | | | | | | | | |
| Federal | Award Dated | Award Allocation | | | | | | State |
| Fiscal Year | | Total | | Loan Fund | | Set-Aside Funds | | 10%-20% Match |
| | | Amount | % | Amount | % | Amount | % | |
| 2022 | September 16, 2022 | \$ 17,992,000 | 100% | \$ 16,399,000 | 91.146% | \$ 1,593,000 | 8.854% | \$ 1,799,200 |
| 2023 | October 25, 2023 | \$ 21,055,000 | 100% | 19,230,000 | 91.332% | 1,825,000 | 8.668% | \$ 2,105,500 |

| Table 1b | | | | | | | | |
|--|--------------------|---------------|------|---------------|---------|-----------------|---------|-------|
| Summary of DWSRF Lead Service Line Replacement (LSLR) Grants | | | | | | | | |
| June 30, 2024 | | | | | | | | |
| Federal | Award Allocation | | | | | | | State |
| Fiscal | Award | Total | | Loan Fund | | Set-Aside Funds | | 0% |
| Year | Dated | Amount | % | Amount | % | Amount | % | Match |
| 2022 | September 16, 2022 | \$ 28,350,000 | 100% | \$ 26,248,000 | 92.586% | \$ 2,102,000 | 7.414% | \$ - |
| 2023 | October 25, 2023 | \$ 28,650,000 | 100% | 24,904,500 | 86.927% | 3,745,500 | 13.073% | \$ - |

| Table 1c | | | | | | | | |
|--|--------------------|--------------|------|--------------|---------|-----------------|---------|-------|
| Summary of DWSRF Emerging Contaminants (EC) Grants | | | | | | | | |
| June 30, 2024 | | | | | | | | |
| Federal | Award Allocation | | | | | | | State |
| Fiscal | Award | Total | | Loan Fund | | Set-Aside Funds | | 0% |
| Year | Dated | Amount | % | Amount | % | Amount | % | Match |
| 2022 | September 16, 2022 | \$ 7,555,000 | 100% | \$ 6,797,600 | 89.975% | \$ 757,400 | 10.025% | \$ - |
| 2023 | October 25, 2023 | \$ 7,640,000 | 100% | 7,540,000 | 98.691% | 100,000 | 1.309% | \$ - |

Utah's DWSRF program results through SFY24

- ✓ Utah's DWSRF Fund Use Rate at the end of SFY24 was 78%. From the beginning of the program through FY 2024, the DWSRF fund has provided drinking water assistance to communities of approximately \$410 million, \$557 million was available.
- ✓ In SFY24, Utah entered into 18 binding commitments for a total of \$37,366,000, including four planning agreements. These numbers exclude dozens of LSL inventory agreements totaling about \$10M and a handful of planning agreements using the hardship fund.
- ✓ The allotment between states is based on state needs surveys. DDW was allocated one percent for the federal fiscal years 2018 through 2024.
- ✓ DDW will continue to contract with Rural Water Association of Utah (RWAU) to assist small public water systems. They anticipate assisting approximately 300 water systems with capacity development or technical assistance.
- ✓ The State Auditor, in compliance with the provisions of the Single Audit Act, audits the DWSRF accounts. DWSRF accounts are also subject to review and audit by USEPA, the Office of the Inspector General. DWSRF Funds are included in Utah's Comprehensive Annual Financial Report (CAFR), which uses the modified accrual basis of accounting. Because funds are combined, the DWSRF assets, liabilities, and net assets are not identifiable in Utah's CAFR.
- ✓ The State is required to submit an annual Intended Use Plan (IUP) to EPA as long as the Fund or set-aside accounts remain in operation. We plan to use a multi-year work plan this fall for the 2024 grants and amendments to 2022 & 2023 LSLR set-aside requests.
- ✓ DDW under the direction of the Board administers the loan and set-aside programs.
- ✓ The DWSRF program and procedures are expected to primarily continue as described in the Operating Agreement.

Emerging Contaminants (EC)

The BIL Emerging Contaminants (EC) Funding will help water systems in Utah proactively address emerging contaminants before they become regulated and increase future water system resilience. For this IUP and EC funding, emerging contaminants are defined as any contaminant that has appeared on an Environmental Protection Agency (EPA) Contaminant Candidate List

(CCL) and that is not yet regulated. This includes the following: per- and polyfluoroalkyl substances (PFAS), algal toxins, manganese, and unregulated disinfection by-products, among other chemicals. While these contaminants are not yet regulated, they may pose a health risk, and this funding will help protect public health by enabling systems to address these issues earlier than might otherwise be feasible.

Utah expects BIL allotments of \$7.5M or more per year in EC funding. All funds under this program will be provided as grants and/or forgivable loans in accordance with the BIL, and at least 25 percent of the funding is specifically reserved for disadvantaged communities or water systems serving fewer than 25,000 people. All projects funded will be directly related to addressing emerging contaminants as defined above. Managing this EC arena became more complex in SFY24 as PFAS regulations were introduced and initial BIL EC SDC (Small or Disadvantaged Communities) grant allotments were disbursed.

Utah has been conducting proactive PFAS monitoring in drinking water supplies and at points of entry into the distribution across the state since 2020. To this date, a small number of water systems have tested for PFAS at a concerning level. Thus, Utah expects to fund projects targeting PFAS. PFAS-related projects will be prioritized, given the prioritization of funding by the BIL EC and BIL EC SDC. Utah also expects to fund projects targeting manganese, algal toxins, and other emerging contaminants.

A-2 DWSRF Loan Program

The loan program funds low-cost loans and other types of financial assistance to publicly-owned and privately-owned community water systems and non-profit, non-community water systems to finance the costs of infrastructure projects. States are responsible for developing a priority system that identifies how projects will be ranked for funding and a list of projects, in priority order, that are eligible for funding. A description of the criteria and the method used for the distribution of loan funds is outlined in Utah Administrative Code R309-705. AWIA extended both the length of years eligible for water systems to repay the debt and the maximum time period allowed before requiring the first payment due on the outstanding principal balance.

Loans Program Eligibility Requirements

1. Repayment must begin no later than 18 months after project completion.
2. Loan repayment must be completed no later than 30 years after the completion of the project. A disadvantaged community loan may have up to 40 years if the period of the loan does not exceed the expected useful life of the project.
3. A minimum of 15% of all dollars credited to the loan fund must provide loans to small systems, those that serve fewer than 10,000 persons.
4. Funding can be used for principal forgiveness for communities meeting the State's "Disadvantaged" criteria. The Board has defined disadvantaged communities as those communities located in an area that has a median adjusted gross income that is less than or equal to 80% of the State's median adjusted gross income, as determined by the Utah State Tax Commission from federal individual income tax returns excluding zero exemption returns or where the established annual cost of drinking water service to the average residential user exceeds 1.75% of the median adjusted gross income.

5. The 2023 DWSRF capitalization grants may require a percentage of federal funds to be used for additional subsidization in the form of principal forgiveness, negative interest loans, or grants, or any combination of these. This will be defined in the programmatic conditions of the award and will be followed as defined.
6. FY23 grants are subject to American Iron and Steel (AIS) and Build America Buy America (BABA). The AIS and BABA provisions require iron and steel products, and all other materials permanently incorporated into drinking water infrastructure projects be produced in the United States. DDW intends to follow this requirement and has requested waivers for exceptions as necessary.
7. It is not anticipated that the 2023 capitalization grants will require “Green Infrastructure Projects.”
8. Construction bids are required to use Davis-Bacon Act wage rules.

Interest and Fees

1. Federal rules section 1452 allows the state to assess interest and/or fees. Fees are calculated and paid in the same manner as interest. Fees have fewer restrictions than interest. The Board has authorized by Rule the establishment of a fund (or account) into which the proceeds of annual fees are placed.
2. Interest payments are deposited to the same loan fund as principal payments and have the same restrictions.
3. Hardship fees are deposited to a separate fund authorized for providing grants to water systems through a state revolving fund (SRF) loan program.
4. Technical Assistance fees are to finance technical assistance for eligible water systems or other purposes as allowed by section 1452. This fee is part of the “effective rate” calculated using Table 2, R309-705-6. UAC R309-705-3 defines an SRF Technical Assistance Fund which means a fund (or account) that will be established for the express purpose of providing “Technical Assistance” to eligible drinking water systems. These fees are deposited into the hardship fee fund and are tracked separately. The Technical Assistance Fund will also provide low-interest loans for technical assistance, and any other eligible purpose as defined by Section 1452 of the SDWA Amendments of 1996, to water systems that are eligible for Federal SRF loans. Repayment of these loans may be waived in whole or in part (grant funds) by the Board whether or not the borrower is disadvantaged.
5. Origination Fee: The Utah State Legislature established an origination fee to be charged to new loans to fund the administration of the DWSRF program in accordance with UCA 73-10c-10. The set fee of 1% continues to be the rate charged by the Board. It is reviewed annually and may change based on the needs of the program. The origination fee amount is assessed to the loan recipient as a percentage of the principal balance of the loan. It is generally paid at closing as a one-time fee, but the loan recipient may choose to pay separately or with their first pay request from the loan proceeds. All proceeds are deposited into a separate fund. Since fees will be deposited into an account outside of the Fund, they will only be used for program administration or other purposes for which capitalization grants can be awarded under section 1452. Currently, these fees will not be used for any state match requirements. In addition, this fee will not be charged to any disadvantaged community which receives a loan subsidy provided from DWSRF funding.

State Fund Drinking Water Loan Program

The Division of Drinking Water also operates a State-funded Drinking Water Assistance Program also known as the Water Development Security Fund, as authorized in UCA 73-10c-5. The state program provides Utah the flexibility to put together loan packages without the restrictions that accompany the federal program. The DWSRF program requires a 20% state match which is generated from the state SRF loan program and is deposited to Fund 5210 for each grant year before drawing federal funds and within 90 days of grant award. The state Legislature appropriated over \$12M in FY24 to fund the 20% BIL state match requirements.

A-3 Set-Asides

In addition to loan assistance to eligible public water systems, the DWSRF program also emphasizes the prevention of drinking water contamination by allowing states to reserve a portion of their grant to fund activities that encourage enhanced water system management and source water protection. The funded activities are referred to as set-aside funds.

Set-aside activities or functions include:

1. The four percent set-aside provides an allotment to administer the DWSRF and provide technical assistance to public water systems. The calculation for the four percent administrative set-aside consists of choosing the greatest one of three options: 1) \$400,000; 2) 1/5 percent of the current valuation of the fund (must be an audited fund); or 3) an amount equal to four percent of all grant awards in the fund under this section for the fiscal year.
2. Up to two percent of the allotment to provide technical assistance to small public water systems.
3. Up to ten percent of the allotment for state program management activities, including administration of the state public water system supervision program, administration of the source water protection program, development and implementation of the capacity development and operator certification programs.
4. Up to 15 percent of the capitalization grants to assist in the development and implementation of local drinking water protection initiatives, including capacity development, wellhead protection and other state programs.

SECTION B - Intended Use Plan

B-1 Summary, Goals and Financial Status

This Intended Use Plan (IUP) explains how the State plans to use all funds available from the capitalization grants, including funds that will be allocated to the set-asides. Funds are received from the federal capitalization grants, the state match, loan repayments including interest and fee payments, and investment earnings.

The State is applying for the 2024 DWSRF Base, DWSRF Supplemental, and DWSRF Emerging Contaminants (EC) grants in the amounts of \$4,661,000, \$22,985,000, and \$7,640,000 respectively. For a summary, please see Table B-1; for more details, please see the Financial Status section starting on page 15.

TABLE B-1 DDW GRANT REQUESTS SUMMARY

| Table B-1 - Drinking Water Grant Year (GY) 2024 Summary | | | | |
|--|--------------------|---------------------------|---|----------------------|
| | Base Grant | Supplemental Grant | Emerging Contaminants (EC) Grant | Total |
| Federal Allocation | 4,661,000 | 22,985,000 | 7,640,000 | 35,286,000 |
| State Match percent | 20% | 20% | 0% | |
| State Match | 932,200 | 4,597,000 | - | 5,529,200 |
| Total Grant Funds | \$5,593,200 | \$ 27,582,000 | \$ 7,640,000 | \$ 40,815,200 |
| LOAN FUNDS | | | | |
| Federal Loan or Subsidy | 4,194,900 | 16,859,650 | 6,417,600 | 27,472,150 |
| State Match Loan | 932,200 | 4,597,000 | - | 5,529,200 |
| Total Loan Funds | \$5,127,100 | \$ 21,456,650 | \$ 6,797,600 | \$ 33,001,350 |
| SET-ASIDE REQUESTS | | | | |
| 4% Admin Total | \$ - | \$ 919,400 | \$ 305,600 | \$ 1,225,000 |
| 2% Small System TA Total | \$ - | \$ 459,700 | \$ 152,800 | \$ 612,500 |
| 10% State Program Total | \$ - | \$ 2,298,500 | \$ 382,000 | \$ 2,680,500 |
| 15% Local Assistance Total | \$ 466,100 | \$ 2,447,750 | \$ 382,000 | \$ 3,295,850 |
| Total Set-Asides | \$ 466,100 | \$ 6,125,350 | \$ 1,222,400 | \$ 7,813,850 |

This Intended Use Plan (IUP) is for the 2024 DWSRF appropriations except LSLR and includes:

1. Specifics on how the Board proposes to use the appropriations.
2. A description of the goals of the DWSRF program.
3. A list of projects eligible to receive DWSRF funding, which identifies those serving less than 10,000 people.
4. Cost estimates for listed projects.
5. An estimate of funds anticipated to be available for financial assistance.
6. Criteria for selecting projects to receive financial assistance.
7. Criteria for determining which communities qualify for hardship status.
8. The project scoring and ranking system.
9. A list of projects authorized for funding and those anticipated to close in FFY2025 and the 1st or 2nd quarter of FFY2026.

Short and Long-Term DWSRF & BIL Grant Goals

The DWSRF programs will help ensure Utah's drinking water supplies remain safe and affordable, and that drinking water systems are properly operated and maintained. The objectives of the DWSRF program include protecting public health, achieving compliance with SDWA, and assisting systems to provide affordable drinking water.

The EC program will help protect the public health of Utahns by addressing contaminants of concern proactively, prior to regulation. The objectives of the EC program include enabling water systems to address emerging contaminants, supporting planning for projects addressing emerging contaminants, and educating communities about emerging contaminants.

Short-Term Loan Program Goals - Base and Supplemental SRF

1. Seek the award of the FFY 2024 Capitalization Grant to secure federal funding for the DWSRF program and follow all the grant requirements.
2. DDW is actively engaging in portfolio and programmatic financing.
3. Continue to upgrade and improve our enterprise resource planning tool Water Link and migrate our document database program from D2 to Laserfiche.
4. Engage in a more aggressive marketing process to reach water systems in need of capital improvements that are willing and able to meet DWSRF requirements.
5. Work diligently with borrowers to secure authorization of funding from the Board and closing loans in a timely and efficient manner to DWSRF loan applicants.
6. Maintain a permanent and solvent source of funding to assist communities with financing water systems' capital improvements thereby assisting them to maintain compliance with USEPA standards and promote public health.
7. Develop better cross/legacy training to improve employee development and to help with employee transitions.
8. Improve DDW relationships with drinking water stakeholders and others.
9. Continue to refine our cross connection and operator certification programs to be self-sufficient and self-sustaining, therefore independent of DWSRF program funding.

Long-Term Goals and the Set-Aside Goals - Base and Supplemental SRF

1. Help public water suppliers achieve and maintain compliance with Federal and State drinking water standards.
2. Continue outreach activities to ensure systems understand DWSRF assistance options to help develop sound water systems, including managerial, technical, and financial aspects.
3. Continue to educate and support water suppliers with their cyber water protection (counter-terrorism) efforts.
4. Continue to expand and automate the Operator Certification program.
5. Continue to improve the onboarding process for new hires.
6. Continue to develop and grow the department by filling all vacant positions in the division.
7. Complete migration of our document database program tool from D2 to Laserfiche with internal & external training.
8. Continue identifying non-compliant water systems using the ETT (Enforcement Target Tool) to assist them in providing safe drinking water to the public.

Short-Term Emerging Contaminants Program Goals:

1. Seek the FFY 2024 award to secure federal funding for the EC program and follow all grant requirements.
2. Engage with water systems to raise awareness of both BIL EC grants and explain eligibility nuances.
3. Educate water systems on emerging contaminants, program requirements, and best practices.
4. Provide funding for water systems to address emerging contaminants.
5. Conduct exploratory monitoring to gather data needed to estimate the scope of emerging contaminant issues in the state and prioritize water systems' funding requests.

Long-Term Emerging Contaminants Program Goals:

1. Work with water systems to reduce the public's exposure to emerging contaminants via drinking water.
2. Develop and refine outreach and education materials explaining the health risks of emerging contaminants for both water systems and the public.

Transfer of Funds within DEQ between the DWSRF and CWSRF

The Drinking Water Board and Division of Drinking Water reserve authority to transfer funds from the Drinking Water SRF program to the Clean Water SRF (CWSRF) program. The amount reserved for future transfers is up to 33% of the DWSRF capitalization grant award. The table below indicates the reserved transfer amount by award year.

| Award Year | DWSRF Base Capitalization Grant | Reserved Transfer Amount |
|------------|---------------------------------|--------------------------|
| 2022 | \$7,280,000 | \$2,402,400 |
| 2023 | \$4,938,000 | \$1,629,540 |
| 2024 | \$4,661,000 | \$1,538,130 |
| | TOTAL | \$5,570,070 |

| Award Year | DWSRF Supplemental Capitalization Grant | Reserved Transfer Amount |
|------------|---|--------------------------|
| 2022 | \$17,992,000 | \$5,937,360 |
| 2023 | \$21,055,000 | \$6,948,150 |
| 2024 | \$22,985,000 | \$7,585,050 |
| | TOTAL | \$20,470,560 |

For SFY25, the projected amount of funds to be transferred is \$0, with no short- or long-term impacts on the fund. Justification for transfers to the Drinking Water SRF program, if any, including amount, type of funds, and fund impact, will be documented in a future IUP. Additionally, cross-collateralization is not anticipated to be used in the Drinking Water Program as the program does not leverage funding.

Portfolio Financing

The Division of Drinking Water SRF program is in its sixth year (started in SFY2020) using portfolio financing with its SRF loans. This process aids larger water systems with substantially large and multifaceted projects. This simplifies the process as these water systems can fund multiple projects with a single bond to build these projects over several years. With previous financing methods, a separate bond was required for each individual project.

Withholding of Funds

EPA has the authority to withhold funds under certain provisions, but the DWB/DDW has complied with the following:

1. The State has authority to ensure all new community water systems and new non-transient, non-community water systems commencing operation after October 1, 1999, demonstrate technical, managerial, and financial capacity with respect to each drinking water regulation in effect. Utah Code Annotated 19-4-104 empowers DDW with rule-making authority to meet the requirements of Federal law governing drinking water.

2. The State has developed and is implementing a strategy to assist public water systems in acquiring and maintaining technical, managerial, and financial capacity.
3. The State has adopted and is implementing a program for certifying operators of community and non-transient, non-community public water systems.

EPA has approved the State's capacity development and operator certification programs.

Public Review of the IUP

A draft IUP will be published on the Drinking Water website, www.drinkingwater.utah.gov in October 2024 along with a request for comments. Notice of the posting and request for public comment will be included in the DW Board's November 2024 meeting. The draft IUP will be available for download; the DEQ website will accept comments. Upon request, the IUP will be e-mailed to individuals and agencies for their review and comments in October & November 2024. Comments may be made in writing addressed to the Board at 195 North 1950 West, PO Box 144830, Salt Lake City, Utah 84114-4830 or in person at a regularly scheduled Board meeting. Comments received will be reviewed and incorporated as deemed necessary into the final IUP and the set-aside work plan (due to EPA 90 days from the grant award date).

Financial status

Initial capitalization for the Utah DWSRF program was provided from the 1997 Federal Capitalization Grant and state matching dollars. For 27 years, from 1997 through 2023, DWSRF Base & Supplemental capitalization grants totaled \$298,735,500. The total loan program portion was \$240,270,701 and \$58,704,155 was authorized for the set-aside programs. The State 20% match for the same period was \$50,999,400 and added to the loan program; it is funded by sales tax revenue and the Drinking Water State loan program. Through June 30, 2024, the Board has authorized and closed 202 federal projects totaling approximately \$424,000,000.

DDW is applying for Base SRF Grant of \$4,661,000 using the 1% allocation (less Congressionally directed spending) and based on the appropriations adopted by Congress for fiscal year 2024. It is anticipated \$3,961,850 will be provided to the loan fund and \$699,150 to set asides. The state 20% match of \$932,200 will be transferred to the loan fund within 90 days of the award date. Table 2 identifies the maximum set-asides that could be requested if every possible set-aside percentage and all reserves were requested to be awarded in the 2024 capitalization grant. Though this scenario is very unlikely, it identifies all available resources except unquantified carryover. See Table B-1 or Tables 8 for our actual requests.

DDW is applying for the Supplemental SRF Grant of \$22,985,000. It is anticipated that \$15,859,650 will be provided to the loan fund and \$7,125,350 to set-aside funds. The state 20% match of \$4,597,000 will be transferred to the loan fund within 90 days of the award date. DDW is applying for the Emerging Contaminants Grant of \$7,640,000. It is anticipated that \$6,417,600 will be provided to the grant fund and \$1,222,400 to set asides. There is no state match required for this grant.

TABLE 2 - MAXIMUM AVAILABLE SET-ASIDES

| TABLE 2 - SRF BASE | | | | |
|---|--------------|------------------------|----------------------------------|------------------|
| MAXIMUM AVAILABLE SET-ASIDE AWARDS W/STATE MATCH | | | | |
| IF ALL BASE RESERVES WERE USED WITH THIS GRANT | | | | |
| ACTIVITY | PROG ELEM | BEG RESERVE BALANCE | 2024 max with 20% State Match | |
| Loan Fund | 23DA | | 850,473 | 932,200 |
| Combined Loan w/state match | | - | | 1,782,673 |
| 4% Administrative Set-Aside | 23DD | | 186,440 | 4% |
| 4% Reserve Amount | | 876,026 | | |
| Maximum 4% w/max reserves | | 876,026 | 186,440 | 1,062,466 |
| 2% Small Sys Tech Asst Max | 23DE | | 93,220 | 2% |
| 2% Reserve Amount | | 443,903 | | |
| | | 443,903 | 93,220 | 537,123 |
| 10% Reserve Amount | 23DF | 1,045,688 | | |
| PWS Supervision full 10% | | | 466,100 | 10% |
| Capacity Development Oversight | | | | |
| Source Water Protection | | | | |
| Operator Certification | | | | |
| TOTAL State Program Set-Aside | | 1,045,688 | 466,100 | 1,511,788 |
| 15% Local Assistance Set-Aside Max | 23DG | no reserve | 699,150 | 15% |
| TOTAL Local Assistance Set-Aside | | - | 699,150 | 699,150 |
| (No more than 10% in one category) | | | | |
| TOTALS | | | | |
| TOTAL LOANS W/STATE MATCH | | | 850,473 | 932,200 |
| TOTAL SET-ASIDES AVAILABLE | | 2,365,617 | 1,444,910 | 3,810,527 |
| TOTAL CAPITALIZATION GRANT | | 2,365,617 | 2,295,383 | 5,593,200 |

| TABLE 2a - SRF Supplemental | | | | |
|--|------------------------|------------------------|----------------------------------|-------------------|
| Set-Aside Supplemental SRF Reserves after Grant Year 2023 | | | | |
| IF ALL SUPP RESERVES WERE USED WITH THIS GRANT | | | | |
| ACTIVITY | BEG RESERVE BALANCE | BEG RESERVE BALANCE | 2024 max with 20% State Match | |
| Loan Fund | | | 11,153,130 | 4,597,000 |
| Combined Loan w/state match | | - | | 15,750,130 |
| 4% Administrative Set-Aside | 23DD | | 919,400 | 4% |
| 4% Reserve Amount | | 1,002,880 | | |
| Maximum 4% w/max reserves | | 1,002,880 | 919,400 | 1,922,280 |
| 2% Small Sys Tech Asst Max | 23DE | | 459,700 | 2% |
| 2% Reserve Amount | | 670,940 | | |
| | | 670,940 | 459,700 | 1,130,640 |
| 10% Reserve Amount | 23DF | 3,032,700 | | |
| PWS Supervision full 10% | | | 2,298,500 | 10% |
| Capacity Development Oversight | | | | |
| Source Water Protection | | | | |
| Operator Certification | | | | |
| TOTAL State Program Set-Aside | | 3,032,700 | 2,298,500 | 5,331,200 |
| 15% Local Assistance Set-Aside Max | 23DG | no reserve | 3,447,750 | 15% |
| TOTAL Local Assistance Set-Aside | | - | 3,447,750 | 3,447,750 |
| (No more than 10% in one category) | | | | |
| TOTALS | | | | |
| TOTAL LOANS W/STATE MATCH | | | 11,153,130 | 4,597,000 |
| TOTAL SET-ASIDES AVAILABLE | | 4,706,520 | 7,125,350 | 11,831,870 |
| TOTAL CAPITALIZATION GRANT | | 4,706,520 | 18,278,480 | 27,582,000 |

| TABLE 2c - SRF Emerging Contaminants | | | | |
|--|--------------|------------------------|---------------------------------|------------------|
| MAXIMUM AVAILABLE SET-ASIDE AWARDS W/STATE MATCH | | | | |
| IF ALL EC RESERVES WERE USED WITH THIS GRANT | | | | |
| ACTIVITY | PROG ELEM | BEG RESERVE BALANCE | 2024 max with 0% State Match | |
| Loan Fund | 23DA | | 3,547,800 | 0 |
| Combined Loan w/state match | | - | | 3,547,800 |
| 4% Administrative Set-Aside | 23DD | | 305,600 | 4% |
| 4% Reserve Amount | | 242,200 | | |
| Maximum 4% w/max reserves | | 242,200 | 305,600 | 547,800 |
| 2% Small Sys Tech Asst Max | 23DE | | 152,800 | 2% |
| 2% Reserve Amount | | 263,600 | | |
| | | 263,600 | 152,800 | 416,400 |
| 10% Reserve Amount | 23DF | 1,218,000 | | |
| PWS Supervision full 10% | | | 764,000 | 10% |
| Capacity Development Oversight | | | | |
| Source Water Protection | | | | |
| Operator Certification | | | | |
| TOTAL State Program Set-Aside | | 1,218,000 | 764,000 | 1,982,000 |
| 15% Local Assistance Set-Aside Max | 23DG | no reserve | 1,146,000 | 15% |
| TOTAL Local Assistance Set-Aside (No more than 10% in one category) | | - | 1,146,000 | 1,146,000 |
| TOTALS | | | | |
| TOTAL LOANS W/STATE MATCH | | | 3,547,800 | 0 |
| TOTAL SET-ASIDES AVAILABLE | | 1,723,800 | 2,368,400 | 4,092,200 |
| TOTAL CAPITALIZATION GRANT | | 1,723,800 | 5,916,200 | 7,640,000 |

Sources & Uses Summary

We separated the SRF Base & Supplemental grants from the EC & LSLR grants for Table 3 in this IUP. This makes it much easier to see the supply and demand by grant type. Please note Tables 5 & 5c for potential projects, some of which are not yet submitted.

TABLE 3 - SOURCES AND USES

| SOURCES AND USES - SRF Base & Supplemental Grants TABLE 3 | | | | |
|--|---------------------------------------|---|---------------------|---------------------------------------|
| | Cumulative Total thru 6/30/2023 | | 7/1/23 - 6/30/24 | Cumulative Total thru 6/30/2024 |
| SOURCES: | | | | |
| Federal Capitalization Grants | 272,742,500 | a | 25,993,000 | 298,735,500 |
| State Match | | | | |
| 20% Capitalization Grant Match (10% for Supp in GYs 22-23) | 48,854,300 | b | 3,093,100 | c 51,947,400 |
| 10% Set-Aside 1:1 Match | 18,041,630 | | - | d 18,041,630 |
| Principal Repayments on Assistance Provided | 138,924,047 | | 12,458,370 | e 151,382,416 |
| Interest Payments | 21,198,449 | | 874,980 | 22,073,429 |
| Interest Earnings | 11,274,023 | | 3,682,419 | 14,956,442 |
| Funds from Leveraging | - | | - | f - |
| Fees Deposited into the DWSRF | - | | - | - |
| Funds Transferred from (to) CWSRF | - | | - | - |
| Sources Total | 511,034,949 | | 46,101,868 | 557,136,817 |
| USES: | | | | |
| Loan/Grant Agreements Entered: | | | | |
| Large Systems (>10,000 population) | 140,975,415 | | (1,219,384) | 139,756,031 |
| Small Systems (≤10,000 population) | 242,864,022 | | 41,698,686 | 284,562,708 |
| Set-Asides: | - | | | - |
| 4% Administration | 10,021,635 | | 522,520 | 10,544,155 |
| 2% Small System Technical Assistance | 4,608,010 | | 153,760 | 4,761,770 |
| 10% State Program Management- 1:1 match | 18,041,630 | | - | 18,041,630 |
| PWSS Program Augmentation | 20,945,952 | | 798,800 | 21,744,752 |
| Source Water Administration | 1,854,024 | | 190,000 | 2,044,024 |
| Operator Certification | 1,053,210 | | - | 1,053,210 |
| Capacity Development Program Oversight | 466,874 | | | 466,874 |
| PD Database | 620,000 | | - | 620,000 |
| State Program Management Total | 24,940,060 | | 988,800 | 25,928,860 |
| 15% Local Assistance/Other State Programs | - | | | - |
| Local Assistance & Capacity Development Outreach | 12,861,333 | | | 12,861,333 |
| Capacity Development Project | 997,537 | | 1,443,800 | 2,441,337 |
| Source Water Assessments | 352,978 | | - | 352,978 |
| Wellhead and GIS tracking | 1,648,722 | | 165,000 | 1,813,722 |
| LA/Other State Program Subtotal | 15,860,570 | | 1,608,800 | 17,469,370 |
| Uses Total | 498,111,971 | | 43,753,182 | 501,064,524 |

Notes:

- Total federal appropriation through FFY 2022 Capitalization Grant. DDW uses a FIFO methodology for Unliquidated Obligations which can be found in Table 7 "2022 and 2023 Cash Flows and Cash Draw Proportionality" on page 28. (Grants for 2023 were not awarded until October 2023.)
- 20% State Match came from Water Development State Revolving Fund thru FY 2022.
- 10% and 20% State match for 2023 Capitalization Grants were deposited to Fund 5210 before drawing first round federal funds and within 90 days of award date.
- Any award entered after December 16, 2016, no longer requires the 1:1 State Match in accordance with the 2017 WIIN Act.
- 2024 repayments, interest and investment earnings are actuals.
- DDW does not leverage any of their SRF funds

| SOURCES AND USES - Emerging Contaminants Grants TABLE 3c | | | | |
|--|---------------------------------------|---|---------------------|---------------------------------------|
| | Cumulative Total thru 6/30/2023 | | 7/1/23 - 6/30/24 | Cumulative Total thru 6/30/2024 |
| SOURCES: | | | | |
| Federal Grants | 7,555,000 | a | 7,640,000 | 15,195,000 |
| Sources Total | 7,555,000 | | 7,640,000 | 15,195,000 |
| USES: | | | | |
| Loan/Grant Agreements Entered: | | | | |
| Large Systems (>10,000 population) | - | | - | - |
| Small Systems (≤10,000 population) | - | b | - | - |
| Set-Asides: | | | | |
| 4% Administration | 215,600 | | 150,000 | 365,600 |
| 2% Small System Technical Assistance | 40,300 | | | 40,300 |
| 10% State Program Management | | | | - |
| PWSS Program Augmentation | 201,500 | | | 201,500 |
| Source Water Administration | | | 100,000 | 100,000 |
| Operator Certification | | | | - |
| Capacity Development Program Oversight | | | | - |
| PD Database | | | | - |
| State Program Management Total | | | | 301,500 |
| 15% Local Assistance/Other State Programs | | | | - |
| Local Assistance & Capacity Development Outreach | 300,000 | | | 300,000 |
| Capacity Development Project | | | | - |
| Source Water Assessments | | | | - |
| Wellhead and GIS tracking | | | | - |
| LA/Other State Program Subtotal | | | | 300,000 |
| Uses Total | 757,400 | | 250,000 | 1,007,400 |

Notes:

- Total federal appropriation through FFY 2022 Capitalization Grant. DDW uses a FIFO methodology for Unliquidated Obligations which can be found in Table 7 "2022 and 2023 Cash Flows and Cash Draw Proportionality" on page 28. (Grants for 2023 were not awarded until October 2023.)
- First EC project (Green Hills \$.5M) closed on 9/10/2024.

B-2 Loan Program

Utah Administrative Code (UAC) R309-705 establishes criteria for financial assistance to public drinking water systems in accordance with the Federal SDWA. It was recently updated; the current version (effective 22 May 2023) of UAC R309-705 can be found at <https://adminrules.utah.gov/public/search/drinking%20water/current%20rules>. The 2024 DWSRF capitalization grant—along with carry forward funds from previous grant awards, repayments, interest and fee payments, and investment earnings—will provide the funds the Division needs to help public water systems finance needed drinking water projects.

Description of Criteria and Method Used for Distribution of Loan Funds

The complete description of the criteria and methods used for distribution of funds is outlined in Utah Administrative Code (UAC) R309-705-6. As described in R309-705-6, the priority system assigns points to systems showing a deficiency in source, storage, treatment, and/or the

distribution system. Points are assigned based on the relative risk of each deficiency and are divided as applicable between health risk and compliance with SDWA. The applicant's priority points are modified by a financial factor, known as the Rate Factor, and the AGI Factor. Their calculation is shown below:

Priority rating = (Average number of points received) X (Rate Factor) X (AGI Factor)

Where: Rate Factor = (Average System Water Bill / Average State Water Bill)

AGI Factor = (State Median AGI / System Median AGI)

The priority points for demonstrated deficiencies are multiplied by the Rate Factor and AGI Factor to arrive at a final priority rating. This method addresses financial hardships present in less affluent communities and in those already experiencing higher water rates.

Upon arriving at a final priority rating for each applicant, each application is rated and added to the priority list. The Board may, at its option, modify a project's priority rating based on the conditions described in R309-705. The Board sets the effective interest, hardship fee and/or technical assistance fee rate and decides the amounts allowed for principal forgiveness or grants. The most current Revenue Bond Buyer Index (RBBI) is used as the base rate. Table 2 in UAC R309-705-6 is used to determine the reduction of the interest rate (or other rate) which potentially may be reduced to zero percent.

Project Priority List (PPL)

DDW operates with a continuous project priority list. When applications are received throughout the year, they are reviewed to ensure compliance with federal and state drinking water regulations and scored based on the rating factors indicated in the previous paragraph.

Applications meeting requirements are prepared for presentation to the Board for authorization. (The Board is required by Utah law to meet at least quarterly.) Since the applications are submitted throughout the year and may be scored and closed quickly, on occasion a water system project may not have been included in any intended use plan. However, the continually updated PPL is posted on the division website and additions or changes are approved by the Board (see Table 4).

The PPL will be used for 2024 DWSRF capitalization grants and any other funds used for SRF projects. Projects authorized by the Board that have not been closed are entered in the section titled "Authorized Funding." Staff is working with these systems to meet EPA requirements to close the loans; see Table 5 for lists of authorized projects not closed (funded) by June 30, 2024.

Green Infrastructure or Green Project Reserve

Since 2012, DWSRF capitalization grants do **not** require projects to meet a minimum percentage to be used for water efficiency, energy efficiency, green infrastructure, or other environmentally innovative activities. Though recently proposed and currently authorized projects do not reflect a Green % in the current PPL, DDW is always pursuing green projects including technological innovations to enhance green development.

TABLE 4 - FEDERAL SRF AND LSLR PROJECT PRIORITY LIST

| Utah Federal SRF Program - Table 4 | | | | | | | | | | | | | |
|------------------------------------|---|---------------|---------|--|---------------|----------------|---------------------|-----------------------|------------------|--------|-------|-------|------|
| Priority Points | Project Priority List | | | | | | | | | | | | |
| | June 25, 2024 | | | | | | | | | | | | |
| | Total Unmet Needs: | \$955,385,344 | | Total Needs, incl. Recent funding | \$879,735,982 | | BL funds authorized | Principal Forgiveness | Funds Authorized | Source | Treat | Start | Dist |
| | System Name | County | Pop. | Project Title | Project Total | SRF Assistance | | | | | | | |
| N | 14.00 Elberta Water Company | Utah | 211 | Drilling New Well | \$825,070 | \$825,070 | | | | | | | |
| N | 1.80 Mutton Hollow | Davis | 560 | Pipeline replacements and upgrades | \$1,477,800 | \$1,300,000 | | | | | | | |
| A | 99.3 M&J Trailer Home | Box Elder | 27 | New well, tank, dist line, arsenic trmt | \$1,660,000 | \$1,540,000 | | | \$1,540,000 | 85 | 65 | 20 | 40 |
| A | 77.1 Brian Head Town | Iron | | New Well drilling and equipping, replace main l | \$6,427,292 | \$5,141,834 | | | \$5,483,748 | | | | |
| A | 65.8 Brian Head Town | Iron | 165 | Install new transmission line/line hydrants along | \$857,986 | \$507,870 | | | \$507,870 | | | | 20 |
| A | 64.4 Johnson W/D | Utah | 1,880 | upgrading 24,000 ft undersized waterlines | \$2,452,000 | \$2,352,000 | | \$ 2,352,000 | \$2,352,000 | | | | 40 |
| A | 63.6 Roosevelt City | Duchesne | 6,800 | pipeline replacement, lining of DI pipe, new pipe | \$2,951,400 | \$2,841,400 | | | \$2,841,400 | | | 25 | 35 |
| A | 55.9 Ballard Water ID | Utah | 1,367 | 800,000 gal tank, well, 3.5 miles of 12" trans lir | \$7,287,000 | \$7,100,000 | | \$ 3,500,000 | \$7,100,000 | 20 | | 15 | 30 |
| A | 53.5 Virgin Town | Washington | | New 500,000 gal water tank and waterline | \$2,248,000 | \$1,848,000 | | | \$1,848,000 | | | | |
| A | 48.9 Roosevelt City | Duchesne | 8,461 | 12000 ft of 12" transmission line, 2 PRV station | \$2,418,600 | \$2,300,000 | | | \$2,300,000 | | | | |
| A | 48.5 Pinion Forest SSD | Duchesne | 640 | Water treatment improvements: chlorination a | \$300,000 | \$300,000 | | | \$299,000 | 50 | | | |
| A | 47.2 Pine Valley Mountain Farms | Washington | 144 | Tank rebuildment, trans line replacement, sola | \$418,485 | \$348,500 | | | \$630,015 | | | 25 | 30 |
| A | 43.9 Wilson Arch | San Juan | 27 | New water lines, water meters, booster pump, | \$1,138,000 | \$1,138,000 | | \$ 559,000 | \$1,138,000 | | | | 20 |
| A | 40.7 Granger/Hunter ID - Emerging C Salt Lake | | 132,887 | WTP to treat manganese on Wells 16& 18 | \$11,457,840 | \$2,500,000 | | | \$13,957,840 | | | | |
| A | 39.2 Ogden City | Davis | 88,221 | Replace the transmission line that runs down C | \$87,000,000 | \$34,370,000 | | \$ 3,500,000 | \$34,370,000 | | | | |
| A | 36.3 Cornish Town | Cache | 270 | well house, RO/Chlorine Treatment, Booster, 2 | \$1,704,922 | \$1,504,922 | | | \$1,504,922 | 10 | 25 | 25 | |
| A | 31.4 Stockton Town | Tooele | | New Well | \$3,000,000 | \$3,000,000 | | | \$3,000,000 | | | | |

| PP | System Name | County | Pop. | Project Title | Project Total | SFF Assistance | BL funds authorized | Principal Forgiveness | Funds Authorized Source | Treat. Shd. | Dist. |
|-----|-----------------------------------|------------|----------------------|---|---------------|----------------|---------------------|-----------------------|-------------------------|-------------|-------|
| A | 29 Hanna Water and Sewer District | Duchesne | 742 | 200,000 gallon tank, booster pump station, dist | \$3,483,838 | \$3,483,838 | | | \$3,483,838 | | 20 |
| A | 28.1 Upper Whittemore | Utah | 128 | chlorinator | \$500,000 | \$500,000 | | \$ 250,000 | \$500,000 | 10 | 25 |
| A | 28 Payson City | Utah | 22,725 | Connect Church to City water system | \$346,430.00 | \$346,430 | | | \$346,430 | | |
| A | 28 Leeds Domestic Water | Washington | 797 | New well, chlorinator, main line and dist line re | \$7,524,500 | \$7,519,500 | | | \$7,792,500 | 20 | 5 |
| A | 27.4 Wallsburg Town | Wasatch | 300 | 500,000 gallon tank, new pipeline, PRV | \$6,933,000 | \$6,933,000 | | | | | 50 |
| A | 27.2 Green Hills Estates WSID | Weber | | New pump house | \$2,085,287 | \$1,921,076 | | | \$2,047,000 | | |
| A | 26.7 North Emery SSD | Emery | 1,500 | new 250,000-gallon tank, replace PRV vaults, r | \$2,550,000 | \$2,050,000 | | \$ 1,538,000 | \$2,050,000 | | |
| A | 23.7 Foothill WAU | Iron | 30 | 250,000 tank, meters, hydrants; wellhouse, well | \$603,030 | \$603,030 | | | | | |
| A | 21.7 Wellsville City | Cache | | | \$3,589,652 | \$3,200,000 | | | \$3,200,000 | | |
| A | 20.3 Salt Lake City DPU | Salt Lake | 364,982 | Planning & Construction for LSL Inventory & Re | \$39,525,000 | \$39,525,000 | \$39,525,000 | \$ 19,350,000 | | | |
| A | 16.5 Paragonah | Iron | | Waterlines, new well, 250,000 gallon tank | \$7,452,000 | \$7,300,000 | | | \$7,300,000 | | |
| A | 15.3 Fremont Waterworks Company | Wayne | 320 | 3100 ft. line: new master meters, 6 hydrants, re | \$1,429,250 | \$1,425,000 | | | | | |
| A | 13.8 Orderville Town | Kane | 645 | Replace aging pipeline, new pipeline | \$490,000 | \$479,700 | | | \$479,700 | | |
| A | 13.5 Desert Sage AWWID | Utah | 55 | Watermain replacement, hydrants, meters, ser | \$598,460 | \$578,460 | | | \$578,000 | | |
| A | 11.5 Bristlecone | Gaffield | 180 | SCADA, drainage and overflow relocation | \$93,500 | \$93,500 | | | \$93,500 | 8 | 15 |
| A | 10.4 Myton Town | Duchesne | 590 | New waterline and connections, hydrants. | \$650,000 | \$650,000 | | | \$650,000 | | |
| A | 10.4 Panguitch | Gaffield | 1,730 | 9000 lf 10-in mainline, valves, hydrants, connec | \$1,629,000 | \$1,609,000 | | | \$1,609,000 | | 10 |
| A | 9.8 Holden Town | Millard | 450 | New well, tank, dist lines, meters, chlorination | \$8,841,000 | \$8,691,000 | | | \$8,691,000 | 20 | 5 |
| A | 9.5 Wanship | Summit | 204 | Construct new storage tank, replace spring pip | \$3,806,690 | \$3,806,690 | | | \$3,806,690 | | |
| A | 8.5 Hidden Lake Association | Summit | 364 | New well, distribution line, 50,800 gal concrete | \$3,838,040 | \$3,838,040 | | | | | |
| A | 7.5 Enoch City | Iron | 6,500 | New 2M Gallon steel tank | \$1,639,440 | \$645,000 | | | \$645,000 | | |
| N | 3.2 Summit County Service Area # | Summit | 600 | Drill new well, new well house, make system-w | \$3,569,003 | \$3,469,003 | | | | | |
| A | 0 Henefer (Secondary Irrigation) | Summit | 1,025 | Secondary irrigation | \$2,100,000 | \$2,100,000 | | | \$2,100,000 | | |
| N = | New Application | E= | Energy Efficiency | | | | | | | | |
| A = | Authorized | W= | Water Efficiency | | | | | | | | |
| P = | Potential Project-no | G= | Green Infrastructure | | | | | | | | |

TABLE 5 - AUTHORIZED FUNDING

| TABLE 5 - AUTHORIZED SRF PROJECTS as of 6/30/2024 | | | | | | |
|--|--------------|---------------|--------------------|--------------------|--------------------|----------------|
| Community | PWS # | Loan # | Loan Amt | Forgiveness | Total | Disadv. |
| Cornish Town | 03005 | 3F1812 | \$ 754,000 | \$ 750,922 | \$ 1,504,922 | X |
| Skyline Mountain SSD | 20043 | 3F1831 | \$ 3,123,000 | \$ - | \$ 3,123,000 | X |
| Roosevelt City | 07004 | 3F1854 | \$ - | \$ 2,841,400 | \$ 2,841,400 | X |
| Henefer Town | 22005 | 3F1843 | \$ 3,200,000 | \$ - | \$ 3,200,000 | |
| Johnson WID - pws | 07006 | 3F1862 | \$ - | \$ 2,352,000 | \$ 2,352,000 | X |
| Holden Town | 14013 | 3F1847 | \$ 5,191,000 | \$ 3,100,000 | \$ 8,291,000 | X |
| San Juan County - NTUA Westwater #2 | 19000 | 3F1821P | \$ - | \$ 457,000 | \$ 457,000 | X |
| San Juan County La Sal | 19000 | 3F1871P | \$ - | \$ 60,000 | \$ 60,000 | X |
| Brian Head Town | 11001 | 3F1861A | \$ 632,000 | \$ 271,934 | \$ 903,934 | X |
| Brian Head Town | 11001 | 3F1910 | \$ 3,838,000 | \$ 1,645,748 | \$ 5,483,748 | X |
| Hanna Water & Sewer ID | 07062 | 3F1883 | \$ 860,000 | \$ 2,623,838 | \$ 3,483,838 | X |
| Ballard WID | 24001 | 3F1896 | \$ 3,600,000 | \$ 3,500,000 | \$ 7,100,000 | X |
| Timber Lakes Water SSD | 26057 | 3F1877 | \$ 3,263,000 | \$ - | \$ 3,263,000 | X |
| Upper Whittemore Water Co | 25136 | 3F1900 | \$ 250,000 | \$ 250,000 | \$ 500,000 | X |
| South Duchesne Culinary Water | 07067 | 3F1879A | | | \$ - | X |
| Ogden City | 29011 | 3F1908 | \$ 34,370,000 | \$ - | \$ 34,370,000 | |
| Virgin Town | 27020 | 3F1909 | \$ 2,140,000 | \$ 930,489 | \$ 3,070,489 | X |
| Paragonah Town | 11014 | 3F1913 | \$ 5,110,000 | \$ 2,190,000 | \$ 7,300,000 | X |
| Green River (for p/f see Emerg Contam) | 08005 | 3F1925E | \$ 2,045,000 | \$ - | \$ 2,045,000 | |
| Stockton Town (Add'l \$ & Design Adv.) | 23010 | 3F1928 | \$ 2,240,000 | \$ 960,000 | \$ 3,200,000 | X |
| Green Hills Estates WSID | 29053 | 3F1930E | \$ 1,179,000 | \$ 351,000 | \$ 1,530,000 | X |
| Payson City - Christian Life Assembly | 25021 | 3F2003 | \$ - | \$ 343,000 | \$ 343,000 | X |
| Fremont Waterworks Company | 28002 | 3F2016 | \$ 997,000 | \$ 428,000 | \$ 1,425,000 | X |
| Foothill Water Users Assoc - | 11099 | 3F2006 | \$ 554,000 | \$ 237,554 | \$ 791,554 | X |
| Holiday Hills HOA | 25154 | 3F2025 | \$ 599,000 | \$ 256,830 | \$ 855,830 | X |
| Big Plains Water SSD | 27069 | 3F2032 | \$ - | \$ 3,370,000 | \$ 3,370,000 | X |
| Salt Lake City DPU (SRF of LSLR project) | 18026 | 3F2028 | \$ 20,175,000 | | \$ 20,175,000 | |
| Summit Service Area #3 | 22105 | 3F2075 | \$ 3,302,414 | \$ - | \$ 3,302,414 | X |
| Summit County Service Area #3 (Add \$) | 22105 | 3F2075 | \$ 1,388,000 | \$ 2,081,000 | \$ 3,469,000 | X |
| Wanship Mutual Water Co. | 22017 | 3F2108 | \$ 2,664,000 | \$ 1,142,690 | \$ 3,806,690 | X |
| | | | | | | |
| Emerg Contam Funds/Projects | | Loan # | Loan Amt | Forgiveness | Total | |
| Green River | 08005 | 3F1925E | | \$ 3,530,000 | \$ 3,530,000 | |
| Green Hills Estates WSID | 29053 | 3F1930E | | \$ 500,000 | \$ 500,000 | |
| Granger Hunter ID | 18007 | 3F2017 | | \$ 2,500,000 | \$ 2,500,000 | |
| | | | | | | |
| TABLE 5b - PROPOSED AND POTENTIAL PROJECTS | | | | | | |
| Community | | Loan # | Loan Amt | Forgiveness | Total | Disadv. |
| Provo Water Users (Design only) | | 3F2175 | \$ 11,000,000 | | \$ 11,000,000 | |
| Tables 5 Grand | | Totals | 112,474,414 | 36,673,405 | 149,147,819 | |

Table 5c - Emerging Contaminants Proposed Project List To-Date

| Water System | PWS Number | Emerging Contaminant(s) | Estimated Cost | Project Description |
|-----------------------------|------------|-------------------------|----------------|---|
| Salt Lake City | 18026 | PFAS | \$800,000 | Feasibility study comparing PFAS treatment alternatives for one well |
| Cottonwood Mutual | 15013 | Manganese | \$593,540 | Manganese remediation for one well using green sand filtration |
| South Salt Lake | 18032 | Manganese | \$2,200,000 | Manganese remediation |
| Price Municipal Corporation | 04007 | Cyanotoxins | \$2,000,000 | New treatment plant design for ozone/GAC to address algal toxins |
| Mountain Regional | 22137 | Manganese & Cyanotoxins | \$28,181,000 | Treatment plant expansion to address manganese and HABs (Harmful Algal) |

Emergency & Project Readiness Considerations

In 2023, the Board increased the funding limit for emergency and planning projects that do not require Board review from \$40,000 to \$100,000. This change allows the Executive Secretary and Assistant Executive Secretary to approve funding requests more quickly for Lead Service Line (LSL) inventories, Emerging Contaminants (EC) projects, and emergencies. The Division has established an application process for LSL and EC projects. The criteria for emergency requests include any one-time, unexpected, or unanticipated disruption in the ability to provide safe and reliable drinking water, whether caused by natural disasters, supply shortages, or infrastructure failures. Funding sources for emergencies include all available federal SRF grants plus state SRF revolving funds. Any funding authorized by the Division for such projects will be listed in the packet for each Board meeting.

Some recent examples of these types of projects are three ARPA projects that were approved by the DWB Executive Secretary (or Assistant ES) at \$40,000 for emergencies at Echo, Escalante, and Thompson in 2022. In 2023 & 2024, nearly a hundred planning projects of \$100,000 or less (mostly LSLR inventories) were approved by the DWB Assistant ES. In FY 2025 the Board may consider adopting a new project readiness criterion such as “Will the project be ready to begin construction within a year from the date authorized?” If not, the Board may elect to defer authorization until a later date.

Delayed Authorized Projects

Table 6 identifies and explains water system projects that were scored and included in previously submitted project priority lists or were included in the 2023 Intended Use Plan. Some projects have been substantially delayed while others have been withdrawn. For others, the funding profile has changed, and the project will not use federal DWSRF funds for a variety of reasons.

TABLE 6 - WATER SYSTEM PROJECT DELAYS

| TABLE 6 - DELAYED PROJECTS as of June 30, 2024 | | | |
|--|---------|-------------------|---|
| Community | Loan # | Amt of Assistance | Reason not funded |
| Cornish Town | 3F1812 | \$ 1,504,922 | Nitrates: water sources blending plan issues; closed Aug'24 |
| San Juan County - NTUA Westwater #2 | 3F1821P | \$ 457,000 | On hold; transfer authorized \$ to other Westwater project |
| Bristlecone | 3F1822 | \$ 93,500 | moved to state program |
| Skyline Mountain SSD | 3F1831 | \$ 3,123,000 | Legal issues; closed August 2024 |
| Henefer Town | 3F1843 | \$ 3,200,000 | Change in scope |
| Holden Town | 3F1847 | \$ 8,291,000 | Extension |
| Roosevelt City | 3F1854 | \$ 2,841,400 | Environmental issues (orchid & fish species) |
| Brian Head Town | 3F1861A | \$ 903,934 | ARPA agreement was executed in July 2024 |
| Brian Head Town | 3F1910 | \$ 5,483,748 | Principal forgiveness agreement was executed in July 2025 |
| Johnson WID | 3F1862 | \$ 2,352,000 | Extension |
| San Juan County La Sal | 3F1871P | \$ 60,000 | Feasibility study nearly complete |
| Timber Lakes Water SSD | 3F1877 | \$ 3,263,000 | Change in scope |
| Hanna Water & Sewer ID | 3F1883 | \$ 3,483,838 | Extension |
| Ballard WID | 3F1896 | \$ 7,100,000 | Extension |
| Upper Whittemore Water Co | 3F1900 | \$ 500,000 | Water rights issues |
| Ogden City | 3F1908 | \$ 34,370,000 | Coordinating many sources of funding; closing Oct 2024 ? |
| Virgin Town | 3F1909 | \$ 3,070,489 | |
| Paragonah Town | 3F1913 | \$ 7,300,000 | Easement issues with BLM |
| Green River (see Emerging Contam. tab | 3F1925E | \$ 2,045,000 | Dual combo funding; Environmental issues |
| Stockton Town (Add'l \$\$ & Design Adva | 3F1928 | \$ 3,200,000 | Deauthorized portion; moved to state program |
| Green Hills Estates WSID | 3F1930E | \$ 1,530,000 | Triple combo funds; Environmental issues; closed 9/10/24 |
| Payson City - Christian Life Assembly | 3F2003 | \$ 343,000 | First PR was submitted in June, but got lost in email. |
| | | \$ 94,515,831 | |

Current DWSRF Program status and shovel-ready projects

DDW staff routinely promotes the program and encourages water systems to apply for financial assistance at conferences, in presentations and training sessions, through letters written to both water system administrative contacts and consulting engineers, and through personal visits by DDW's Executive Director to individual towns around the state. Although DDW is aware of the need for drinking water system infrastructure improvement projects at systems throughout the state, until ARPA & BIL these efforts had produced limited results. DDW will continue to explore ways to better market the DWSRF loan program with drinking water systems. Many water systems in Utah qualify for and require substantial principal forgiveness, which until BIL was very limited in the Utah DWSRF Program. Increased principal forgiveness limits have encouraged decision-makers to improve their system infrastructure and maintain or achieve compliance with regulations.

Table 7 identifies equivalency projects from the authorized table projecting a federal draw forecast to provide federal cash flow in FFY 2025. Most projects listed are either in progress or are "shovel ready" and should be closed in the summer of 2024 or the first half of calendar 2025.

TABLE 7 - FEDERAL CASH FLOWS AND DRAW FORECAST

| TABLE 7 – 2022 - 2024 GRANTS FEDERAL CASH FLOWS AND DRAW FORECAST | | | | | | | | | |
|---|---------|---------------------------|---------------|---------------------------------------|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| SUBRECIENT | LOAN NO | BINDING CLOSED DATE | START DATE | TOTAL ULOs and new loan amounts | FFYs 2024-25 Ending 9/30/25 | | | | |
| | | | | | QTR 4 (J-S 24) | QTR 1 (O-D 24) | QTR 2 (J-M 25) | QTR 3 (A-J 25) | QTR 4 (J-S 25) |
| Authorized or Closed loans not fully disbursed as of 6/30/2024 | | | | | | | | | |
| Some of these are portfolio projects | | | | | | | | | |
| Wallsburg | 3F1889 | Apr-24 | 2023 | 4,494,000 | 2,000,000 | 1,000,000 | | 1,494,000 | |
| Granger-Hunter ID (Base grants) | 3F1850 | May-23 | | 11,912,620 | 5,594,620 | | | | |
| Spring City | 3F1926 | Jun-24 | | 3,532,000 | | | | | 1,000,000 |
| Leeds Domestic Users Assn | 3F1892 | May-24 | | 6,402,500 | 1,000,000 | - | | | 1,000,000 |
| Ogden City | 3F1908 | | | 34,370,000 | | 5,000,000 | 5,000,000 | 4,370,000 | 2,000,000 |
| Green Hills (SRF portion) | 3F1930E | | | 1,530,000 | 400,000 | | | | 1,130,000 |
| Green River (SRF portion) | 3F1925E | | | 2,045,000 | | | 620,000 | | 625,000 |
| | | | | | | | | | |
| EC | | | | | | | | | |
| Green River (Emerging Contaminants) | 3F1925E | | | 3,530,000 | | | | 530,000 | 3,000,000 |
| Green Hills (EC portion) | 3F1930E | | | 500,000 | 500,000 | | | | |
| Granger-Hunter | 3F2017E | | | 2,500,000 | | | | | 2,500,000 |
| Salt Lake City | TBD | | | 800,000 | | | | | 800,000 |
| Cottonwood Mutual | TBD | | | 593,540 | | | | | 593,540 |
| South Salt Lake | TBD | | | 2,200,000 | | | | | 2,200,000 |
| Price | TBD | | | 2,000,000 | | | | | 2,000,000 |
| | | | | | | | | | |
| TOTALS | | | | \$ 76,409,660 | \$ 9,494,620 | \$6,000,000 | \$5,620,000 | \$6,394,000 | \$16,848,540 |
| | | | | | | | | | |
| 2022 SRF Supplemental AWARD #FS 96886601 | | 17,992,000 | | \$ 10,020,000 | \$ 3,400,000 | \$6,000,000 | \$ 620,000 | | |
| State match transfers to loans requested in Nov 2022 | | 1,799,200 | | | | \$ - | | \$ - | \$ - |
| | | | | \$ 10,020,000 | \$ 3,400,000 | \$6,000,000 | \$ 620,000 | \$ - | \$ - |
| | | | | | | | | | |
| 2023 SRF Base AWARD #FS 99878423 | | 4,938,000 | | \$ 3,489,120 | \$ 3,489,120 | | | | |
| State match transfers to loan Fund (5210): Fall 2023 | | 987,600 | | | | | | | |
| | | | | \$ 3,489,120 | \$ 3,489,120 | \$ - | \$ - | \$ - | \$ - |
| | | | | | | | | | |
| 2023 SRF Supplemental AWARD #FS 96886623 | | 21,055,000 | | \$ 19,230,000 | | | \$5,000,000 | \$5,864,000 | \$ 5,755,000 |
| State match transfers to loan Fund (5210): Fall 2023 | | 2,105,500 | | \$ 2,105,500 | \$ 2,105,500 | | | \$ - | \$ - |
| | | | | \$ 21,335,500 | \$ 2,105,500 | \$ - | \$5,000,000 | \$5,864,000 | \$ 5,755,000 |
| | | | | | | | | | |
| 2022 EC Award #FS 96886901 | | 7,555,000 | | \$ 6,797,600 | \$ 500,000 | \$ - | \$ - | \$ 530,000 | \$ 5,500,000 |
| 2023 EC Award #FS 96886923 | | 7,640,000 | | \$ 7,390,000 | | | | | \$ 5,593,540 |
| 2024 EC Award #FS 96886924 | | 7,640,000 | | \$ 6,417,600 | | | | | |
| | | | | | | | | | |
| 2024 SRF Base AWARD #FS 99878424 | | 4,661,000 | | \$ 3,961,850 | | | | | |
| State match transfers to loan Fund (5210): Fall 2024 | | 932,200 | | | | | | | |
| | | | | \$ 3,961,850 | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | | | | | |
| 2024 SRF Supplemental AWARD #FS 96886624 | | 22,985,000 | | \$ 15,859,650 | | | | | |
| State match transfers to loan Fund (5210): Fall 2024 | | 4,597,000 | | \$ 4,597,000 | | | | \$ - | \$ - |
| | | | | \$ 20,456,650 | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | | | | | |
| 2022 LSLR Award #FS 96886801 | | 28,350,000 | | \$ 20,979,000 | \$ 425,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$ 5,000,000 |
| 2023 LSLR Award #FS 96886802 | | 28,650,000 | | \$ 21,201,000 | | | | | |
| | | | | | | | | | |
| Total of all grants | | | | | \$ 9,919,620 | \$7,000,000 | \$6,620,000 | \$7,394,000 | \$21,848,540 |

Additional information:

1. The 10% & 20% state match transfers into the DWSRF fund for grant award 2023 were requested before drawing federal funds and within 90 days of receiving the awards.
2. The 20% state match transfers for 2024 grant awards will be moved into the DWSRF fund (Fund 5210) before drawing federal funds and within 90 days from receiving the awards
3. All federal funds are disbursed using a FIFO method (first in first out).

Assistance for Disadvantaged Communities

Section 1452 (d) changed in 2009 to require states to provide a minimum of 20 percent additional loan subsidies in the form of negative interest, grants or principal forgiveness to benefit communities meeting the State's definition of "disadvantaged". Since then, there has been a variety of changes as to how much subsidization has been required each year or that may have been permitted with a ceiling percentage as high as 50 percent of the annual DWSRF capitalization award amount. The 2024 allotments from the Consolidated Appropriations Act of 2024 now mandate that the states use at least twelve percent but not more than 35 percent for additional subsidization of the 2024 allotment of the DWSRF capitalization grant. Additional authority was authorized in the America's Water Infrastructure Act (AWIA) of 2018. In AWIA's authority, States must use 14 percent of the funds made available in the 2024 DWSRF capitalization grant to provide additional subsidization to eligible disadvantaged recipients. Therefore, a minimum of 26 percent to a ceiling amount of 49 percent will be included with the 2024 loans closed to provide subsidization to any DWSRF eligible applicant based on the definition adopted the State's definition. DDW will comply with the programmatic conditions of the grant award to match the 2024 subsidization requirements.

The BIL mandates that 49% of funds provided through the DWSRF General Supplemental Funding and DWSRF Lead Service Line Replacement Funding must be provided as grants and forgivable loans to disadvantaged communities. The BIL also requires that not less than 25% of funds provided through the DWSRF Emerging Contaminants Funding be provided as grants and forgivable loans to disadvantaged communities or public water systems serving fewer than 25,000 people with the remaining 75% of funds provided as grants or forgivable loans to qualified applicants. The SDWA requires states to establish a definition of disadvantaged communities that can receive this additional subsidization.

The Board defines a disadvantaged community as a community located in an area: 1. that has a median adjusted gross income that is less than or equal to 80% of the State's median adjusted gross income (MAGI) or 2. where the estimated annual cost (including loan repayment costs) of drinking water service for the average residential user exceeds 1.75% of the median adjusted gross income. The MAGI is determined by the Utah State Tax Commission (USTC) from federal individual income tax returns excluding zero exemption returns. The current metrics used for defining disadvantaged communities do not capture differences in affordability within a community or service area. To better capture these differences, the disadvantaged community criteria as applied to Lead Service Line Replacement and Emerging Contaminant funding have been expanded to include zip codes or census tracts with a local MAGI that is less than 80% of the State's MAGI as well as that meet or exceed 80% percentile of the USEPA demographic index. Expanding the criteria in this way not only ensures that disadvantaged areas within a community or service area are not overlooked or disqualified from receiving needed assistance, but it also prioritizes funding for these communities. Communities meeting the criteria are eligible to receive grant funding or forgivable loans in accordance with BIL requirements. If, in the judgment of the Board, the USTC data is insufficient, the Board may accept other measurements of the water users' income (i.e. local income survey or questionnaire when there is a significant difference between the number of service connections for a system and the number of tax filing for a given zip code or city, or when the water system claims that the MAGI (incomes) of its users is lower than the MAGI (incomes) of the larger community covered by the USTC data).

The amount and type of financial assistance offered by the Board will be based on the criteria shown in UAC R309-705-6 (2). Disadvantaged communities may receive zero-percent loans, negative

interest rate loans, principal-forgiveness loans, or grants. Terms for each method of financial assistance shall be determined by a Board resolution.

The Board has not set any predetermined amount of DWSRF funds that may be used for principal forgiveness to disadvantaged communities. It is the Board's intention to authorize additional subsidization only to communities that meet the "disadvantaged criteria."

Costs Incurred After Application and Prior to Execution of the Loan Agreement

Eligible project costs incurred after application to the Board and prior to execution of the loan agreement are eligible for reimbursement. Reimbursement will only be made after the loan closing.

Municipal Bond Legal Fees

The Board may purchase bonds of the applicant only if the bonds are accompanied by a legal opinion of a recognized municipal bond counsel selected by the Board (UAC R309-705-8 (2)). The loan recipient is responsible for the legal costs. Legal costs may be paid from the loan proceeds.

Capacity Development Requirements

Eligible Systems - The SDWA allows DWSRF assistance to publicly and privately owned community water systems and nonprofit, non-community water systems other than systems owned by Federal agencies. Federal Regulations also set forth certain circumstances under which systems that will become community water systems upon completion of a project may be eligible for assistance. UAC R309-705 Financial Assistance: Federal Drinking Water Project Revolving Loan Program (effective July 1, 2011) establishes criteria for financial assistance to public drinking water systems in accordance with a federal grant 42 U.S.C. 300j et seq., Federal Safe Drinking Water Act. The SDWA requires that loan recipients must demonstrate the technical, managerial, and financial capacity (TMF) to comply with the SDWA and not be in significant noncompliance with any requirement of a national primary drinking water standard or variance. The State will assess TMF and compliance in accordance with UAC R309-800 Capacity Development Program after loan applications have been received. Those systems lacking in TMF or compliance may still be eligible for a loan if the loan will address the non-compliance or the system agrees to undertake feasible and appropriate changes in operations. In accordance with the AWIA changes, DDW will include in the state capacity development triennial report to the Governor a description of how the state will implement procedures to encourage the development of technical, managerial, and financial capacity, and an asset management plan program with provisions of technical assistance. DDW intends to encourage water systems to implement asset management plans that include best practices in any training or technical assistance into the division's capacity development methodologies.

Environmental Reviews and Categorical Exclusions

The State Environmental Review Process (SERP) is described in the Operating Agreement.

The Grantee, the State of Utah, may elect to partition an environmental review or Categorical Exclusion (Cat Ex) from environmental review. The State will follow the procedures listed below to evaluate if partitioning a project from environmental review is appropriate.

Authority

The authority for including these procedures in the Division's Intended Use Plan (IUP) and State Environmental Review Process (SERP) is contained in the SDWA Amendments of 1996 (Pub. L. 104-182) and the guidance provided by the EPA DWSRF Program Guidelines, document # 816-R-97-005 (February 1997). In particular, see Section IV. STATE/PROJECT LEVEL AUTHORITIES, Subsection B. Environmental Reviews.

1. Procedures for Making Determination Cat Ex:
2. If the Division has reason to believe that the project falls within one of the categories listed under paragraph "C" and thereby may qualify for a Cat Ex from environmental review, the State will make a preliminary survey of the proposed project site(s).
3. During this survey the State will evaluate whether or not the project meets the criteria for a Cat Ex from environmental review.
4. If the State determines the site qualifies for Cat Ex from environmental review, it will document the justification of this determination, including a listing of the dates of activities, which led to this determination, and a statement of relevant findings.
5. Even if the project qualifies for Cat Ex from environmental review according to the criteria listed under paragraph "C", the State may require an environmental review if the State determines that an environmental review is warranted or appropriate because of conditions found at the site or because the project is controversial.

Criteria for Categorical Exclusion from Environmental Review

In order for a project to qualify for an environmental determination of Cat Ex from environmental review, the general location of the project should have been previously disturbed. Site conditions which will be evaluated in making this determination include a) how urbanized the location is, b) whether wildlife has previously been displaced, and c) whether the wildlife habitat has been previously destroyed or replaced. The project site shall meet at least one of the following criteria:

1. A proposed water line will be placed in a roadway(s) and/or rights-of-ways where existing pipes, telephone wires, cables, or other facilities have previously been installed.
2. A proposed tank site will be located on a site with other previously constructed utility facilities on a previously disturbed site.
3. The proposed facilities will be located at a site with other existing community infrastructure; e.g. a booster station, pump house, water treatment plant, or similar facility within a previously disturbed area and which will not extend into sensitive areas in the ground or adjacent to the previously disturbed area.

Public Notice and Participation

The State will provide public notice when a Cat Ex is issued or rescinded. However, no formal public comment period need be provided prior to the Cat Ex becoming effective.

SRF Reporting

Reporting for any loans or projects closing for the SRF program is due quarterly, with a focus on SFY reporting completed annually by 30 September. This reporting is done on the Office of Water SRF (OWSRF) website: <https://owsrf.epa.gov/ords/owsrf>. In addition, for transparency to the public, large loans closed on non-revolving funds will be reported in the Federal Funding Accountability & Transparency Act Subaward Reporting System (FFATA/SRS aka FSRS).

B-3 Set-Asides

Introduction. Congress has established multiple set-asides under the DWSRF for each of the Base and BIL grants. States have the flexibility to take set-asides from the grants but must use them to either administer the capitalization grant or meet the statutory purpose of each grant. Consistent with DWSRF regulations, states have the flexibility to reserve the authority under the 2%, 4%, and 10% set-asides to take from future capitalization grants those set-aside funds they have not included in work plans. DDW will comply with all programmatic and administrative conditions required for the 2024 grant awards.

Set-aside funding is used to:

- ✓ Fund established programs
- ✓ Fund continuing growth
- ✓ Fund increasing operating costs
- ✓ Assist, to the extent set-aside funds are available, in funding the additional staff needed to implement new Federal rules regarding the regulation of drinking water contaminants

The state will not use set-aside funds for those projects or project-related costs that are eligible or explicitly ineligible for assistance from the DWSRF. But DDW may use set-aside funds for: 1) project planning on design costs for small systems, and 2) for costs associated with restructuring a system as part of a capacity development strategy.

Set-aside funds have been used on a first-in, first-out (FIFO) basis and will continue to be so. Usage is accounted for by set-aside. Unused funds are carried forward to the next fiscal year.

Final reports have been submitted to USEPA for DWSRF capitalization grants through 2020. The 2021 grant year has been fully spent, and the final reports are being prepared. DDW is currently spending 2022 (nearly complete) & 2023 grant-year funds. In anticipation of the 2024 grant year being delayed in being awarded, DDW respectfully requests authorization to receive pre-award ability to cover set-aside expenses from July 1, 2024 through October 31, 2024. The loan funds are also treated on the FIFO basis.

Intended use of set-aside funds

Set-aside requests and reserves are detailed in the following tables, with one table for each grant: Tables 8 & 9. Following the tables is a narrative of individual requests and intended uses. We are reserving all and requesting none of our Base set-asides for GY2024. For a summary, see Table B-1.

TABLE 8 - SET-ASIDE AND STATE MATCH REQUESTS

| TABLE 8 - SRF Base | | | | |
|--|--------------------|-------------------|--------------------|--------------|
| SET-ASIDE AND STATE MATCH REQUESTS 2024 | | | | |
| Function | Prog. Elem. | Federal \$ | State Match | TOTAL |
| Loan Fund & 20% State Match Requirement | 23DA | 4,194,900 | 932,200 | 5,127,100 |
| 4% Administrative Set-Aside max = | 23DD | 186,440 | 4% | |
| Less \$ to be added to reserve (see Table 9) | | 186,440 | | 0 |
| 2% Small Sys.Tech. Asst. max = | 23DE | 93,220 | 2% | |
| Less \$ to be added to reserve (see Table 9) | | 93,220 | | 0 |
| 10% State Program Set-Aside max = | 23DF | 466,100 | | |
| Less \$ to be added to reserve (see Table 9) | | 466,100 | | |
| PWS Supervision | | 371,100 | 7.96% | |
| Plus/(less) reserves from prior grants | | 0 | 0.00% | |
| Capacity Development Oversight | | 0 | 0.00% | |
| Source Water Protection | | 95,000 | 2.04% | |
| Operator Certification | | 0 | 0.0% | |
| TOTAL State Program Set-Aside | | 466,100 | 10.0% | 0 |
| 15% Local Assistance Set-Aside max= | 23DG | 699,150 | | |
| Local Assistance and | | | 0.0% | |
| Capacity Development Outreach | | 466,100 | 10.0% | |
| Source Water Assessment | | 0 | 0.0% | |
| Wellhead Protection | | 0 | 0.0% | |
| TOTAL Local Assistance Set-Aside | | 466,100 | 10.0% | 466,100 |
| TOTAL CAPITALIZATION GRANT = | | 4,661,000 | 932,200 | 5,593,200 |

**TABLE 8a - SRF Supplemental
SET-ASIDE AND STATE MATCH REQUESTS 2024**

| Function | Prog. Elem. | Federal \$ | State Match | TOTAL |
|--|-------------|------------|-------------|------------|
| Loan Fund & 10% State Match Requirement | 23DA | 16,859,650 | 4,597,000 | 21,456,650 |
| 4% Administrative Set-Aside max = | 23DD | 919,400 | 4% | |
| Less \$ to be added to reserve (see Table 9) | | 0 | | 919,400 |
| 2% Small Sys.Tech. Asst. max = | 23DE | 459,700 | 2% | |
| Less \$ to be added to reserve (see Table 9) | | 0 | | 459,700 |
| 10% State Program Set-Aside max = | 23DF | 2,298,500 | | |
| Less \$ to be added to reserve (see Table 9) | | 0 | | |
| PWS Supervision | | 1,838,800 | 8.00% | |
| Plus/(less) reserves from prior grants | | 0 | 0.00% | |
| Capacity Development Oversight | | 0 | 0.00% | |
| Source Water Protection | | 459,700 | 2.00% | |
| Operator Certification | | 0 | 0.0% | |
| TOTAL State Program Set-Aside | | 2,298,500 | 10.0% | 2,298,500 |
| 15% Local Assistance Set-Aside max= | 23DG | 3,447,750 | | |
| Local Assistance and | | | 0.0% | |
| Capacity Development Outreach | | 2,298,500 | 10.0% | |
| Source Water Assessment | | 0 | 0.0% | |
| Wellhead Protection | | 149,250 | 0.6% | |
| TOTAL Local Assistance Set-Aside | | 2,447,750 | 10.6% | 2,447,750 |
| TOTAL CAPITALIZATION GRANT = | | 22,985,000 | 4,597,000 | 27,582,000 |

**TABLE 8c - Emerging Contaminants
SET-ASIDE REQUESTS 2024**

| Function | Prog. Elem. | Federal \$ | State Match | TOTAL |
|--|-------------|------------|-------------|-----------|
| Grants | 23DA | 6,417,600 | 0 | 6,417,600 |
| 4% Administrative Set-Aside max = | 23DD | 305,600 | 4% | |
| Less \$ to be added to reserve (see Table 9) | | 0 | | 305,600 |
| 2% Small Sys.Tech. Asst. max = | 23DE | 152,800 | 2% | |
| Less \$ to be added to reserve (see Table 9) | | 0 | | 152,800 |
| 10% State Program Set-Aside max = | 23DF | 764,000 | | |
| Less \$ to be added to reserve (see Table 9) | | 0 | | |
| PWS Supervision | | 305,600 | 4.00% | |
| Plus/(less) reserves from prior grants | | 0 | 0.00% | |
| Capacity Development Oversight | | 76,400 | 1.00% | |
| Source Water Protection | | 0 | 0.00% | |
| Operator Certification | | 0 | 0.0% | |
| TOTAL State Program Set-Aside | | 382,000 | 5.0% | 382,000 |
| 15% Local Assistance Set-Aside max= | 23DG | 1,146,000 | | |
| Local Assistance and | | | 0.0% | |
| Capacity Development Outreach | | 305,600 | 4.0% | |
| Source Water Assessment | | 0 | 0.0% | |
| Wellhead Protection | | 76,400 | 1.0% | |
| TOTAL Local Assistance Set-Aside | | 382,000 | 5.0% | 382,000 |
| TOTAL GRANT = | | 7,640,000 | 0 | 7,640,000 |

TABLE 9 - SET-ASIDE RESERVES

| Table 9 | | | |
|---|----------------------------|------------------------|--------------------|
| Set-Aside Base SRF Reserves with Grant Year 2024 | | | |
| Reserves | Beg Reserve Balance | Grant Year 2024 | End Balance |
| 4% Administrative Fund | 876,026 | 186,440 | 1,062,466 |
| 2% Small System Tech Assistance | 443,903 | 93,220 | 537,123 |
| 10% State Program | 1,045,688 | 466,100 | 1,511,788 |
| TOTAL | 2,365,617 | 745,760 | 3,111,377 |

| Table 9a | | | |
|---|----------------------------|------------------------|--------------------|
| Set-Aside Supplemental SRF Reserves with Grant Year 2024 | | | |
| Reserves | Beg Reserve Balance | Grant Year 2024 | End Balance |
| 4% Administrative Fund | 1,002,880 | - | 1,002,880 |
| 2% Small System Tech Assistance | 670,940 | - | 670,940 |
| 10% State Program | 3,032,700 | - | 3,032,700 |
| TOTAL | 4,706,520 | - | 4,706,520 |

| Table 9c | | | |
|---|----------------------------|------------------------|--------------------|
| Set-Aside EC Reserves with Grant Year 2024 | | | |
| Reserves | Beg Reserve Balance | Grant Year 2024 | End Balance |
| 4% Administrative Fund | 242,200 | - | 242,200 |
| 2% Small System Tech Assistance | 263,600 | - | 263,600 |
| 10% State Program | 1,218,000 | - | 1,218,000 |
| TOTAL | 1,723,800 | - | 1,723,800 |

Set-aside requests and intended uses

Administrative set-aside

The calculation for the four percent administrative set-aside funds, in accordance with the SRF and BIL Grants, consists of an amount equal to the sum of any state fees collected (i.e. Loan Origination Fees) plus the greatest one of three options: 1) \$400,000, 2) 1/5 of the current fund value if the fund has been audited from an outside agency (an outside agency does not audit DDW's funds) or 3) Four percent of all grants awarded to the fund under this section for the federal fiscal year.

DDW chooses option three above and requests \$919,400 and \$305,600 from the Supplemental SRF and Emerging Contaminants BIL SRF grants. The administrative set-aside has reserves of \$876,026 accumulated from previous grant years (1997-2023) which have been reserved for future use for the Base SRF program. We are also reserving the maximum set-asides from the Base grant this year. We have reserves of \$1,002,880, \$1,905,000, \$242,200 for the three BIL grants. See Table 9 for reserve balance details.

The administration set-aside will fund 12 to 13 full-time equivalent (FTE) positions to operate the program in SFY 2025. The budget estimate will fund salary, benefits, office space, equipment, travel, training, supplies, and an indirect allocation for SFY 2025.

Small Systems Technical Assistance

DDW is requesting \$459,700, and \$152,800 for the 2% set-asides. This set aside is usually contracted out to a third party. The vendor of this contract will be assisting public water systems serving 10,000 people or fewer (section 1452(g) (2)) to maintain viable water systems.

DDW created an energy cost-saving handbook in 2016 which provided water system operators and managers with multiple strategies to reduce their energy costs. Some water systems have identified energy efficiency improvement opportunities in both operations and infrastructure. RWAU is encouraging all drinking water systems to investigate energy efficiency options to identify cost savings where possible. The small and very small water systems are often unable to take full advantage of such initiatives due to lack of knowledge, lack of money, and/or lack of proper equipment.

RWAU is a critical partner assisting DDW in responding to water system inquiries and taking action to assist water systems to be technically, managerially, and financially sound.

Such assistance includes, but not limited to:

- a. On-site assistance to resolve or recommend specific solutions to managerial, technical or mechanical problems, sanitary survey deficiencies, or other compliance issues, within the requirements of the applicable rules.
- b. Training on state rules found under UAC R309-100 through 800.
- c. Emergency response to support division efforts to mitigate emergencies.
- d. Representation to local officials (such as mayors, county personnel, etc.) regarding drinking water issues and how local government can best support public drinking water systems.
- e. Representation to water systems on UT-WARN, including membership, emergency response credentials, emergency response, and disaster preparedness.
- f. County-based training and ordinance development dealing with non-public water systems in the early stages of development. This issue is related to ensuring that when and if a non-public system may grow to become "public", the system will be able to meet applicable drinking water rules, and will not become an economic burden on itself, the county, or require supplemental funding from the state to meet such requirements.

State Programs set-aside

The state programs set-aside total amount requests are \$2,298,500 and \$382,000. See Table 8 for a detailed breakout of this set aside for the BIL grants we are requesting. The sub-categories include PWS Supervision, Capacity Development, and Source Protection. In the past, DDW has requested a subcategory of funding for its Operator Certification Program. DDW has increased the Operator Certification and the Cross Connection fees and is working toward both programs being self-sufficient by fee revenue collected for each program. Budgeting, disbursements, and draws are also accounted for by sub-categories. DDW does intend to use these set-asides for the current year of SFY 2025. See Table 9 for reserve balances.

PWS Supervision (augmentation) set-aside

DDW is requesting \$1,838,800 and \$305,600 from the 2024 grant awards. The PWS Supervision set-aside is primarily used to support DDW's Engineering Section. Approximately 14 to 15 engineers will charge to this set-aside and four other employees for program support. Additionally, oversight of the PWS Supervision Program is funded from general funds, the Water Development Security Fund (state funds about \$2M), and \$1.45M from the PWSS grant. Combined totals will also be expended for division-related activities. The budget estimate will fund salary, benefits, office space, equipment, travel, training, supplies, and an indirect allocation for SFY 2025.

Engineering tasks include water system plans and specification reviews, operating permits, waivers, water treatment plant inspections, witnessing well grouting, and proactive recommendations to help water systems ensure the public receives safe drinking water. DDW's engineers also receive training to keep their skills diverse with new technologies in solving water system issues. Growth impacts in the state combined with the stricter EPA standard levels SDWA amendments and associated State and Federal regulations create a tremendous workload.

Capacity Development Program

DDW requests \$76,400 for this program from the EC grant; we also have carryover available from the 2022 base, supplemental, and EC grants to oversee the capacity development program. The State of Utah has statutory authority for a capacity development program (Section 19-4-104 of the Utah SDWA). The time of two FTEs, as needed, will oversee and maintain the program. The Division is current with all reports due to the Governor and USEPA. The Division will add the language to encourage the development of technical, managerial, financial and asset management plans to the Governor's Triennial Report as required in the Amendments in America's Water Infrastructure Act (AWIA) of 2018.

Source Protection Administration

The SDWA Amendments of 1996 require each state to maintain a source water assessment program for all public water systems. One and a half FTEs are dedicated to developing, implementing, and coordinating this program.

We request \$459,700 from the 2024 Supplemental grant for the source water program. The budget estimate will fund salary, benefits, office space, equipment, travel, training, supplies, and an indirect allocation for SFY 2025.

Local Assistance (15% set-aside)

We request \$466,100, \$2,447,750, and \$382,000 for this set-aside. The SFY 2025 budget was estimated at \$2.27M. Local assistance is divided into two sub-categories: local assistance/capacity development outreach and wellhead protection. The two sub-categories account for budgets, disbursements, and draws separately.

Capacity Development Out-reach/Local Assistance with Public Water Systems Sub-Category

We request \$466,100, \$2,298,500, and \$305,600 from the 2024 Base & BIL grants for capacity development, outreach, and local assistance. The amount budgeted for SFY 2025 is \$2.09M.

Some of the activities DDW employees will provide and charge to this set-aside include the following:

1. Math calculations to determine dosing, volumes, flows and horsepower, etc.
2. Minor repairs on pumps, as well as, knowledge of pump curves, monitory well levels, troubleshooting, hydraulics, motor maintenance and metering, etc.
3. Teach proper techniques for unidirectional flushing of fire hydrants, pipeline maintenance, pressure zones, valve maintenance (exercising and annual maintenance, instrumentation, tank inspections, and distribution system and treatment plants.
4. Proper disinfection techniques, and correct handling and use of various disinfection chemicals, properties of chemicals, emergency disinfection techniques, and monitoring of residuals.
5. Safety: proper use of equipment and how to follow proper procedures, MSDS.
6. Security: proper procedures to interact with law enforcement and mitigation.
7. Provide technical training on existing and new rules, proper sampling techniques, proper monitoring, and an understanding of sample results, reporting procedures.
8. Emergency Response: training on the Incident Command System (ICS) and how they would fit into that system. Train systems with the National Incident Management System (NIMS), response protocols, mitigation, setting up table-top exercises, maintaining a plan, flushing and disinfection.
9. Cross Connection Control assistance to help the water system properly assemble, avoid hazards, resolve physical deficiencies during a sanitary survey and follow State guidelines on managing a program.

DDW understands all charges by employees need to have direct interaction with the water systems with some form of training or technical assistance. Rural Water Association of Utah also has some tasks relating to direct interaction with the water systems and has been allocated \$65,000 in their contract for this specific purpose.

Wellhead Protection Sub-Category

DDW requests \$149,250, and \$76,400 in funding for this category from the 2024 grants. The budgeted \$179,800 for SFY 2025 will cover expenses for salary, benefits, office space, equipment, interactive map upgrades, and an indirect allocation. One or two employees will oversee the implementation and maintenance of GIS activities. Maintenance of the source protection zone geo-database is an ongoing project as new water sources are developed, and existing source protection zones are modified. One or two employees will prepare source water assessments for groundwater sources, review source protection plans for new sources, and review updated plans for existing

sources. This sub-category budget will continue to cover expenses to address a backlog of wellhead updates that need review.

Attachments

Attorney General Enabling Legislation Opinion Letter for FY2024 grants program
Organization Chart

Utah Administrative Code Rule R309-705

The Rule for Projects Receiving Assistance from the Federal DWSRF was revised in 2023 and can be found at the website: <https://adminrules.utah.gov/public/rule/R309-705/Current%20Rules>

Construction Loan Program information is available at the website below.

<https://deq.utah.gov/drinking-water/drinking-water-construction-assistance-programs>

DIVISION OF DRINKING WATER



STATE OF UTAH
OFFICE OF THE ATTORNEY GENERAL



SEAN D. REYES
ATTORNEY GENERAL

SPENCER E. AUSTIN
Chief Criminal Deputy

DANIEL BURTON
General Counsel

RIC CANTRELL
Chief of Staff

MELISSA A. HOLYOAK
Solicitor General

BRIAN L. TARBET
Chief Civil Deputy

OAG-005-24

February 8, 2024

Nathan Lunstad, Director
Utah Division of Drinking Water
195 North 1950 West
P.O. Box 144830
Salt Lake City, Utah 84114-4830

Re: **Adequacy of State Law Enabling Utah to be Eligible for Federal Safe Drinking Water Act, 42 U.S.C. 300J-12 *et seq.*, Capitalization Grants (Legal Files Open Matter #818.3192)**

Dear Mr. Lunstad:

This letter is in response to your request dated February 1, 2024, for an updated opinion concerning State authority to establish and operate a Drinking Water State Revolving Loan Fund (“DWSRF”) program as prescribed under the Federal Safe Drinking Water Act (Section 1452, “SDWA”), 42 U.S.C. §§ 300j-12 *et seq.*, (40 CFR Part 35, Subpart L). Congress created a Financial Assistance Program for water system capital improvements and technical assistance. The Environmental Protection Agency (“EPA”) makes grants to states to capitalize state revolving loan funds.¹ To be eligible to receive capitalization grants, a state must establish a drinking water treatment revolving loan fund. The America’s Water Infrastructure Act of 2018 (“AWIA” P.L. 115-270) revised the DWSRF provision of the SDWA.² The AWIA extended infrastructure loan terms; required the provision of additional subsidies to state defined disadvantaged communities; and, expanded source water protection eligibility under local assistance set asides.

The Utah Legislature has enacted Utah Code §§ 19-4-101 *et seq.*, which establish the Utah Division of Drinking Water (“DDW”) and the Utah Drinking Water Board (“Board”). Utah Code §§ 19-4-104 and 105 empower the Board with rulemaking authority to meet the requirements of the Federal SDWA. The Board has promulgated rules for making loans in Utah Admin. Code R309-705.

¹ Capitalization Grants for State Revolving Funds; CFDA 66.468 (Drinking Water).

² March 25, 2019, memo from Jennifer L. McLain to Water Division Managers.

Federal Safe Drinking Water Act Capitalization Grants

In 1983, the Utah Legislature amended the Water Development Security Fund to provide for the use of monies in the account to make loans for drinking water and wastewater projects. *See*, Laws of Utah 1985, Chapter 123. Therefore, pursuant to that amendment, two subaccounts exist within the Security Fund: (i) one for wastewater projects; and, (ii) one for drinking water projects. In 1997, Senate Bill 75 established a “State Revolving Fund for Drinking Water Projects Subaccount,” as a subaccount in the Drinking Water Security Account.

In 2001, the Legislature substituted the language an “enterprise fund” for a “restricted account within the General Fund” and substituted “security fund” for “security account” throughout the statute. In 2007, House Bill 99 (Water Loan Program Amendments) amended the loan and grant programs for water projects administered by the Utah Department of Environmental Quality. The Drinking Water Security Subaccount, Utah Code § 73-10c-5(3), now consists of four subaccounts: (i) the Drinking Water Loan Program Subaccount; (ii) the State Revolving Fund for Drinking Water Projects Subaccount; (iii) the Hardship Grant Program for Drinking Water Projects Subaccount; and, (iv) the Drinking Water Origination Fee Subaccount.

The Revolving Fund for Drinking Water Projects Subaccount consists of: (i) money appropriated to the subaccount by the Legislature; (ii) money received from the Utah Drinking Water Loan Program Subaccount and applied to meet match requirements for federal funds under the Federal SDWA; (iii) money received from the repayment of loans made by the Board from the State Revolving Fund for Drinking Water Projects Subaccount; (iv) money deposited in the subaccount under any other law; (v) money received under and subject to the restrictions of the Federal SDWA; and, (vi) all investment income derived from money in the State Revolving Fund for Drinking Water Projects Subaccount. The Drinking Water Origination Fee subaccount consists of an origination fee paid under § 73-10c-10. In 2010, § 73-10c-10 was amended to allow the Board to establish an origination fee for a federally funded loan. In 2011, House Bill 186 (Utah Code Technical Amendments) made certain technical (non-substantive) changes.

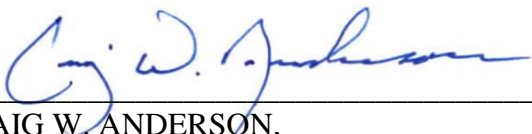
Pursuant to Utah Code §§ 19-4-104 and 105, the Board has promulgated rules for making loans incorporating the requirements of Utah Code §§ 73-10c-1 *et seq.*, in Utah Admin. Code R309-705, (Financial Assistance: Federal Drinking Water State Revolving Fund in accordance with a federal grant established under 42 U.S.C. §§ 300j-12 *et seq.*).

This Office certifies that the capitalization grant application and operating agreement submitted to the EPA for Drinking Water State Revolving Fund capitalization grants are consistent with State law and that the Board and the DDW are authorized to bind themselves to the terms of the capitalization grant agreement. As described above, the Board and the DDW are instrumentalities of the State of Utah and are authorized to: (i) enter into capitalization grant agreements with the EPA; (ii) accept capitalization grant awards made under Section 1452(a)(1)(A) of the Federal SDWA; and, (iii) otherwise manage the Fund in accordance with the requirements and objectives of the Federal SDWA. As the Director of the Environment/Health and

Federal Safe Drinking Water
Act Capitalization Grants

Human Services Division, I am authorized by the Attorney General to sign this certification. A copy of the letter delegating the authority for certification is enclosed.

Sincerely,
SEAN D. REYES
Utah Attorney General

By: 
CRAIG W. ANDERSON,
Assistant Attorney General/Director
Environment/Health and Human Services Division
Counsel to the Utah Drinking Water Board
and the Utah Division of Drinking Water

CWA/srb

Enclosure: 1) October 13, 2022, Delegation of Authority for
Certification of Utah Environmental Programs Letter

cc: Wayne Boyce, Utah Division of Drinking Water

STATE OF UTAH
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BRIAN L. TARBET
Chief Civil Deputy

OAG-031-22

October 13, 2022

KC Becker, Regional Administrator
United States Environmental Protection Agency
Region 8
1595 Wynkoop Street
Denver, Colorado 80202-1129

Re: **Delegation of Authority for Certification of Utah Environmental Programs**

Dear Administrator Becker:

Pursuant to my authority as Attorney General of the State of Utah, as described in the Utah Constitution, Article VII, Section 16 (Duties of Attorney General),¹ and Utah Code Title 67, Chapter 5 (Attorney General),² I hereby authorize the following persons to sign an Attorney General legal opinion, or certification, that the State of Utah has adequate legal authority to carry out all aspects of an environmental program for which the State is applying to the Environmental Protection Agency ("EPA") to administer within the State. Such an opinion or certification shall be signed by the Division Director of the Environment / Health and Human Services Division and the Assistant Attorney General in the Environment Section who is reviewing the program submittal to the EPA.

Currently, the Environment Section of this Office is comprised of the following attorneys:

- Craig W. Anderson Director, Environment / Health and Human Services Division
- Christian Stephens Section Director, Environment Section
- Elizabeth Burns Assistant Attorney General

¹ Article VII, Section 16: The Attorney General shall be the legal adviser of the State officers, except as otherwise provided by this Constitution, and shall perform such other duties as provided by law.

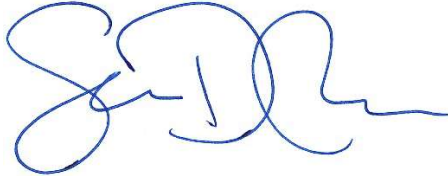
² Utah Code §67-5-1(7): The Attorney General shall give the Attorney General's opinion in writing and without fee, when required, upon any question of law relating to the office of the requestor. §67-5-3(2)(a): The Attorney General may assign a legal assistant to perform legal services for any agency of state government. §67-5-5: Except where specifically authorized by the Utah Constitution, or statutes, no agency shall hire legal counsel, and the Attorney General alone shall have the sole right to hire legal counsel for each such agency.

Delegation of Authority for Certification
of Utah Environmental Programs
Page 2

- Kimberlee McEwan Assistant Attorney General
- David McKnight Assistant Attorney General
- Connie Nakahara Assistant Attorney General
- Bret Randall Assistant Attorney General
- Haley Sousa Assistant Attorney General
- Marina Thomas Assistant Attorney General
- Raymond Wixom Assistant Attorney General

This authorization shall remain in effect unless and until it is revoked, in writing, by the Attorney General and shall apply to the State's implementation of the delegated Federal programs, State environmental programs, and any amendments, including, but not limited to, the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation, and Liability Act, and the Toxic Substances Control Act.

Sincerely,

A handwritten signature in blue ink, appearing to read 'SDR', with a stylized flourish extending to the right.

Sean D. Reyes,
Attorney General

SDR/CWA/srb