

SPECIAL EDITION: DRINKING WATER STATE REVOLVING LOAN FUND

DRINKING WATER PROJECTS NEEDED FOR OREGON SAFE DRINKING WATER REVOLVING LOAN FUND

By Dave M. Phelps
 Betty Pongracz

Please complete and return a *Letter of Interest* to Oregon Economic Development Department by July 1, 1997.

It may seem strange, for a state agency to describe a new federal law as...exciting! Well, there is excitement in the Drinking Water Program and among hundreds of drinking water systems in Oregon.

Why all the excitement? In the 1996 Amendments to the Safe Drinking Water Act, Congress authorized EPA to create it's first drinking water construction loan financing program. Oregon's first year allocation or share is \$18.9 million, which will be used to establish the Safe Drinking Water Revolving Loan Fund, a new low interest loan program. (See *Pipeline*, winter/fall 1996)

Together with the Drinking Water Advisory Committee and an ad hoc Drinking Water Revolving Loan Fund Users Group, the Health Division and Economic Development Department are drafting Oregon's federal application for first year funds. A key element of that application is a plan that shows how Oregon intends to use the \$18.9 million. **This Intended Use Plan must include a list of your drinking water projects and their estimated costs in order to get access to the federal funds.**

To create Oregon's Intended Use Plan, we need you to tell us about your drinking water system needs. To collect information about your project, we have enclosed a 2-page Letter of Interest.

Please take the time to complete the attached 2-page *Letter of Interest* - if you have a drinking water improvement project on the near horizon (within the next year or two), and you are considering using public financing for any phase of that project. Mail your completed *Letter of Interest* to Oregon Economic Development Department at the address on the form by July 1, 1997.

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"IMPLEMENTATION OF 1996 SAFE DRINKING WATER ACT IN OREGON CONTINUES"

By Dave Leland
 Doug Wise

The Drinking Water Advisory Committee (DWAC) has completed a major effort to develop detailed program plans to implement the 1996 Safe Drinking Water Act in Oregon. The DWAC met monthly from November through April. The energy and creativity of the members and other interested participants has produced a program plan that is focused, flexible, and takes advantage of opportunities for partnerships with a variety of agencies and organizations. This article presents the final committee program recommendations.

Health Division Regulatory Program

The annual primacy grants to state drinking water programs were increased under the 1996 Safe Drinking Water Act to a level of \$100M per year nationally (up from \$72.5M in 1996). The Oregon allotment for the 1997-99 biennium is \$3,033,160, an increase over 1995-97 of about \$680,000. The increase will allow the drinking water program to accomplish the following:

- Full funding of the basic grant assurances of county contracts, enabling counties to assume the lead role for improving compliance for small water systems in their 20 respective counties.
- Full implementation of surface water treatment requirements at 127 filtration plants.
- Expansion of formal enforcement efforts to fully address all significant noncomplying water systems, and address all violations related to the drinking water benchmark ("Percentage of Oregonians who receive drinking water from public systems that meet all health-based standards during the year").
- Upgrading the water quality database to support implementation of lead and copper rule and surface water treatment requirements.

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Drinking Water Projects Need (continued from page 1)

What kinds of projects are eligible for the new Safe Drinking Water Revolving Loan Fund?

- Planning: water master plans, filter pilot studies, engineering feasibility studies
- Final engineering and design: including engineering drawings and bid specs
- Construction

Who can apply for financing?

- Community water system: city, water district, privately owned water company, or a nonprofit water system such as an association or cooperative
- Nonprofit non-community water system such as a school, camp, or hospital

How important is knowing project cost?

- The **Letter of Interest** asks for your best estimate of project cost. When a final financing application is submitted, specific cost information will become very important.

Is the **Letter of Interest** a commitment to borrow loan funds?

- The **Letter of Interest** is not a final loan request and is not a firm commitment by your water system. However, it will provide sufficient information and detail to complete and submit an intended use plan as part of the state application to EPA for \$18.9 million.

Every **Letter of Interest** received will be included in the Intended Use Plan and will become part of Oregon's Safe Drinking Water Revolving Loan Fund application to EPA. Each **Letter of Interest** will be evaluated and given a ranking according to the following: 1) projects that address the most serious risk to human health; 2) projects that are necessary to ensure compliance with the Safe Drinking Water Act; and 3) water systems most in need, on a per household basis, according to affordability criteria. Special consideration will be given to small water systems that serve 10,000 or fewer people, systems that are ready to proceed, and systems that plan to merge or consolidate with another system as a solution to a compliance problem or have an innovative solution to the stated problem. **Letters of Interest** will not be accepted between July 2 to October 1. After October 1, **Letters of Interest** will be accepted at any time.

Questions? If you have questions about the **Letter of Interest**, please call Oregon Economic Development Department at (503) 986-0122 or (800) 233-3306 and ask for a Project Coordinator. Dave Phelps, Water Fund Coordinator, Drinking Water Program can be reached at (503) 731-4010.

Dave Phelps is Water Fund Coordinator of the Drinking Water Program

Betty Pongracz is Manager of Infrastructure Development of Oregon Economic Development Department

Implementation (continued from page 1)

Safe Drinking Water Revolving Loan Fund

The Safe Drinking Water Revolving Loan Fund (SRF) was established under the 1996 Safe Drinking Water Act. A total of \$1.275B was appropriated nationally for 1997, and \$0.725B is requested in the President's budget for 1998. The Oregon allotment for the first two years of the SRF program is as follows (for the 1997-99 biennium):

1997	\$18,920,500
1998	<u>\$10,567,800</u>
Total:	\$29,488,300

This is clearly a major new effort for the drinking water team, and will be presented to the legislature through the normal budget process. Budget adjustment packages consistent with DWAC program recommendations were prepared by the drinking water partner agencies: Health Division, Economic Development Department (OEDD), and the Department of Environmental Quality (DEQ). Details are presented below:

SRF Construction Loans to Communities. About \$25M will be available for loans to communities for drinking water construction projects during 1997-99, after funding the recommended state program set-asides. This represents 85% of the total SRF allocation for the first two years. OEDD will operate the loan program under an intergovernmental agreement with the Health Division. **Water suppliers need to identify their construction project needs now for the first year Intended Use Plan - see the accompanying article on the SRF Letter of Interest!**

SRF Administrative Expenses. The SDWA authorizes expenditures of up to 4% of the SRF for administration of the fund. The total expenditure recommended for administration is \$1.0M, or about 3.8% and includes the Health Division and OEDD. The following results will be achieved:

- Preparation, management, and administration of interagency agreements and contracts with organizations and service providers for SRF and set-aside services.
- Annual SRF capitalization grant application, intended use plan development, and health priority ranking of projects submitted.
- Fiscal draws from federal funds for projects, program accounting and reports.
- Project review and recommendation, technical assistance to applicants and recipients, program marketing, and monitoring and close-out of projects.
- Due diligence analysis of project, financial analysis of loan repayment and debt management capacity, and planning and coordinating of bond sales.
- Loan servicing, cash request processing administrative invoices, payroll, benefits.

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SAFE DRINKING WATER REVOLVING LOAN FUND
 Oregon Economic Development Department
 775 Summer Street NE
 Salem, Oregon 97310 Phone: (503) 986-0122
 (800) 233-3306

LETTER OF INTEREST

**SAFE DRINKING WATER
 REVOLVING LOAN FUND**

<p>SECTION 1: APPLICANT</p> <p>Applicant: Address:</p> <p>Phone: Fax No.: E-mail Address:</p> <p>Contact Person: Address:</p> <p>Phone: Fax No.:</p> <p><u>PLEASE SUBMIT AN ORIGINAL AND 4 COPIES</u></p>	<p>Population:</p> <p>A. Community Population: _____ B. Project Area Population: _____ C. Number of Connections: _____</p> <hr/> <p>Project Type:</p> <p><input type="checkbox"/> Planning, Preliminary Engineering <input type="checkbox"/> Final Design & Specifications <input type="checkbox"/> Construction</p> <hr/> <p>Readiness to Proceed: Give the estimated date construction on this project will begin: _____</p> <hr/> <p>For Department Use Only:</p> <p><input type="checkbox"/> Referred to SPWF <input type="checkbox"/> Referred to W/W <input type="checkbox"/> Referred to CDBG</p>
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SECTION 2: PROJECT TITLE:

SECTION 3: SDWRLF FUNDS REQUESTED AND PROJECT COSTS

Safe Drinking Water Revolving Loan Funds Requested	\$ _____
Additional Applicant Funds	\$ _____
Other Funds (list source)	\$ _____
_____	\$ _____
_____	\$ _____
Total Cost of Project	\$ _____

SECTION 4: BRIEF PROJECT SUMMARY (*Answer only in the space provided or at the bottom of page 2.*)

A. Describe Drinking Water Quality Problem:

B. Describe the Proposed Solution to the Problem:

Instructions for Safe Drinking Water Revolving Loan Fund Letter of Interest

Please submit the completed *Letter of Interest by July 1, 1997*, to:
Economic Development Department
Regional Development Division
775 Summer Street NE
Salem, Oregon 97310
(503) 986-0122 or (800) 233-3306

Below are directions and information for many of the questions on the Letter of Interest. If you have other **questions** about completing this form, please call the Oregon Economic Development Department and ask for a Project Coordinator.

SECTION 1: APPLICANT

Population:

- A. **Community Population:** Current population of the applicant's community. This is requested to identify applicants qualifying as small communities (10,000 people or fewer).
- B. **Project Area Population:** Current population of the area which will be affected by the proposed project. This should not include projected growth.
- C. **Number of Connections:** Number of connections served by the water system.

Project Type:

Letters of Interest may be submitted for loans for different phases of a project. Please note the type of project you are applying for.

Readiness to Proceed:

Estimate the date [month/year] you think you will begin construction on your water system project. For funding in the first loan cycle of the Safe Drinking Water Revolving Loan Fund, a planning, engineering design or construction project should be ready to start between October 1997 and April 1998.

SECTION 2: PROJECT TITLE

Give the project a short title (5 to 7 words).

SECTION 3: SDWRLF FUNDS REQUESTED AND PROJECT COSTS

Estimate the amount needed for the project. List the amount requested from the Safe Drinking Water Revolving Loan Fund. Then list other planned project funding by source, whether or not the funds have already been committed to the project. Grant funds may be available from other Economic Development programs (i.e. Community Development Block Grant or the Water/Wastewater Financing Program). The Safe Drinking Water Revolving Loan Fund is a loan program, but it may offer very low interest rates.

SECTION 4: BRIEF PROJECT SUMMARY (Answer only in the space provided or at the bottom of page 2.)

- A. **Describe Drinking Water Quality Problem:** Briefly describe the water system's specific drinking water quality problem. Indicate whether the system has been issued an Administrative Order, Mutual Agreement and Order, compliance schedule or other form of formal enforcement action issued by the Oregon Health Division that requires compliance with the Safe Drinking Water Act. If none of the above, provide documentation that shows the system has exceeded a maximum contaminant level(s) for a water quality standard enforced by the Oregon Health Division and which form of enforcement action may be pending. Other documents which have proven useful include engineering studies, water system master plans and facility plans. Also note if your project will be located in either a groundwater management area or a state-approved delineated wellhead protection area.
- B. **Describe the Proposed Solution to the Problem:** Describe briefly the work to be done, whether this project is part of another larger project, and any other relevant information that will identify the location and scope of what is proposed. If the project is for planning, preliminary or final engineering, describe the scope of the planning effort.

SECTION 5: LOAN REPAYMENT AND FINANCES

- A. Identify the proposed source(s) of funds for repayment of the Safe Drinking Water Revolving Loan. Mark as many sources as you will use to repay the loan.
- B. Fill in the amount of debt (funds the system has borrowed in the past to make water system improvements) supported by the water system. Identify the debt by how it is being repaid—by water user fees or property taxes.
- C. Fill in the amount of the average monthly residential water bill. Use 7,000 gallons per month if you need an average monthly use.
- D. Fill in amount of average annual property taxes paid per residence for water system debt. The calculation you should complete is: (Average residential assessed value ÷ 1,000) x property tax rate for the water system debt. If you need assistance with this calculation, please call your county assessor/tax collector or call the Economic Development Department's Financial Analyst at (503) 986-0128.

SECTION 6: WATER SYSTEM

Please note if all water system connections are metered. If all connections are not metered, note what percentage is not metered.

Note if two or more water systems will combine to become a single larger system because of this project.

SECTION 7: CERTIFICATION

This Letter of Interest should be signed by a mayor, city manager or administrator, county commissioner, water district chair, association or board president, or other responsible official or officer.

QUESTIONS OR PROBLEMS

Call the Oregon Economic Development Department at (503) 986-0122 or (800) 233-3306 and ask for a Project Coordinator.

Implementation (continued from page 1)

- Support functions, including database maintenance, file documents, maintenance of master files.

Local Assistance and Other State Programs - Source Water Assessment. The 1996 Safe Drinking Water Act authorizes a one-time set-aside of 10% from 1997 SRF funds (\$1.9M) for the purpose of assessing drinking water source water protection areas. The assessment is the key foundation for building a local drinking water protection program. In addition, the SRF final guidelines state that primacy states are required to undertake these assessments. Assessments are also required to support future tailoring (reduction) of individual water system sampling requirements. The set-aside funds available will allow for completion of assessments for all community and nontransient noncommunity water systems. However, funds available are insufficient to complete assessments at this level for noncommunity systems, and these will be handled on a less formal outreach basis. The total set-aside will be expended by the Health Division and DEQ over a 3.5 year period, which includes an 18-month extension.

While the recommendation is to use economy of scale for this short-term project by limited duration state agency staffing at the Health Division and DEQ, the recommendation is open to providing equivalent funding to communities who wish to hire a consultant for the work, and to reimbursing the few communities who have already performed this work on their own.

Expected accomplishments are given below:

- Development of methodology for assessment of surface water sources. (Groundwater sources will be assessed according to the Oregon Wellhead Protection Guidance Manual).
- Individual assessments of source water areas for 882 community and 329 nontransient noncommunity systems, including source water area delineation, inventory of potential contaminant sources, and a limited susceptibility analysis.
- Reports on assessments provided to water suppliers and available to the public.
- Incorporate delineated areas into geographic information format.
- Development of a detailed database of statewide hydrogeologic data from the assessment process.
- Development and implementation of a more generalized approach to assess water sources for 1504 noncommunity systems, emphasizing an outreach program.

Local Assistance and Other State Programs - Establish and Implement Drinking Water Protection Programs, Technical and Financial Assistance to Water Systems as Part of a Capacity Development Strategy. The recommendation is to fund work at the

DEQ for drinking water protection implementation and for the Health Division to contract with county health departments, other service providers, and organizations for capacity assessment and capacity development work (\$0.8M). The term “capacity” as used here refers to the technical, managerial, and financial capacity of the water system to provide safe drinking water now and in the future. Expected results are listed below:

- 50 water systems will implement local drinking water protection programs.
- Strategies for dealing with underground storage tanks will be developed and implemented by 40 water systems through the DEQ Environmental Partnership of Oregon Cities program.
- A statewide capacity development strategy will be developed along with a capacity assessment tool.
- 200 systems will be assessed for technical, managerial, and financial capacity.
- 50 systems will receive intensive capacity development assistance.
- Sanitary surveys will be completed for 1,082 public water systems (five-year frequency).

Technical Assistance to Small Water Systems. The maximum set-aside (2% of the SRF fund) is recommended for technical assistance to systems serving 10,000 or fewer people (\$0.6M). Existing programs are operated in Oregon by various service providers and organizations and we anticipate that this effort will generate additional approaches and ideas during 1997-99. Therefore, the committee recommended that funds be used to expand circuit-rider programs, and that the remainder be obligated for possible future support of additional volunteer-based programs now under design. The circuit rider proposal would accomplish 840 on-site technical assistance visits during the biennium.

Summary of Agency Positions Requested

The following is a summary of requested positions (and Full Time Equivalents - FTE) for the Health Division, OEDD, and DEQ under both the Primacy Program and the Safe Drinking Water Revolving Loan Fund for 1997-99:

PROGRAM	POSITIONS/FTE
Primacy:	
Health Division	3 / 3.00
Safe Drinking Water SRF:	
Health Division	6 / 4.38
OEDD	4 / 4.00
DEQ	8 / 5.785

Safe Drinking Water Revolving Loan Fund Schedule

The Drinking Water Advisory Committee, the Safe Drinking Water Revolving Loan Fund Users Group, the three state agencies, and interested organizations have



Drinking Water Program, Oregon Health Division
 Department of Human Resources
 P.O. Box 14450
 Portland OR 97214-0450

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accomplished a great deal in a short period of time. The schedule below shows work items completed (shown with strike-out), and work items left on the implementation schedule. The schedule is dependent on the outcome of the legislative session, so schedule adjustments may become necessary.

DWAC Meeting - Overview of SDWA, DWSRF	10/10/96
DWAC Meeting - DWSRF implementation	
—schedule	11/7/96
DWAC Meeting - Primacy and SRF admin.	
—set aside	12/3/96
DWAC Meeting - Source water protection	
—set aside)	1/9/97
Legislative E-Board meeting	1/9/97
DWAC Meeting - Capacity Development	
—set asides, appoint DWSRF Users Group	2/4/97
DWSRF User Group Meeting	2/26/97
DWAC Meeting - Final set-aside	
—recommendation	3/13/97
OEDD Budget Presentation	3/25/97
DWAC Meeting - Budget review	4/3/97
DWSRF User Group Meeting	4/9/97
Health Division Budget Presentation	4/21-22/97
DWAC Meeting - Revise DWSRF schedule	5/1/97
Publish DWSRF Letter of Interest in newsletter	5/19/97
DWSRF Users Group mtg. - Loan	
recommendations	5/28/97
EPA Region X SRF Workshop	6/4-6/97

DWSRF Users Group mtg. - final	
recommendations	6/25/97
DWSRF Letters of Interest due	7/1/97
OEDD proposed SRF rule package completed	7/8/97
DWAC Mtg. - review SRF rules	7/15/97
DWAC Mtg. - final SRF proposed rules	8/7/97
Files notice of proposed rulemaking (SRF)	
with Sec. of State	8/15/97
Public hearings on rules	9/16-19/97
Receive public comment	9/26/97
Submit DWSRF application to Region X EPA	11/3/97
Loans to Communities	Early 1998

Members of the public are welcome at the DWAC and SRF Users Group meetings. Call Diane Weis at (503) 731-4010 for meeting details.

Dave Leland, P.E., is Manager of the Drinking Water Program
 Doug Wise is Water Supply & Treatment Supervisor of Eugene Water & Electric Board

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