

Intended Use Plan

State Fiscal Year 2017

Sept. 19, 2016



**Clean Water State
Revolving Fund Loan
Program**

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Introduction

The Intended Use Plan is a document the Oregon Department of Environmental Quality prepares for the U.S. Environmental Protection Agency and others interested in Oregon's Clean Water State Revolving Fund Program. This IUP describes how DEQ proposes to use the CWSRF funds during state fiscal year (SFY) 2017, (July 1, 2016 through June 30, 2017).

DEQ's CWSRF program offers below-market interest rate loans and bond purchases to public agencies for planning, design, construction or implementation of the following water quality improvement projects:

- Wastewater collection, treatment, water reuse and disposal systems
- Non-point source water pollution control projects
- Development and implementation of management plans for federally-designated estuaries in Oregon (Tillamook Bay and Lower Columbia River)

Applicants that have submitted applications for eligible projects are included on the project priority list in priority order. However, DEQ does not commit or reserve funds for individual projects until an applicant meets all application requirements. This indicates the project's readiness to proceed. DEQ funds projects that are ready to proceed in priority order.

All CWSRF program activities are governed by Oregon Administrative Rules Chapter 340, Division 54, which can be found on the [Secretary of State website](#):

Clean Water Benefits and FFATA Reporting EPA requires state CWSRF programs to fund only projects that have a demonstrated environmental benefit. States must report this benefit for each project in the Clean Water Benefits Reporting (CBR) database no later than by the end of the fiscal quarter in which the SRF loan, amendment, or SRF binding commitment is executed, as a condition of the capitalization grant. DEQ will report these environmental outputs or outcomes along with other required data fields in CBR by the end of the fiscal quarter in which the project is signed into a SRF financial assistance agreement.

Additionally, to meet the Federal Funding Accountability and Transparency Act (FFATA) reporting requirement called, DEQ will report projects with a combined dollar amount equal to the applicable capitalization grant. Oregon's newly executed SRF financial assistance agreements in excess of \$25,000 will be entered into the federal System for Award Management SAM online database by the end of the month after which the agreement was executed, in accordance with EPA guidance¹. For example, a project loan signed any day in May 2017 will be entered into SAM by June 30, 2017.

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Guidance on Federal Funding Accountability and Transparency Act reporting through Clean Water State Revolving Fund and Drinking Water State Revolving Fund data systems (March 23, 2011).

CWSRF Program Goals

Long Term Program Goals

- Goal #1:** Protect public health and the waters of the state by offering financial assistance for water pollution control projects.
- Goal #2:** Provide financial support for water quality improvement projects that incorporate innovative and sustainable approaches.
- Goal #3:** Administer the Clean Water State Revolving Fund to ensure its financial integrity, viability and perpetuity as a source of financial assistance.
- Goal #4:** Assist public agencies as they strive to achieve and maintain compliance with federal and state water quality standards.
- Goal #5:** Encourage public agencies to focus on high priority, water quality improvement projects statewide including stormwater, nonpoint source and estuary management projects.
- Goal #6:** Provide technical assistance to public agencies by using the principles of effective utility management to assess financial, operational, managerial and infrastructure capability needs that will result in water quality improvement.
- Goal #7:** Provide small public agencies with additional assistance that will result in their ability to complete water quality protection and improvement projects.
- Goal #8:** Ensure program budget adequately supports resources and administrative costs.
- Goal #9:** Encourage public agencies to use planning loans for water quality improvement and protection projects that incorporate sustainability and integrate natural green infrastructure with traditional gray infrastructure.
- Goal #10:** Continue coordination and cooperation with other state and federal programs in providing financial assistance to Oregon public agencies.
- Goal #11:** Solicit input from a standing external advisory committee on program development and implementation issues, as appropriate.

Short Term Program Goals

- Goal #1:** Continue to maintain the revolving nature of the fund and an active pace of disbursements in conjunction with the receipt of new funds and loan repayments.
- Goal #2:** Provide the type and amount of financial assistance most advantageous to public agencies, to the maximum extent possible within the constraints of sound financial management, law and regulation.
- Goal #3:** Provide additional subsidization as required by the federal fiscal year 2015 and 2016 capitalization grants.
- Goal #4:** Fund green infrastructure, water or energy efficiency improvements or environmentally innovative projects that total the amount required by the federal fiscal year 2015 and 2016 capitalization grants.

Federal Capitalization Grant Requirements

DEQ must comply with EPA capitalization grant requirements to receive its federal funding allocation. The annual EPA capitalization grant provides additional funding to the CWSRF that increases DEQ's capacity to fund water quality improvement projects. This IUP includes the federal fiscal year (FFY) 2016 (Oct. 1, 2016 through Sept. 30, 2017) capitalization grant.

DEQ expects to receive the FFY 2016 capitalization grant, in the amount of \$14,974,000 in August 2016.

FFY 2016 Cap Grant Payment Schedules

The estimated payment schedule for the FFY 2016 capitalization grant is:

July – Sept. 2016: \$6,000,000
Oct. – Dec. 2016: \$6,000,000
Jan. – March 2017: \$2,974,000

DEQ plans to disburse 100 percent of the required state match prior to disbursing any of the associated federal grant funds.

Program Administration

Administrative Expenses

DEQ charges an annual fee in the amount of 0.5 percent of the unpaid balance (beginning with the second payment) as prescribed in OAR 340-054-0065(6). Annual fees are adequate to support DEQ’s administration of the program, and DEQ will continue to monitor the fees fund to ensure the revenue source is adequate. Fee revenue is kept in an account separate from the regular CWSRF loan fund and is used exclusively to pay CWSRF program administrative costs. As of June 30, 2016, the CWSRF program had approximately \$3.5 million in the administrative fund available for administrative expenses.

DEQ uses the annual fee revenue to pay administrative expenses for program operations and therefore chooses to bank the 4 percent allowed under the capitalization grant for administrative use. The banked authority stands at \$8.4 million. See Figure 1 below for a recap of the total grants (including the total grants through the FFY 2016 Cap Grant, administrative allowance, allowance used and the remaining banked authority).

Figure 1: Total of Banked authority

Total Cap Grants through 2016	\$462,389,785
4 percent admin allowance	18,495,591
Allowance used through 6/30/2015	<u>10,101,744</u>
Banked authority remaining	8,393,847

Funding Options

Two funding options are available through the CWSRF program:

- loans with terms not-to-exceed the lesser of 30 years or the useful life of the asset
- bond purchase agreements not-to-exceed the lesser of 30 years or the useful life of the asset.

Terms and Conditions

Loans and Bond Purchases

The CWSRF offers loans and bond purchases with maximum repayment duration of 30 years after project completion, and interest rates based on the average 20-year municipal bond rate, as published by the Federal Reserve. Loans with shorter repayment terms may have different interest rates. The average bond rate is calculated on a quarterly basis. 30 year loans are subject to an interest rate premium based on community demographics. A percentage of that rate is used for the CWSRF loan interest rate on loans signed in the subsequent calendar quarter. These percentages are stated in OAR 340-054-0065(4).

Interest rates for 20-year loans signed during the period July 1, 2016 through September 30, 2016 will be about 1.31 percent for small communities with median household income (MHI) below the statewide MHI, and about 1.80 percent for all other communities. Loan rates are based on the average municipal bond rates during the July through September period. New rates will be calculated and published on the [CWSRF website](#) in October 2016 for the next quarter.

Applications

DEQ published and sent out an Annual Solicitation and Update [Newsletter](#) to interested parties in February 2016 to solicit applications for CWSRF financing. DEQ encourages public agencies to submit a completed application for all eligible projects regardless of the project schedule or status. Although DEQ accepts applications at any time, application deadlines are set prior to DEQ's scoring meetings. The application deadlines for funding during DEQ's SFY 2017 are August 12, and December 9, 2016 and April 14, 2017.

Under OAR 340-054-0025(6)(a), projects will remain on the priority list for up to 36 months, after which they will be removed from the list. DEQ also removes projects from the list upon execution of a borrowing agreement or upon request by the applicant.

This IUP includes 19 projects for a total of \$101,133,334 in requested funding. Since the 2016 IUP Update #2, DEQ received six new applications. These applications are from the Cities of Dayton, Heppner, Joseph, Madras, Pilot Rock and the Green Sanitary District. Eleven applications have been removed from the list of projects in Table 1 because loan agreements were signed or the applicant was no longer requesting CWSRF funds. These applicants are the Cities of Bend (2), Drain (2), Coos Bay, Pilot Rock, Warrenton, Rock Creek, Newport and the Clackamas Soil and Water Conservation District.

Table 1 contains a brief description of each project, organized in alphabetical order, which includes:

- Newest applications are identified with a project number ending in "17."
- Applicants that serve populations of 10,000 or less are indicated as eligible for small community reserve funds as defined by administrative rule.
- Projects that meet categorical green project reserve requirements are identified with qualified funding.

Project Descriptions

Application Number	Applicant Name Description	Requested Amount
11750-13	City of Ashland (Jackson County)	\$11,200,000
Sec. 212 Design and Construction. New oxidation ditch and pipeline improvements to provide sufficient treatment during high flows. This project includes a sponsorship project in the amount of \$1,300,000 to partially replace an irrigation canal with a pipeline. This piping project is consistent with Oregon Nonpoint Source Management Plan sections 2.3.3 and 3.3.1.		
14500B-15	City of Bend (Deschutes County)	\$5,450,000
Sec. 212 Design and Construction. Design and rehabilitation of five identified areas and corrosion control throughout of the existing plant interceptor of the collection line.		
14500C-15	City of Bend (Deschutes County)	\$7,895,000
Sec. 212 Design and Construction. Design and construction of a bypass valve and new force main within the north area.		

Application Number	Applicant Name Description	Requested Amount
18230-16	City of Brookings (Curry County)	\$3,214,470
<p>This proposal includes I/I work throughout city, including 2 miles of sewer mains and laterals. Construction to install 1500 linear feet of 27-inch of secondary interceptor on Railroad St. Pump testing and overhaul for 28 pumps. A methane storage and FOG feasibility study will provide methane gas storage to assure consistent supply of methane, supplied by anaerobic digester, to heat the digester. The project will also include aeration blower upgrades. This proposal also includes a Sponsorship Option (\$845,385) to redirect drainage to bio-swales in Azalea Park, develop engineered wetlands, improve storm drainage on Chetco Avenue, and update the city's current water conservation plan.</p> <p>The stormwater related actions qualify for green project reserve funding; \$355,000 categorically green infrastructure (1.2-2). Updating the water conservation plan qualifies for green project reserve funding; \$25,000 categorically water efficiency improvement (2.2-5). The sponsorship projects are consistent with Oregon Nonpoint Source Management Plan sections 1.2, 2.3.4, 3.3.2, and 5.3.10.</p>		
20590-16	City of Canyonville (Douglas County)	\$9,070,000
<p>Sec. 212 Design and Construction Convert activated sludge tank to an equalization basin; add membrane system (MBR) for tertiary treatment; new UV disinfection; biosolids treatment; a new control and blower building. The project is driven by MAO to meet chlorine, ammonia, and phosphorous permit limits. This is an interim financing loan for USDA-RD.</p>		
22700-16	Clean Water Services (Washington County)	\$35,111,614
<p>Sec. 212 Design and Construction with Sponsorship Option. 1) upgrade secondary treatment at their Durham treatment plant, including a new aeration basin and a new secondary clarifier; 2) construct an on-site renewable natural gas fueling facility at their Rock Creek treatment plant; and 3) riparian/floodplain restoration in the Fanno Creek sub basin. The Durham upgrades should allow CWS to maintain compliance for a variety of permit requirements through 2036. This project is consistent with the goals of the Oregon Nonpoint Source Management Program Plan, section 3.5.3 - Total Maximum Daily Loads and Water Quality Management Plans.</p>		
26110-15	City of Dallas (Polk County)	\$7,000,000
<p>Sec. 212 Design and Construction. Project for expansion of the irrigation of treated (Class A) effluent in parks, playgrounds, and athletic fields to include industrial uses and residential landscape irrigation. The project also includes rehabilitation of 5,000 LF of an interceptor sewer line to avoid sewer overflows during high flow events. This project includes a Sponsorship Option in the amount of \$1,750,000 to acquire 460 acres of land adjacent to Mercer Reservoir. The reservoir is the City's drinking water supply and purchasing the surrounding land will protect the reservoir from sedimentation and runoff. The project will reuse 37 percent of its Class A treated effluent at a cost of \$6M and requires a business case to qualify for green project reserve under GPR guidance section 2.4. The Sponsorship Option is supported by section 3.4.3 of the 2014 Oregon Nonpoint Source Management Plan.</p>		
26750-17	City of Dayton (Yamhill County)	\$2,500,000
<p>Sec. 212 Design and Construction. Replace the footbridge pump station and the Ferry Street trunk sewer (approximately 3,000 LF) both elements were built in 1965 and are under capacity. This is an interim financing loan for USDA-RD</p>		

Application Number	Applicant Name Description	Requested Amount
29650-16	City of Dundee (Yamhill County)	\$950,000
<p>Sec. 212 Design and Construction with Sponsorship Option. This is an I/I project intending to reduce high flows during rainstorm events. One such event caused a plant washout in 2014 rendering the plant unable to perform biological treatment of its wastewater. This proposal includes a Sponsorship Option in the amount of \$350,000 that will connect, replace, and upsize components of their stormwater collection system. The sponsorship option portion of this project is consistent with the goals of the Oregon Nonpoint Source Management Program Plan, Section 3.3.3.</p>		
37450-14	City of Glendale (Douglas County)	\$1,600,000
<p>Sec. 212 Design and Construction and Small Community. Design and construction of upgrades to the headworks, pump station, treatment unit, tertiary sand filter, and reconstruction of existing outfall.</p>		
38980-17	Green Sanitary District (Douglas County)	\$600,000
<p>Sec. 212 Design and Construction. Purchase of approximately 180 acres of land for effluent irrigation to meet the excess thermal load limits during the summer months. The purchase of the land will eliminate summer discharge to the South Umpqua River.</p>		
43690-17	City of Heppner (Marrow County)	\$40,000
<p>Sec. 212 Planning. DEQ requests feasibility study for ammonia treatment before permit will be renewed. City already has a completed facility plan.</p>		
49800-17	City of Joseph (Wallowa County)	\$30,000
<p>Sec. 212 Planning. The City will develop a Wastewater Facilities Plan. Facilities have not been studied in over 20 years. The City is experiencing needs in the wastewater treatment and disposal systems and needs to evaluate its adequacy for current and projected needs.</p>		
57510-16	City of Lincoln City (Lincoln County)	\$260,000
<p>Sec 319 Local Community Loan. The city will make financing available to property owners of 43 residences within a Local Improvement District (LID) to install a grinder pump, construction of a service line between the grinder and the existing lateral, and decommissioning of the existing septic tank. The collected wastewater will discharge to an existing pump station and conveyed to the City's WWTP. The project will benefit Devil's Lake that is 303(d) listed for Chlorophyll A, pH, harmful algal blooms/aquatic weeds. This project is consistent with the goals of the Oregon Nonpoint Source Management Program Plan, section 6.1.</p>		
62370-17	City of Madras (Jefferson County)	\$1,150,000
<p>Sec. 212 Design and Construction. This project will address a safe and preferred means of disposal of wastewater for the Herzberg Heights and Bel-Air Estates by adding a collection system extension; pipeline to connect into main extension.</p>		
73540-17	City of Pilot Rock (Umatilla County)	\$4,135,000
<p>Sec. 212 Design and Construction. The city will construct a new evaporation pond system on city owned property to eliminate the current secondary pond, eliminate potential impacts to shallow groundwater, and adjacent 303 (d) listed Birch Creek. A new lift station will be added in a new location. This is an interim financing loan for USDA-RD</p>		

Application Number	Applicant Name Description	Requested Amount
76070-16	City of Redmond (Deschutes County)	\$7,129,250
<p>Sec. 212. Design and Construction. The City of Redmond's Wastewater Collection System Master Plan calls for a new Eastside Sewer Interceptor (ESSI) to serve properties east of the railroad. The ESSI will prevent sewer capacity problems in the Dry Canyon (a recreational area), eliminate pump stations and convey flow to the treatment plant in a line that is designed appropriately. Eliminating the pump stations will reduce operation and maintenance costs, and reduce energy usage by relying on gravity rather than pumps.</p>		
83810-13	City of Sheridan (Yamhill County)	\$1,700,000
<p>Sec. 212 Design and Construction and Small Community. Design and construction of improvements to the main lift station and associated force main.</p>		

Project Priority List in Alphabetical Order

[Appendix 1](#) includes all projects for which DEQ has received applications, whether or not the project is ready to proceed. To be awarded funding, an applicant must complete all applicable CWSRF requirements. The project priority list is in alphabetical order by applicant, and includes the following additional information required by EPA: (1) project number; (2) amount requested; (3) EPA needs category; (4) water quality permit number (for federal NPDES permits EPA's "OR" identification number is listed and for state WPCF permits the DEQ identification number is listed); and (5) preliminary project schedule.

Project Priority List in Rank Order

Appendix 2 includes the same projects listed in Appendix 1; however, this list is sorted in project rank order. Appendix 2 also includes the points assigned during the scoring process, applicable green project reserve category, and an indication whether the project was submitted by a small community as defined under OAR 340-054-0010(28), or is for facility planning, or both.

Applicants Ready to Proceed

CWSRF program staff score and rank each eligible application submitted, and then the project is included in the IUP. DEQ will only fund a project if it is included in the IUP and is ready to proceed. "Ready to proceed" means satisfying all CWSRF requirements, including, but not limited to: a land use compatibility statement; an environmental review (if applicable); and documentation supporting compliance with the federal cross-cutting authorities. An applicant is not considered ready to execute an agreement until all requirements have been satisfied. DEQ will offer funding to ready to proceed applicants throughout the year and will be reflected in subsequent IUP updates.

Appendix 3 indicates three applicants are ready to proceed including the City of Lincoln City (57510-16), City of Canyonville (20590-16), and City of Redmond (76070-16). These applicants have completed the CWSRF requirements necessary to receive a loan offer for their projects.

Funding Award By-Pass Procedure

The CWSRF program may not always have sufficient funds available to offer funding to all projects that are ready to proceed. In this situation, DEQ will award funding to projects that are ready to proceed in rank order based on the Project Priority List ranking as published in the IUP. If an applicant declines funding, DEQ will go to the next highest ranking project and offer funding to that project, until all available CWSRF funds have been committed. If the number of projects ready to proceed does not draw down all available CWSRF program funds, DEQ will award funding without regard to ranking, since available funds will accommodate all projects ready to proceed. This encourages applicants to proceed with their projects and CWSRF funds are used in a timely manner. This procedure allows DEQ to fund a lower ranking project ahead of a higher ranking project if the lower ranking project is ready to proceed while the higher ranking project is not. DEQ will use this same procedure for the Green Project Reserve funding to ensure these are fully obligated in accordance with DEQ and federal requirements.

Priority Ranking Criteria

DEQ used criteria in OAR 340-054-0026 and 340-054-0027 to rank projects. Non-planning project ranking criteria include: water quality standards and public health considerations; watershed and health benefits; and other considerations. Planning projects are ranked similarly to the non-planning applications.

Estimated Funds Available for State Fiscal Year 2017

Appendix 4 provides the calculation of funds available for SFY 2017 and includes the first half of SFY 2018 (hereafter referred to as SFY 2017 for this section only). This calculation includes the FFY 2016 capitalization grant in the estimated amount of \$14,974,000.

Sources of Funds

Federal Capitalization Funds

DEQ will allocate any additional federal or state funds that become available during SFY 2017 based on this IUP. The FFY 2016 capitalization grant award includes a proposed federal payment schedule based on project schedules and when the cash will be needed.

State Match DEQ plans to issue bonds for additional matching funds in late summer or fall of 2016. Appendix 4 represents the timing of the funds supply to the demand for funds. DEQ has the statutory and budgetary authority to raise sufficient match in order to provide the required 20 percent state contribution as needed.

Investment Earnings

Investment earnings are projected conservatively through SFY 2017 based on low-market interest rates and the relatively high cash balance of the CWSRF. The long term goal is to keep cash reserves low by balancing the need for cash to cover variability in project completion schedules against the goal of keeping funds in use by communities. As the program's available cash balance gradually declines due to the disbursement of funds to borrowers, investment interest earnings also will gradually decline.

Repayments

Appendix 4 shows projected repayments (principal repayments and interest payments) for SFY 2017 and SFY 2018 in the amount of \$182,251,423 as included in the cash available. This amount includes the following three categories (from most time-certain to least time-certain):

- 1) Repayments on projects that are fully disbursed and already in repayment;
- 2) Repayments of interim loans with long-term financing through USDA Rural Development; and
- 3) Repayments on signed agreements that are not fully disbursed at this time but are expected to be in repayment before the end of SFY 2017.

The estimates for 2) and 3) are less time-certain because they are dependent upon timely project completion. Repayment schedules are delayed frequently when projects finish later than anticipated. However, unscheduled prepayments increase the actual repayments received. New agreements for short-term projects also increase the repayments actually received. The net effect of these factors in recent years has been to increase actual repayments received over the amount projected. In addition, this estimate of repayments does not include repayments from agreements not yet executed, but which could be signed and in repayment during SFY 2017.

The amount of repayments stated above includes DEQ's estimate of repayments, based on existing agreements. SFY 2016 is included in this calculation as the demand for disbursement funds has historically been spread over at least three years after the agreement is signed. Additionally, the inclusion of repayments supports the supply of funds to the demand for funds. Failure to provide funding at a level that can be supported by the program means fewer projects completed and higher balances of CWSRF cash remaining unused. Future calculations of funds available may be adjusted as conditions warrant.

Uses of Funds

Administrative Expenses

Prior to 2004, DEQ used the 4 percent allowed under the capitalization grant for administrative uses. After 2004, DEQ uses the annual fee revenue to pay administrative expenses for program operations and therefore chooses to bank the 4 percent allowed under the capitalization grant for administrative use. Appendix 4 represents the historical use of this allowance.

Debt Service on Match Bonds

When state match bonds are sold, the CWSRF program will be required to pay the debt service on the bonds. This has an impact on the dollars available to fund projects this year and in future years. Annual debt service on bonds issued in the amount of \$5,000,000 averages approximately \$400,000. In addition to the proposed cost of the SFY 2017 match bonds, the CWSRF also will pay approximately \$1,900,000 in debt service costs during SFY 2017 on bonds issued in previous years. This debt service has a limiting effect on the availability of funds needed for the program over the long term.

Funding Allocations

Each year DEQ establishes a maximum amount per project and sets aside certain amounts for the planning reserve, small community reserve, green project reserve and additional subsidization based on administrative rules. Based on current funds available, the maximum amount per project for SFY 2017 is \$27,337,714.

DEQ does not expect to fund any projects for more than the maximum amount per project. However, this could occur if there are not enough projects are ready to proceed during SFY 2017. If this occurs, any remaining available funding may be offered to existing borrowers in rank order.

Planning Reserve

The total planning allocation cannot exceed \$3,000,000 per OAR 340-054-0036(1)(b). Projects will be funded until such time as the reserve is fully allocated, or until any remaining reserve is reallocated to design or construction projects. Planning projects that are not fully funded through the planning reserves may be funded with the remaining funds only by competing with all other projects in priority order. If the planning reserve is not used, DEQ will allocate any remaining funds to design or construction projects in priority order during the final quarter of the state fiscal year.

Small Community Reserve

The small community, population of 10,000 or less, is a reserve that cannot exceed 25 percent of the current funds available per OAR 340-054-0036(1)(a). For SFY 2017, the maximum funding under the small community reserve is \$40,525,463. Small community projects that are not fully funded through the small community reserves may be funded with the remaining funds only by competing with all other projects in priority order. If the small community reserve is not used, DEQ will allocate any remaining funds to design or construction projects in priority order during the final quarter of the state fiscal year.

Green Project Reserve

The FFY 2016 capitalization grant requires DEQ to use at least 10 percent of the grant for projects that qualify for funding under the green project reserve. The minimum amount of green project reserve DEQ must provide from the FFY2016 capitalization grant will be \$1,509,400.

For a project to obtain green project reserve funding, it must follow the EPA GPR Guidance ([EPA 2012 Green Project Guidance](#)) for determining project eligibility. Appendix 2 indicates projects that meet the green project reserve under the four categories: Green Infrastructure – GI; Water Efficiency – WE; Energy Efficiency – EE; and Environmentally Innovative Activity – EIA.

Appendix 5 summarizes how DEQ expects to satisfy the FFY 2015 and FFY 2016 green project reserve requirement by executing an agreement with four projects.

The FFY 2015 requirement of \$1,575,800 will be met with the Clackamas Soil and Water Conservation District, project number 22405-16, application in the amount of \$250,000 of which \$250,000 is a categorically environmentally innovative project, Rock Creek Irrigation District, project number 78270-15, application amount of \$270,786, of which 100% is categorically water efficiency and Clean Water Services, project number 22700-16 of which \$2,160,000 is 100% categorically green infrastructure.

DEQ expects to meet the GPR requirement for FFY 2016 with City of Dallas project number 26110-15, application amount of \$7,000,000 of which \$1,750,000 is 100% categorically water efficiency.

Please see the chart below for a breakdown by federal fiscal grant year.

FFY Grant	2015	2016
GPR Req	1,575,800	1,509,400
Clackamas SWCD	250,000	
Rock Creek	270,786	
Clean Water Services	2,160,000	
Dallas	1,750,000	
	(1,104,986)	(240,600)

DEQ will obtain documentation to verify these projects meet the green project reserve eligibility categorically or through a business case prior to execution of funding.

Throughout the year DEQ receives new projects that are included in IUP updates. DEQ anticipates fulfilling future green project reserve requirements for capitalization grants throughout the year with the eligible ready-to-proceed projects. DEQ will identify green project reserve allocations in subsequent IUP updates. DEQ cannot reallocate the Green Project Reserve funds to any other funding category.

Additional Subsidization

The 2014 amended Clean Water Act no longer requires that state CWSRF programs provide a minimum amount of principal forgiveness. Accordingly, DEQ revised its rule in OAR 340-054-0065(11) to allow a percentage of each capitalization grant to eligible applicants as principal forgiveness. The amount of principal forgiveness provided each year is dependent on the amount of the federal appropriation and to some extent the percentage of principal forgiveness offered by DEQ in previous years.

Subsequent to the WRRDA Clean Water Act amendments pursuant to Additional Subsidization, the FFY2016 Capitalization Grant Agreement includes a provision requiring 10% of the allocated grant be offered as Additional Subsidization. This will be in addition to any principal forgiveness that DEQ offers as allowed by OAR 340-054-0065 (11). For the FFY2016 grant, DEQ plans to award City of Madras \$557,500, City of Redmond \$500,000, Green Sanitary District \$300,000 and City of Dundee \$425,000 in principal forgiveness. These four applicants qualify for additional subsidization under the affordability criteria outlined in OAR 340-054-0065(11). There are no other eligible recipients at this time.

Proposed State Fiscal Year 2017 Activity

Appendix 5 includes projects proposed for funding with SFY 2017 funds based on the calculation of funds available as stated in Appendix 4.

The top section of Appendix 5 shows projects that may receive increases to their existing agreements. The lower section shows new agreements that may be executed, based on applications already received and includes the highest ranking projects that could be funded if ready to proceed. Funds will be allocated as projects become ready to proceed and funds are available. As indicated in this table, SRF program funds are currently oversubscribed. OAR-340-054-0036 (3)(a)(A) places a cap of awarding no more than 15% of available funds in any given fiscal year to a single loan. Recipients of program funds in amounts less than the total amount applied for in SFY 2017 may receive additional funding from DEQ in future years to supplement the unfunded amount requested in SFY2017.

Appendix 5 is an estimate only and the actual SFY 2017 funding activity may be different based on the demand for funds, the overall ranking of projects, projects' readiness to proceed and recent rule amendments. Any remaining available funds will be obligated as applicants become ready to proceed and request agreements. In addition to the amount required by the FFY 2016 [Capitalization Grant](#) agreement, DEQ may provide up to 8% of the FFY2017 Capitalization Grant in additional subsidization in the form of principal forgiveness Applicants who meet the requirements according OAR 340-054-065 (11) will be offered principal forgiveness as they become ready to proceed.

Timely Use of Funds

DEQ intends to use funds in the CWSRF program in a timely and expeditious manner. EPA requires funds to be committed within one year of availability, with some exceptions. [Appendix 6](#) documents DEQ's CWSRF program compliance with this requirement, including information by project for early repayments. DEQ has three years to commit early principal payments.

Federal loan

With the rule revisions of October 2015, DEQ established a new type of loan, the "federal loan". Launching of the federal loans is a pilot project giving DEQ the opportunity annually to offer incentives, in the form of a reduced interest rate, on a first come, first serve basis for a subset of borrowers subject to additional federal funding application requirements. These projects are funded with monies directly made available by the federal capitalization grant for the associated federal fiscal year. This strategy obligates one or two large communities in each fiscal year to address the cross cutters, allowing DEQ, when appropriate, to waive the cross cutter documentation from smaller, less resourceful communities.

Binding Commitments and Funds Available

EPA's Memorandum #SRF 99-05 requires the CWSRF program to execute binding commitments at least equal to the amount of funds available in the program, within one year of that fund availability. [Appendix 6](#) calculates the amount of funds available in 2017 and compares that amount to the

binding commitments executed as of June 30, 2016. Appendix 6 identifies the binding commitments including the details of early repayments from applicants during SFY15 and SFY16.

Environmental Review/Cross Cutters

EPA approved DEQ's current state environmental review process in Feb. 2008 and documentation of this process is available upon request and can be found on DEQ's website.

At a minimum, projects equal to the amount of EPA's capitalization grants must comply with federal cross-cutter laws. DEQ is in compliance with the federal cross cutter requirements, and all DEQ design and construction projects must comply with federal cross-cutting authorities.

For FFY 2016 Capitalization Grant reporting purposes, City of Canyonville and City of Redmond are identified as DEQ's "federal loans." As outlined in an earlier section, Canyonville and Redmond have met all federal equivalency requirements, including the federal cross cutting authorities. This action allows subsequent qualified borrowers to have this requirement waived.

Operating Agreement

The operating agreement between the EPA Region 10 and the DEQ for the CWSRF includes procedures, assurances, certifications, applicable federal authorities and laws, and other on-going documentation required for the program. The Operating Agreement is discussed here to incorporate the required assurances, certifications and other documentation by reference. Copies of the operating agreement are available upon request.

Single Audit Act

Borrowers who have been disbursed federal funds under DEQ's CWSRF program may be subject to the requirements of the Single Audit Act and 2 CFR 200 (Omni Circular). DEQ monitors borrowers' compliance with those requirements in an amount equal to the capitalization grants.

Public Involvement

Oregon's CWSRF program provides several opportunities for the public's involvement. These include the formal public notice process when administrative rules are revised, a public notice for projects requiring an environmental determinations, and when the Intended Use Plan is revised on a regular basis.

Rulemaking

The program's administrative rules are often revised to address changes in federal requirements or to better meet the financial needs of local communities. Oregon's rulemaking process includes input from a public advisory committee, public hearings and public comment periods. The public is also encouraged to provide comments directly to the Environmental Quality Commission on administrative rule changes.

CWSRF Advisory Committee

DEQ frequently involves public advisory committees to assist the agency in developing policy. DEQ established the CWSRF Advisory Committee to address program issues and provide input to DEQ for rulemaking. The standing committee includes 14 members representing statewide organizations with an interest in financing water quality, improvement projects. Interests represented included local governments, wastewater treatment facilities, environmental advocacy, federal and state agencies, and local conservation districts. Committee meetings are considered public meetings and the public is welcomed to attend.

Public Notice of an Environmental Determination

Applicants must complete an environmental impact analysis for projects funded under the Clean Water Act, Section 212. The environmental review process includes the opportunity for public review and comment, which is generally a 30-day period. DEQ currently issues a public notice in a state-wide publication and in a local publication for each project. This public notice may also be required for Clean Water Act Section 319 and Section 320 projects that also are considered Section 212 projects.

Notice and comments on the Intended Use Plan

DEQ completes an Intended Use Plan annually and updates the plan as DEQ receives new applications to the CWSRF program. The draft IUP is then published in the Dailey Journal of Commerce. The notice process includes a 30-day public review and comment period. Upon the completion of the public comment period, DEQ considers all comments, and then finalizes the IUP.

Public Notice of This Intended Use Plan

**Public Notice
Oregon DEQ Clean Water State Revolving Fund
Proposed Intended Use Plan State Fiscal Year 2017**

**Notice Issued: Aug. 10, 2016
Comments Due: Sept. 12, 2016**

What was proposed?

The Oregon Department of Environmental Quality prepared a *Proposed Intended Use Plan, State Fiscal Year 2017* for the Clean Water State Revolving Fund Program in accordance with procedures set forth in Oregon Administrative Rules, chapter 340, division 54.

A copy of the *Proposed Intended Use Plan, State Fiscal Year 2017* was available on DEQ's website at: <http://www.deq.state.or.us/wq/loans/iup.htm>. Comments on the IUP had to have been submitted in writing via mail, fax, or email any time prior to the comment deadline of 5:00 p.m. on Monday, September 12, 2016. Written comments were mailed, faxed or emailed to:

Mail: Oregon Department of Environmental Quality,
Water Quality Program
Attn: Larry McAllister
811 SW Sixth Ave.
Portland, OR 97204-1390

Fax: 503-229-6037

Email: intendeduseplancomments@deq.state.or.us

In addition to the above notice, DEQ sent email notification of this proposed Intended Use Plan to the new applicants for this funding cycle, and to the following:

David Carcia U.S. Environmental Protection Agency 1200 6 th Avenue, Seattle, WA 98101	Janet Gillaspie, Executive Director Oregon Association of Clean Water Agencies 107 SE Washington St., , Portland, OR 97214
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Public Comments

Summary of Public Comments and Agency Responses

Written comments were received from one commenter, David Carcia, U.S. Environmental Protection Agency (Seattle, WA) during the public notice period for the Proposed Intended Use Plan – State Fiscal Year 2017. Summaries of comments and the Department’s responses are provided below.

Comment #	EPA Comment	DEQ Response
1	Please correct the amount of the grant award to \$14,974,000. This amount should be reflected in any cumulative or aggregate numbers used that include the FF2016 cap grant.	DEQ agrees and will revise the grant award and associated numbers.
2	As required by the FF2016 CS41000116-1 grant condition, please correct the payment schedule: \$6,000,000 for July-Sept 2016; \$6,000,000 for Oct-Dec 2016; and \$2,974,000 for Jan-Mar 2016.	DEQ agrees and will make the change
3	Also related to EPA comment #1, cumulative capitalization grants through 2016 should be reviewed to ensure it reflects the \$14,974,000 FF2016 grant award.	DEQ agrees and will review
4	Use of Funds, Please review p.13 and appendix 4 to ensure that the debt service listed for the state fiscal year 2017 is consistent in locations.	DEQ agrees and will review
5	Proposed SFY 2017 Activity, Federal Grant Year - Typo: Third paragraph, sentence three should read "...FFY2016 Capitalization Grant..."	DEQ agrees and will make this change
6	Estimated Funds Available – Investment earnings actual through FY2015 is listed as \$37, which appears to be incorrect. Please review and correct as needed.	DEQ agrees and will review
7	Estimated Funds Available – Please correct the amount of the grant award to \$14,974,000.	DEQ agrees and will revise this number
8	Estimated Funds Available – Please remove source of funds estimated to come from a future 2018 capitalization grant as these funds have not been appropriated by Congress.	DEQ agrees and will revise this number

Appendices

Appendix 1: Project Priority List in Alphabetical Order

NOTES:

*The Application date is DEQ's Application Deadline when DEQ received the application.

**The "Start" and "Completion" dates listed in the Preliminary Project Schedule were developed from the information provided in the respective project application.

*** Green Sanitary District's project is a land purchase

Applicant	Project #	Amount Requested (\$)	EPA Needs Category	Permit Number	Preliminary Project Schedule		
					Application*	Start	Completion
Ashland	11750-13	11,200,000	I,IV-B,VII	OR0026255	Sep-15	Oct-15	Jan-16
Bend	14500B-15	5,450,000	III-B	OR101572	Sep-15	Sep-15	Aug-15
Bend	14500C-15	7,895,000	III-B	OR101572	Sep-15	Sep-15	Jan-16
Brookings	182360-16	3,214,470	III-B, IV-A,VI	101773	Apr-14	Jul-16	Oct-16
Canyonville	20590-16	9,070,000	I, II	OR002072-9	Aug-15	May-18	Oct-19
Clean Water Services	22700-16	35,111,614	I, II, VII-K	OR002811-8	Aug-15	Jun-16	May-17
Dallas	26110-15	7,000,000	I, II, III-A, X	101518	Jul-15	Jul-15	Aug-15
Dayton	26750-17	2,500,000	III-B	101742	Apr-16	May-16	Oct-17
Dundee	29650-16	950,000	III-A, VII-D	101722	Jul-15	Aug-15	Sep-17
Glendale	37450-14	1,600,000	I	OR0026409	Apr-13	Jul-13	Oct-15
Green Sanitary District***	38980-17	600,000	I	100554	Apr-16	Oct-16	Nov-16
Hepner	43690-17	40,000	I, II	OR101732	Apr-16	Jun-16	Jul-16
Joseph	49800-17	30,000	I, II	101602	Apr-16	Aug-16	Jun-17
Lincoln City	57510-16	260,000	VII-L	NA	Aug-15	Jan-16	Jan-19
Madras	62370-17	1,115,000	IV-A	101739	Apr-16	Jul-17	Dec-17
Parkdale Sanitary District	71490-16	2,133,000	I, II	101322	Apr-15	Jun-16	Apr-18
Pilot Rock	73540-17	4,135,000	I	971357	Apr-16	May-18	Dec-18
Redmond	76070-16	7,129,250	IV:A,B	101500	Apr-15	Jan-16	Dec-16
Sheridan	83810-13	1,700,000	III-B	OR0020648	Jul-15	Jul-15	Oct-15

Appendix 2: Project Priority List in Rank Order

Priority Ranking	Scoring	Project Number	Applicant	Amount Requested	Green Project Reserve Category and amount	Small Community & Facility Planning
1	90	11750-13	Ashland	11,200,000		
2	68	20590-16	Canyonville	9,070,000		SC
3	64	18200-15	Brookings	3,214,470	GI - \$355,000, WE - \$25,000	SC
4	60	73540-17	Pilot Rock	4,135,000		SC
5	58	37450-14	Glendale	1,600,000		SC
5	58	62370-17	Madras	1,115,000		SC
6	57	71490-16	Parkdale Sanitary District	2,133,000		SC
6	57	26750-17	Dayton	2,500,000		SC
7	55	38980-17	Green Sanitary District	600,000		SC
7	55	57510-16	Lincoln City	260,000		SC
8	52	22700-16	Clean Water Services	35,111,614	GI - \$2,160,000	
9	49	29650-16	Dundee	950,000		SC
10	45	83810-13	Sheridan	1,700,000		SC
10	45	26110-15	Dallas	7,000,000	WE - \$6,000,000	
11	37	14500B-15	Bend	5,450,000		
11	37	14500C-15	Bend	7,895,000		
12	30	76070-16	Redmond	7,129,250		
13	19	43690-17	Heppner	40,000		SC & FP
13	19	49800-17	Joseph	30,000		SC & FP

Appendix 3: Applicants Ready to Proceed

Priority Ranking	Scoring	Project Number	Applicant	Amount Requested	Green Project Reserve Category and amount	Small Community & Facility Planning
2	68	20590-16	Canyonville	9,070,000	N/A	SC
7	55	57510-16	Lincoln City	260,000	260,000	N/A
12	30	76070-16	Redmond	7,129,250	N/A	N/A

Appendix 4: Estimated Funds Available Thru State Fiscal Year 2017

Sources of Funds	Actual Through FY 2015	Actual For FY 2016	Estimated For FY 2017-18	Total
Federal Capitalization Grants	431,657,785	15,758,000	14,974,000	462,389,785
State Match *	83,488,926	0	5,000,000	88,488,926
Investment Earnings	35,569,609	1,482,935	2,800,000	39,852,544
Loan Principal Repayments	521,795,926	22,995,336	65,514,881	610,306,143
Loan Interest Payments	166,393,405	9,158,321	17,829,347	193,381,073
Total Sources of Cash	1,238,905,651	49,394,592	106,118,228	1,394,418,471
Uses of Funds				
Loans and Amendments	1,040,108,607	111,428,406	N/A	1,151,537,013
Administration Expense paid with Grant	10,101,744	0	0	10,101,744
Debt Service on Match Bonds	46,194,023	2,034,268	2,300,000	50,528,291
Total Uses of Cash	1,096,404,374	113,462,674	2,300,000	1,212,167,048
Sources of Cash less Uses of Cash	142,501,277	-64,068,082	103,818,228	182,251,423
Net Available to Loan - FY 2017	N/A	N/A	182,251,423	182,251,423

*includes \$3M transfer from Fee Account in 2002

Error! Hyperlink reference not valid.: Estimated State Fiscal Year 2017 Activity

Project	Facility Planning	Small Comm.	GPR Funding (Cap Grant Year 15,16)	Other	FP,SC,GPR and Other Total	PF Subsidy	Remaining Available CWSRF Funds
Current Available Funds	3,000,000	45,562,856	4,148,314	129,540,254	182,251,423	2,716,920	182,251,423
Use of Available Funds - Increases							
Bend *				27,337,714	27,337,714		154,913,710
Coos Bay		4,000,000			4,000,000		150,913,710
Subtotals	-	4,000,000	-	27,337,714	31,337,714	-	150,913,710
Balance	3,000,000	41,562,856	4,148,314	102,202,540	150,913,710	2,716,920	150,913,710
Use of Available Funds - New Loans							
Ashland				11,200,000	11,200,000		139,713,710
Bend				5,450,000	5,450,000		134,263,710
Bend				7,895,000	7,895,000		126,368,710
Brookings		3,214,470			3,214,470		123,154,240
Canyonville		9,070,000			9,070,000		114,084,240
Clean Water Services *				27,337,714	29,670,325		84,413,915
Clean Water Services			2,160,000		2,160,000		82,253,915
Dallas		5,250,000	1,750,000		7,000,000		75,253,915
Dayton		2,500,000			2,500,000		72,753,915
Dundee		950,000			950,000	425,000	71,803,915
Glendale		1,600,000			1,600,000		70,203,915
Green Sanitary District		600,000			600,000	300,000	69,603,915
Heppner	40,000				40,000		69,563,915
Joseph	30,000				30,000		69,533,915
Lincoln City				260,000	260,000		69,273,915
Madras		1,115,000			1,115,000	557,500	68,158,915
Parkdale Sanitary District †		2,133,000			2,133,000		66,025,915
Pilot Rock		4,135,000			4,135,000	500,000	61,890,915
Redmond †				7,129,250	-		61,890,915
Sheridan		1,700,000			1,700,000		60,190,915
Subtotal	70,000	32,267,470	3,910,000	59,271,964	90,722,795	1,782,500	
Balance	2,930,000	9,295,386	238,314	42,930,577	60,190,915	934,420	

*Current request exceeds maximum allowed per OAR-340-054-0036 (3)(a)(A). At the end of SFY2016 the DEQ may allocate any remaining funds.

† denotes signed agreement

Appendix 6: Binding Commitments and Funds Available

FUNDS AVAILABLE AS OF JUNE 30, 2016:

Total Federal Cap Grants Awarded	Total State Match	Total Principal Repayments	Total Interest Repayments	Total Investment Interest	Total Early Principal Repayments SFY 15, 16*	Total Cumulative Admin Allowance and Bond Debt Service	TOTAL FUNDS AVAILABLE	
447,415,785	83,488,926	544,791,262	175,551,726	37,052,544	-15,584,890	-66,124,922	1,288,300,243	
					2015 -12,739,250	Admin allowance -17,896,631		
					2016 -2,845,640	Bond debt service -48,228,291		
						adjusted total	1,206,590,431	
Total Binding Commitments as of June 30, 2016:								1,160,799,263
Binding Commitments as a Percentage of Funds Available From 2016:								96.2%

* We have 3 years to commit early principal payments

EARLY REPAYMENTS DEQ HAS RECEIVED FROM BORROWERS

Borrower/Loan Number	Amount	State Fiscal Year	
Athena 11850	48,239	FY 2015	9/12/2014
Athena 11850	10,208	FY 2015	10/29/2014
Neskowin SD 68650	58,441	FY 2015	7/2/2014
Creswell 25140	2,839	FY 2015	12/1/2014
Coburg 23043	6,175,421	FY 2015	1/28/2015
Govt Camp 38350	57,991	FY 2015	2/10/2015
Govt Camp 38350	43,068	FY 2015	8/15/2015
Gresham 39192	3,017,094	FY 2015	5/27/2015
Gresham 39191	2,767,097	FY 2015	5/28/2015
Gresham 39189	434,568	FY 2015	5/29/2015
lone 47690	14,000	FY 2015	6/18/2015
Coos Bay Port 24190	110,284	FY 2015	5/29/2015
Total	12,739,250		
Tri City Water and Sanitary 92270	141,869	FY2016	7/1/2015
Gov't camp 38350	57,991	FY2016	8/10/2015
Winston 97792	282,728	FY2016	8/27/2015
RUSA78860	75,371	FY2016	9/1/2015
Waldport 94341	79,837	FY2016	9/2/2015
Athena 11850	32,204	FY2016	10/14/2015
Monument 66390	99,951	FY2016	11/17/2015
Sisters 85050	15,989	FY2016	1/12/2016
Reedsport	100,000	FY2016	2/1/2016
Gov't camp 38350	69,736	FY2016	2/10/2016
Farmers Irr Dist	1,500	FY2015	5/20/2016
Hood River 45760	1,888,464	FY2016	6/1/2016
Total	2,845,640		