



Safe Drinking Water Act - Protecting America's Public Health





2017 DWSRF INTENDED USE PLAN

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SECTION A: Drinking Water State Revolving Fund (DWSRF)

A-1 Plan Introduction:

The national Drinking Water State Revolving Fund (DWSRF) program established by the Safe Drinking Water Act (SDWA) Amendments of 1996, 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.

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 requirements of the Federal Safe Drinking Water Act 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. Employees charging time to the DWSRF program are covered by the State of Utah personnel benefits plan. The DWSRF program is charged a loan administration fee by the Division of Finance.

The DWSRF program requires the states to deposit to the loan fund an amount equal to at least 20 percent of the capitalization grant. Loan repayments made by assistance recipients return to the loan fund and provide a continuing source of financing. The following table summarizes awards received by DDW, the allocation between loan and set-aside funds and the required state 20% match.

Table 1 Summary of DWSRF Grants June 30, 2016								
Federal Fiscal Year	Award Dated	Award Allocation						State 20% Match
		Total		Loan Fund		Set-Aside Funds		
		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 1, 2003	\$ 8,004,100	100%	6,473,444	80.877%	1,530,656	19.123%	1,600,820
2004	July 1, 2004	\$ 8,303,100	100%	6,724,604	80.989%	1,578,496	19.011%	1,660,620
2005	June 23, 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 19, 2009	\$ 19,500,000	100%	18,915,000	97.000%	585,000	3.000%	0
2009	June 28, 2009	\$ 8,146,000	100%	6,822,275	83.750%	1,323,725	16.250%	1,629,200
2010	June 16, 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%	5,485,060	63.236%	3,188,940	36.764%	1,267,400
Total		\$ 195,019,500	100%	\$ 156,725,701	80.364%	\$ 38,293,799	19.636%	\$ 34,641,500

Utah's DWSRF program produced the following results through SFY16:

Utah's DWSRF fund utilization rate at the end of SFY16 was 79%. From the beginning of the program thru FY 2016 the DWSRF fund has provided drinking water assistance to communities of approximately \$219.2 million, \$278.8 million was available.

In SFY16, Utah entered into three binding commitments for a total of \$3,002,474. As of February 28, 2017, DWSRF has eleven projects authorized by the Drinking Water Board totaling \$35,122,998, with five more loans which already closed in the first half of FY 2017 totaling \$2,235,000. The calculation of the utilization rate as of December 31, 2016 was maintained at a utilization rate of about 79%. We anticipate closing about \$9.5 million funds in new shovel ready loans in calendar year 2017, thereby maintaining a 79% utilization rate.

The allotment between states is based on state needs surveys. DDW was allocated one and four hundredth percent for the federal fiscal years 2014 through 2017. The needs survey process is currently being evaluated for the years 2018 through 2021.

DDW will continue to contract with Rural Water Association of Utah (RWAU) to assist small public water systems. They anticipate assisting approximately 200-300 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 bases 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.

DDW under the direction of the Board administers the loan and set-aside programs.

The DWSRF program and procedures are expected to primarily continue similarly as is described in the Operating Agreement.

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-transient 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 distribution of loan funds is outlined in Utah Administrative Code R309-705.

Loans Program Eligibility Requirements

1. Repayment must begin no later than one year after completion of the project.
2. Loan repayment must be complete no later than 20 years after the completion of the project. A disadvantaged community loan may have up to 30 years as long as the period of the loan does not exceed the expected design 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 which has a median adjusted gross income which 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 2017 DWSRF capitalization grant 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. It is anticipated the American Iron and Steel (AIS) provision will be included in the federal FY17 appropriation bill for the 2017 DWSRF capitalization grant. The AIS provision requires iron and steel products used during the construction of drinking water projects be produced in the

United States. DDW intends to follow this requirement and request a waiver for an exception when necessary.

7. It is not anticipated the 2017 capitalization grant 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 a 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 all 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. The state program provides Utah the flexibility to put together loan packages without the restrictions that accompany the DWSRF program. The DWSRF program requires a 20% state match which is generated from the state SRF loan program.

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.

The “Water Infrastructure Improvements for the Nation (WIIN) Act passing in December 2016 revises two set-asides. It appears to remove the overmatch (1:1) for the ten percent set-aside and changes the calculation methodology for the four percent set-aside. Although how to implement these changes are currently unsure, DDW will comply with all programmatic and administrative conditions as required for this grant award. Set-aside activities include:

- 1) 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 an amount equal to the sum of any state fees collected plus the greatest one of three options: 1) \$400,000, 2) 1/5% of the current fund value or 3) 4% of all grants awarded to the fund under this section for the fiscal year.
- 2) 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. In the past, this set-aside has required a dollar-for-dollar state match and as per 40 CFR 35.3535 (d) (2) a credit of up to half of the state match from the 1993 state match credit of \$855,668 would have been permitted. However, in accordance with the WIIN Act of 2016 it appears the dollar-for-dollar match is no longer required. Sufficient state funding to meet the match is available if necessary.
- 3) Up to two percent of the allotment to provide technical assistance to small public water systems;
- 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, Financial Status and Goals:

An Intended Use Plan (IUP) explains how the state will use all funds available from the capitalization grant, including funds that will be allocated to the set-asides. Specifically, the IUP describes how DDW plans to use available funds. 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 2017 DWSRF appropriation based on the continuing resolution from 2016 in the amount of \$8,674,000. DDW is requesting \$5,900,000 to be added to the loan fund and \$2,774,000 to the set-aside program. The federally mandated 20% state match of \$1,734,800 will be funded from the Drinking Water State loan program and will be available to transfer into the DWSRF fund within 90 days of the award date.

The Intended Use Plan (IUP) is for the 2017 DWSRF appropriations and will include:

- 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) Projects authorized for funding and those anticipated to be closed in FFY2017 and the 1st or 2nd quarter of FFY2018.

Short and Long-Term DWSRF Goals:

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

Short-Term Loan Program Goals

1. Seek the award of the FFY 2017 Capitalization Grant to secure federal funding for the DWSRF program and follow all the grant requirements.
2. To identify water systems in need of capital improvements, willing and able to meet DWSRF requirements.
3. 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.

4. To provide a permanent and solvent source of funding to assist communities with financing water systems' capital improvements to maintain compliance with USEPA standards and promote public health.

Long-Term Goals and the Set-Aside Goals

1. To 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 and the need to develop managerial, technically and financially sound water systems.
3. Continue to educate and support water suppliers with their water protection (counter-terrorism) efforts.
4. Create a WaterLink equivalent database for the SRF Program. Transfer SRF data currently in Casper.
5. Implement and train employees to use a barcode reading system for checking out material from the Field Section lending library.
6. Continue to expand and automate the Operator Certification program. Create an online "Backflow 101" screencast training course.
7. Continue to improve the reporting of analytical data to DDW by enabling the electronic transfer of laboratory analytical data from LHD labs.
8. Maintain and improve the SDWIS/WATERLINK database system. Assist migration to SDWIS PRIME.
9. Continue identifying noncompliant water systems using the ETT (Enforcement Target Tool) to assist them to provide safe drinking water to the public.
10. Continue to develop an electronic management system (EDOCS) providing easier access to and storage of essential documents.
11. Provide web access to a predetermined list of standard reports such as: monitoring schedules, IPS reports, inventory reports, and Operator CEU's.
12. Develop aquifer susceptibility mapping using the "DRASTIC" model. (**D**epth to water, **R**echarge, **A**quifer media, **S**oil media, **T**opography, **I**mpact of vadose zone, and **C**onductivity).

Transfer and Cross-Collateralization of Funds between the DWSRF and CWSRF:

Section 302 of the SDWA authorizes the transfer up to 33 percent of the amount of a fiscal year's DWSRF program capitalization grant to the CWSRF program or an equivalent amount from the CWSRF program to the DWSRF program. There has been no transfer of funds and no transfers are anticipated.

Withholding of Funds:

EPA has the ability 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 nontransient, noncommunity 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 nontransient, noncommunity 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 web site, www.drinkingwater.utah.gov in March, 2017. Notice of the posting and request for public comment will be included in the Board's March 2, 2017 meeting. Minutes will be e-mailed to approximately 200 interested individuals and agencies asking for review and comments. 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 regular scheduled Board meeting. Comments received will be reviewed and incorporated as deemed necessary into the set-aside work plan (due to EPA 90 days from grant award date); however no comments are anticipated to be received.

Financial status:

Initial capitalization for the Utah DWSRF program was provided from the 1997 Federal Capitalization Grant and state matching dollars. For the 19 years, 1997 through 2016, DWSRF capitalization grants totaled \$195,019,500. \$157,144,401 was the total loan program portion and \$37,875,099 was used in the set-aside programs. The State 20% match for the same period was \$35,108,900 was added to the loan program. Through February 28, 2017 the Board has authorized about 173 projects totaling approximately \$291,676,000. 128 projects totaling \$222,005,079 have been closed (committed) and 12 additional projects totaling \$35,720,998 have been authorized by the Board but have not been closed (not committed). DDW anticipates three projects totaling of \$3,796,000 to be authorized in the next Board meeting. Revenue, disbursements and balances are shown in the financial statements thru June 30th, 2016.

DDW is applying for \$8,674,000 using the 1.04% allocation and based on the continuing resolution as adopted by Congress. When funding is finalized, amounts may be changed

to reflect the authorized amounts. It is anticipated \$5,900,000 will be provided to the loan fund and \$2,774,000 to set-asides. The state 20% match of \$1,734,800 will be transferred to the loan fund within 90 days of the award date. In fiscal year 2017, the Utah State Legislature appropriated \$800,000 from the State SRF. The \$800,000 appropriation will be ongoing and will be used to meet the 1:1 match of \$867,400. The balance will be met by the PWSS credit of 1993 totaling \$855,688, not to exceed more than ½ of the state match. Additionally, with the WIIN Act passing in December 2016 – it appears the 1:1 state match may not be required for the 2017 capitalization grant. Nonetheless, DDW will comply with all grant award programmatic and administrative conditions.

The WIIN Act of December 2016 revises how the 4% administrative set-aside is calculated. Based on DDW's calculations it seems option one of \$400,000 may be the greatest option of the three new options to be added to fees (See B3 Page 22 for Set-Aside calculations). The amount of administrative set-asides DDW would like is \$791,739. DDW believes sufficient funding is available from either the new calculation method or from reserve funds to obtain the desired set-aside amount for these activities. Table 2 identifies the maximum set-asides which could be requested if every possible set-aside percentage and all reserves were applied for in the 2017 capitalization grant.

TABLE 2 MAXIMUM AVAILABLE SET-ASIDE AWARDS W/STATE MATCH IF ALL RESERVES WERE USED THIS YEAR				
ACTIVITY	PROG. ELEM.	RESERVE BALANCE	2017 Maximum w/20% state match	
Loan Fund	17DA		4,081,300	1,734,800
4% Administrative Set-Aside			346,960	4%
4% reserve amt		1,048,760	1,048,760	
Maximum 4% w/ max reserves	17DD		1,395,720	
2% Small Sys.Tech. Asst. max =	17DE	no reserve	173,480	2%
10% State Program Set-Aside max =	867,400			
10% reserve amt		855,000	855,000	16.21%
PWS Supervision			867,400	10.0%
Capacity Development Oversight			0	0.0%
Source Water Protection			0	0.0%
Operator Certification			0	0.0%
TOTAL State Program Set-Aside	17DF		1,722,400	10%
15% Local Assistance Set-Aside max=		no reserve		
Local Assistance			0	0%
Capacity Development Outreach			867,400	10.0%
Source Water Assessment			0	0%
Wellhead Protection			433,700	5.0%
TOTAL Local Assistance Set-Aside	17DG		1,301,100	15.0%
No more than 10% in one category				
TOTALS	15.0%	1,903,760	7,625,240	1,734,800
TOTAL CAPITALIZATION GRANT =	8,674,000			

SOURCES AND USES TABLE 3				
SOURCES:	Cumulative Total through 6/30/16		7/1/16- 6/30/17	Cumulative Total through 6/30/17
Federal Capitalization Grants	\$195,019,500	a	\$8,674,000	\$203,693,500
State Match				
20% Capitalization Grant Match	35,108,900	b	1,734,800	36,843,700
10% Set-Aside 1:1 Match	18,041,630		0	18,041,630
Principal Repayments on Assistance Provided	70,876,409		6,514,000	77,390,409
Interest Repayments on Assistance Provided	11,781,084		1,372,000	13,149,520
Investment Earnings	4,275,313		600,000	4,875,313
Fees Deposited into the DWSRF	0	c	0	0
Funds Transferred from (to) CWSRF	0		0	0
SOURCES TOTAL	\$335,102,836		\$18,894,800	\$353,997,636
USES:				
Loan/Grant Agreements Entered:				
Large Systems (>10,000 population)	\$56,463,595		\$ 0	\$56,463,595
Small Systems (>10,000 population)	162,750,918		2,337,000	165,087,918
Additional Subsidy	34,695,150		1,236,000	35,931,150
Projects w/loans pending (shovel ready proj)	0		11,072,998	11,072,998
Auth projects with loans pending	0		26,846,000	26,846,000
Projects submitted not yet authorized	0		1,011,000	1,011,000
Projects not yet submitted (2 nd round)	0		34,967,896	34,967,896
SET-ASIDES:				
4% Administration	6,752,914		646,960	7,399,874
2% Small System Technical Assistance	3,900,787		0	3,900,787
10% State Program Management- 1:1 mat	18,041,130		0	18,041,630
PWSS Program Augmentation	15,155,164		657,400	15,812,564
Source Water Administration	1,362,825		50,000	1,412,825
Operator Certification	932,395		150,000	1,082,395
Capacity Development Program Oversight	345,778		10,000	355,778
PD Database	620,000		0	620,000
State Program Management Subtotal	36,457,292		867,400	37,324,692
15% Local Assistance/Other State Programs				
Local Assistance & Capacity Development Outreach	6,991,006		867,400	7,858,406
Capacity Development Project in 1998	997,537		0	997,537
Source Water Assessments	352,978		0	352,978
Wellhead and GIS tracking	463,715		250,240	713,955
	0		0	0
LA/Other State Program Subtotal	8,805,236		1,117,640	9,922,876
USES TOTAL	\$275,130,742		\$78,866,894	\$353,997,636

- a. Total federal appropriation thru FFY 2016 Capitalization Grant. DDW uses a fifo methodology for Unliquidated Obligations which can be found in Table 7 "2017 and 2018 Cash Flows and Cash Draw Proportionality" Page 16
- b. 20% State Match came from Water Development State Revolving Fund thru FY 2016.
- c. DDW does not leverage any of their SRF funds.
- d. 20% State match for 2017 Capitalization Grant will be deposited to fund within 90 days of award date.
- e. 10% 1:1 State Match is the award amount and has included 1993 PWSS credit of not more than \$855,668 for each year.
- f. 2017 repayments, interest and investment earnings are estimated.

B-2 LOAN PROGRAM:

UAC R309-705 establishes criteria for financial assistance to public drinking water systems in accordance with the Federal SDWA. A copy of UAC R309-705 can be found at <http://www.rules.utah.gov/publicat/code/r309/r309-705.htm>. The 2017 DWSRF capitalization grant along with carry forward funds from previous grant awards, repayments, interest and fee payments, and investment earnings provides the funds the Division has available 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 method 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. Currently, all applications meeting requirements are prepared to be taken 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.

The PPL will be used for the 2017 DWSRF capitalization grant and any other funds used for loan projects. Projects authorized by the Board but which 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. A list of authorized and proposed projects requiring funding is listed next in Table 4.

TABLE 4						
AUTHORIZED FUNDING as of 2/28/2017						
Community	Loan #			Loan Amt	Forgiveness	Total
West Erda Improvement District	3F233			811,000	811,600	1,622,600
Juab County	3F259			21,210,000	0	21,210,000
Corinne City	3F266			442,000	113,500	555,500
Springdale	3F264			3,856,000	1,652,350	5,508,350
Virgin Town	3F272			1,120,000	0	1,120,000
Irontown	3F271			379,000	95,000	474,000
Glen Canyon SSD #1/Big Water	3F270			1,052,000	176,000	1,228,000
San Juan Spanish Valley SSD	3F275			1,785,000	765,000	2,550,000
Bridge Hollow Water Assoc	3F280			158,000	67,000	225,000
Hanksville	3F279			421,000	180,548	601,548
Monticello	3F281P			39,000		39,000
PROPOSED PROJECTS						
Community	Loan #			Loan Amt	Forgiveness	Total
Cove SSD	3F285			600,000	485,000	1,085,000
Torrey Town	3F287			1,700,000		1,700,000
Rocky Ridge Town	3F286			606,000	405,000	1,011,000
				\$34,179,000	\$4,750,998	\$38,929,998

Green Infrastructure:

The 2017 capitalization grant does **not** require projects to meet a minimum percentage to be used for water efficiency, energy efficiency, green infrastructure, or other environmentally innovative activities. However, DDW is always pursuing green projects including technological innovations to enhance green development.

Delayed Authorized Projects:

Table 5 identifies and explains water system projects which were scored and included in previously submitted project priority lists or were previously included in the 2016 Intended Use Plan. Some of these projects have merely been substantially delayed while others have withdrawn their request or their funding has changed and the project will not be funded with federal DWSRF funds for a variety of reasons.

TABLE 5			
Community	Loan #	Amt of Loan	Reason not funded
Eagle Mountain	3F254	2,895,000	Moved to State funding
Fillmore City	3F239	2,152,000	Moved to State funding
Greenwich Wtr Assn	3F258	130,000	Moved to Hardship Grant funding
Liberty Pipeline Company	3F236	699,000	Applicant auth 5/15 & withdrew 1/17
North Fork SSD	3F260	2,199,000	Moved to State funding
Old Meadows	3F255	413,292	Incomplete application rcd in 2015, but was scored on PPL. Project is inactive and was deleted from the PPL in Jan 2017. Was not ever authorized.
Wellington	3F265	1,063,000	Applicant auth 4/16 & withdrew 1/17
West Erda Improvement District	3F233	1,622,600	Authorized in Nov 2014, the closing was substantially delayed. After a change of scope and a few vocal unhappy residents (primarily due to higher bills), the project is now back on tract and should be closing soon.

Current status and shovel ready loans:

For the last few years Utah has experienced lower than normal interest from drinking water systems in applying for financial assistance through the DWSRF program. DDW staff routinely promotes the program and encourages water systems to apply for financial assistance at conferences, in presentations and training sessions, and through letters written to both water system administrative contacts and consulting engineers. Although DDW is aware of the need for drinking water system infrastructure improvement projects at systems throughout the state, to date these efforts have produced limited results. DDW will continue to explore ways to better communicate with drinking water systems, advertise the DWSRF program, and encourage decision-makers that now is a good time to improve system infrastructure to maintain compliance with regulations.

Table 7 identifies shovel ready projects from the authorized table projecting a federal draw forecast to provide federal cash flow in SFY 2018. All projects listed are either in progress or are shovel ready and should be closed in the summer of 2017 or early 2018 calendar year.

Utah Federal SRF Program – Table 6

Project Priority List									
Priority Points	Total Unmet Needs =			Total Needs, incl. recently funded =			Request DWB		
	System Name	County	Pop.	Project Title	Project Total	Funds Authorized			
N 35.6	Rocky Ridge Town	Juab	790	New well, chlorination, SCADA, transmission line	\$1,011,061	\$38,184,855			
N 28.9	Woodland Mutual	Summit	186	Spring redevelopment, new tank, waterlines	\$2,940,000	\$265,345,700			
N 24.8	Torrey Town	Wayne	500	New water line and replacement	\$2,229,980				
N 12.5	Cove SSD	Sevier	100	New well, storage tank and water lines	\$1,611,000				
N 8.1	Thatcher Penrose SD	Box Elder	580	Waterline replacement	\$129,400				
A 82.6	West Erda	Tooele	158	Connect West Erda and Tooele Airport to Erda Acres	\$1,801,331	\$1,622,600			
A 72.3	Springdale	Washington	572	Treatment Plant	\$4,730,000	\$5,508,350			
A 43.3	Old Irontown POA	Iron	90	New 300,000-gallon tank and transmission line	\$478,788	\$474,000			
A 41.4	Virgin Town	Washington	750	New 500,000-gallon tank and transmission line	\$1,131,313	\$1,120,000			
A 28.7	Lizard Bench	Sevier	63	Water line, well house upgrades, chlorination, tank liner	\$56,000	\$28,000			
A 27.0	Bridge Hollow Water Assoc	Summit	45	New Well	\$225,000	\$225,000			
A 26.3	Hanksville	Wayne	210	Water line replacement	\$601,548	\$601,548			
A 25.3	San Juan Spanish Valley SSD	San Juan	491	New System: tank, well, distribution	\$5,125,758	\$2,550,000			
A 20.6	Corinne City	Box Elder	700	Radium filter, Spring Rehab, Transmission Line	\$561,111	\$555,500			
A 18.5	Glen Canyon/ Big Water Town	Kane	480	Refurbish Tank, radio read meters, distribution line	\$1,287,185	\$1,228,000			
A 18.3	Greenwich	Piute	67	New Chlorination Building	\$131,300	\$131,000			
A 11.4	Eagle Mountain	Utah	25,593	New water line and pump station	\$3,395,763	\$2,895,000			
A 9.7	Juab County	Juab	0	Regionalization pipeline	\$24,000,000	\$21,210,000			
A 7.9	Echo Mutual Water System	Summit	50	Radium filter, Spring Rehab, Transmission Line	\$35,857	\$35,857			
				N = New Application					
				A = Authorization					
				P = Potential Project – No authorization					

TABLE 7 – 2017 and 2018 FEDERAL CASH FLOWS AND DRAW FORECAST

SUBRECIENT	LOAN NO	BINDING CLOSED DATE	STRT DATE	TOTAL ULO's and new loan amounts	FFY 2016 Ending 9/30/17				SFY 2017 Ending 6/30/18		
					QTR 1 (O-D 16)	QTR 2 (J-M 17)	QTR 3 (A-J 17)	QTR 4 (J-S 17)	QTR 1 (O-D 17)	QTR 2 (J-M 18)	QTR 3 (A-J 18)
Closed loans fed funds not fully disbursed as of 6/30/2016											
White Hills Wtr Co	3F226	Apr-16	Jun-16	\$ 519,000	Balance of state match for 2016						
Taylor-West Weber Water	3F234	Apr-15	May-15	1,465,060	\$ 465,060	\$	\$ 1,000,000	\$	\$	\$	
2016 Closed loans											
Fairfield Cul Wtr Sys	3F252	Mar-16	Apr-16	1,160,000	1,160,000						
Boulder Farmstead Wtr Co	3F274	Aug-16	May-15	35,000	25,000	10,000					
Wales Town	3F276	Dec-16	Jan-17	253,000	253,000						
Winchester Hills Wtr Co	3F277	Feb-17	Feb-17	587,000		587,000					
Fayette	3F273P	Feb-17	Planning	34,000		34,000					
Lynndyl	3F284P	Feb-17	Planning	40,000			40,000				
2016 loans not closed											
Lizard Bench	3F278	Feb-17	Feb-17	28,000		28,000					
Springdale (may be split)	3F264	May-17	Jun-17	5,508,350			1,500,000	1,000,000	1,000,000	1,000,000	
Est 2017 & 2018 projects											
Corinne	3F266	May-17	Jun-17	555,500			555,550				
West Erda Improvement Dist	3F233	Jun-17	Jul-17	1,622,600				500,000		622,600	
Hanksville Town	3F279	Jun-17		601,548				601,548			
Torrey Town	3F287	Sep-17		1,700,000				1,000,000		700,000	
Cove SSD	3F285	Sep-17		1,085,000				1,085,000			
San Juan Spanish Vly SSD	3F275	Apr-18		2,550,000						1,000,000	
TOTALS				\$17,744,058	\$1,903,060	\$659,000	\$ 3,055,550	\$4,226,548	\$ 1,000,000	\$ 500,000	\$ 3,622,600
2015 SRF AWARD #FS 99878415 Balance 100% federal State Match was fully trnsfrd to loans in Apr 15.											
				\$ 465,060	\$ 465,060						
2016 SRF AWARD #FS 99878416											
State Match was 100% trnsfrd to loans in Aug 16.				fed	\$ 5,903,760	\$1,438,000	\$659,000	\$2,500,000	\$1,306,760		
				state	\$ 1,734,800						
2017 SRF AWARD #FS 99878417											
State Match will be fully trnsfrd prior to any fed \$ being disb				fed	\$ 5,900,000				\$1,740,538	\$1,000,000	\$2,659,462
				state	\$ 1,734,800		\$555,550	\$1,179,250			
						\$1,903,060	\$659,000	\$3,055,550	\$4,226,548	\$1,000,000	\$2,659,462

Additional information:

1. The 20% state match is transferred 100% into the DWSRF fund when the DWSRF grant is awarded (within 90 days).
2. All federal funds are disbursed using a fifo method (first in first out).

Assistance for Disadvantaged Communities:

Section 1452 (d) changed in the 2009 session 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". The 2012 session maintained the minimum requirement to 20 percent, but reinstated the previous maximum amount of no more than 30 percent of the federal award to be provided for loan subsidization. 2012 – 2015 had a minimum of 20 percent and a maximum of 30 percent. 2016 requires an exact 20% subsidization. DDW will comply with the programmatic conditions of the grant award.

The Board defines disadvantaged communities as those communities located in an area which has a median adjusted gross income which is less than or equal to 80% of the State's median adjusted gross income, as determined by the Utah State Tax Commission (USTC) from federal individual income tax returns excluding zero exemption returns, or 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. 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 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 upon 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 pre-determined 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 "disadvantage 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.

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 procedures listed below will be followed by the State in order to evaluate if partitioning a project from environmental review is appropriate.

A. 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.

B. Procedures for Making Determination Cat Ex:

1. 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).
2. During this survey the State will evaluate whether or not the project meets the criteria for a Cat Ex from environmental review.
3. 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.
4. 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.

C. 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.

D. 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.

B-3 SET-ASIDES:

Set-aside changes were implemented with the “Water Infrastructure Improvements for the Nation (WIIN) Act passing in December 2016. The Act removes the overmatch (1:1) for the ten percent set-aside and changes the calculation methodology for the four percent set-aside. Although how to implement these changes are currently unsure, DDW will comply with all programmatic and administrative conditions as required for the 2017 grant award.

Set-aside funding is used to:

Fund established programs

Fund continuing growth

Fund increasing operating costs

And to the extent set-aside funds are available, assist in funding the additional staff needed to implement new Federal rules regarding 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 except 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 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 2013.

2014 is fully spent with the final report being prepared. DDW is currently spending 2015 and 2016 grant years. The loan funds are also treated on the fifo basis.

The intended use of set-aside funds:

Maintain the staff (FTEs) hired with set-aside funds including benefits, costs allocated as a percent of personal services, and other related costs.

Continue to develop a new web based database for the DWSRF loan program tracking (migrate the data from CASPER) and enhance WaterLink to make DDW's online reports more interactive and useful with SDWIS Prime.

Continue our contract with the Rural Water Association of Utah (RWAU) to implement portions of the expanded operator certification, wellhead protection and capacity development programs. RWAU has also been assisting the DWSRF program with capacity development outreach activities.

Table 8 Set-Aside and State Match Requests					
ACTIVITY		AVAILABLE	2017 DWSRF		Total Request
Loan Fund	17DA	\$ 5,900,000	\$ 5,900,000	100%	\$ 5,900,000
4% Administrative Set-Aside	17DD	791,739	791,739	9%	
Plus reserves from prior grants			-	0%	791,739
2% Small Sys.Tech. Asst.	17DE	173,480	-	2%	-
10% State Program		867,400			
PWS Supervision			657,400	7.58%	657,400
Plus reserves from prior grants			-	0.00%	-
Capacity Development			10,000	0.12%	10,000
Source Water Protection			50,000	0.58%	50,000
Operator Certification			150,000	1.73%	150,000
TOTAL State Program Set-Aside	17DF		867,400	10.0%	867,400
15% Local Assistance (Up to 15%)		1,301,100			
Local Assistance & Capacity Development Outreach & Water Use Study			867,400	10.00%	867,400
Source Water Assessment				0.00%	-
Wellhead Protection			247,461	2.85%	247,461
TOTAL Local Assistance Set-Aside	17DG		1,114,861	12.85%	1,114,861
TOTALS			\$ 2,774,000	33.85%	\$ 2,774,000
TOTAL CAPITALIZATION GRANT =		\$ 8,674,000	\$ 8,674,000		
State 20% Match		1,734,800	1,734,800		1,734,800
State Program Management 1 for 1		-	-		-

Set-aside requests and intended use:

Administration set-aside:

The calculation for the four percent administrative set-aside in accordance with the 2016 WIIN law, consists of an amount equal to the sum of any state fees collected plus the greatest one of three options: 1. \$400,000, 2. 1/5% of the current fund value ($\$167,851,232 \times .002 = \$335,702$) or 3. Four percent of all grants awarded to the fund under this section for the fiscal year ($\$8,674,000 \times 4\% = \$346,960$).

Based on DDW's interpretation of the WIIN Act of 2016, DDW calculates as follows: The sum of any state fees collected in 2016 as reflected in the 2016 DWSRF financial statement of fees collected ($\$376,979 + 860 + 13,900 = \$391,739$) plus option one of \$400,000 which equals \$791,739.

Based on previous calculation methods, four percent of \$8,674,000 equals \$346,960, then added to \$300,000 from the four percent reserve account accumulated from previous grant years equals \$646,960. The total reserve account will have a balance of \$748,760 in the account for future use (beginning account balance of \$1,048,760 less \$300,000).

The amount of set-aside would then be no less than \$646,960 and preferably be \$791,739 based on the WIIN Act and use no reserves from the four percent set-aside reserves.

The administration set-aside will fund five to six full-time equivalents (FTEs) positions to operate the program in SFY 2018. The budget estimate will fund salary, benefits, office space, equipment, travel, training, supplies, and the indirect allocation for SFY 2018. The Construction Assistance Section is once again fully staffed. DDW would like to create a web based database to interrelate with WebLink (the web based SDWIS app). DDW will transfer existing DWSRF loan data (currently in CASPER) into the new database. The administration set-aside does not require a state dollar for dollar match.

State Programs set-aside:

The state programs set-aside total amount request is \$867,400. DDW is requesting the maximum amount ($10\% \times \$8,674,000$) divided into the sub-categories as listed in Table 8 (above). The sub-categories include PWS Supervision, Capacity Development, Operator Certification, and Source Protection. Budgeting, disbursements, and draws are also accounted for by sub-categories. DDW is not requesting any added funds from the 10% reserve account accumulated from previous grant years. The total reserve account will have a balance of \$855,000 left in the account for future use.

In the past, the State Program set-aside required a dollar for dollar state match. It appears based on the WIIN Act of 2016, the dollar for dollar match is no longer required for the 10% set-aside.

However if the dollar for dollar match is still required, DDW will be able to fully meet of the dollar for dollar match. Most of the match is available from a State Appropriation from the State SRF program, a small balance may be needed by using the PWSS credit allowed by section 1452 (g) (2) for fiscal year 1993 PWSS expenses. Approved additional state match

sources include hardship grant fees and technical assistance fees (which have been deposited into a separate fund, loan origination fees paid to DDW directly by a loan recipient (but which has not been included as principal in a loan), and operator certification fees (if operator certification fees are given an exemption in the capitalization grant award). But if needed, DDW should have sufficient state funds to meet the 1:1 state match without any added fees.

PWS Supervision (augmentation) set-aside:

We are requesting \$657,400 from the 2017 award; we estimate a carry-forward to SFY 2018 of \$494,000. Expenditures for SFY 2018 are estimated at \$897,300 not including \$800,000 appropriated from the state Legislature for this activity. The budget for SFY 2018 including the state funds equals \$1,697,300.

The PWS Supervision set-aside provides the necessary resources for DDW to continue performing basic core functions such as plan reviews, compliance monitoring, and many other facets of public health protection. Growth impacts in the state combined with the stricter EPA standard levels SDWA amendments and associated State and Federal regulations create a tremendous workload. The PWS Supervision set-aside funds are used primarily to fund our engineering section and other employees totaling approximately thirteen (13) FTE's to support DDW activities. The following items are also provided from the PWS Supervision set-aside funds:

1. The cost of a Data Processing programmer has been funded by the PWS Supervision set-aside to assist with the preparation and development of implementing SDWIS PRIME. A web based reporting tool called WaterLink was created which essentially replaces two old databases, SARA and CASPER. WaterLink allows for the creation of customized reports and real time data. It should improve staff efficiency with house reporting, IPS tracking, engineering reviews, and source protection.
2. The State of Utah contracts annually with twelve local health departments (LHD) to conduct sanitary surveys. The costs of the LHD's contracts are a fixed amount of \$377,220 annually. Do to the substantial amount being paid to the LHD's and DDW's desire to pay them from one funding source; the LHD's will no longer be paid from the 10% set-aside. They will be paid from DDW's general funds and the PWSS grant.
3. Previously, RWAU paid for three positions performing data entry, secretarial and other non-professional type work. These three positions have now transferred from RWAU employees to State of Utah employees. The costs of these three employees will still be partially covered from DWSRF set-asides.

Capacity Development Program:

DDW is requesting \$10,000 from the 2017 grant for oversight of the capacity development program. The estimated carry-forward to SFY 2018 is \$6,000. The amount budgeted for SFY 2018 is \$15,700. If expenses exceed the grant funds available in SFY 2017, a request to move funds from the PWS Supervision sub-category will be requested. This set-aside requires a dollar for dollar match.

The State of Utah has statutory authority for a capacity development program (Section 19-4-104 of the Utah SDWA). Time of one FTE, as needed, will oversee and maintain the program. The Division is current with all reports due to the Governor and USEPA.

Operator Certification Program:

The State has an Operator Certification program that has been mandatory since 1985. Prior to 1997 the program required community water systems serving more than 800 population and any public water systems treating surface water to have a certified operator. The statutory authority to reduce the threshold population from 800 to 25 was enacted by the 1997 Legislature. The Safe Drinking Water Act requires all community and non-transient, non-community water systems and all public water systems that treat surface water to have a certified operator.

USEPA published final Guidance (EPA-816-R-98-006) in July 1998 establishing national policy regarding the implementation of the operator certification related provisions of the SDWA including how EPA would assess State operator certification program for purposes of making withholding decisions.

Funding for the Operator Certification program comes from two sources:

- 1) Fees
- 2) DWSRF Operator Certification set-aside

DDW is requesting \$150,000 from the 2016 grant for the operator certification program. An estimated carry forward balance to FY 2017 is approximately (\$38,300). Expenditures budgeted for this category is \$100,000. The time of two FTE's is dedicated to coordinating and administering this program. The division contracts with the Rural Water Association annually to assist with operator certification training.

The operator certification program requires an operator to pay a fee. Currently DDW fees collected are approximately \$100,000 per year.

Source Protection Administration:

The SDWA Amendments of 1996 require each state to maintain a source water quality assessment program for all public water systems. The time of one FTE is dedicated to developing, implementing, and coordinating this program.

We are requesting \$50,000 from the 2017 grant for the source water program. An estimated carry forward balance to FY 2018 will be approximately \$44,000, to make a combined total of \$94,000 available. Estimate expenditures for FY 2018 were budgeted at \$53,500.

Small Systems Technical Assistance:

DDW is requesting \$0 and would rather the entire amount of \$173,480 (\$8,674,000 x 2%) be put into a reserve account for the 2% set-aside. A carry forward balance of approximately \$260,000 will be available for 2018 with estimated expenses of \$180,000. This set-aside is only used to fund our contract with the Rural Water Association of Utah (RWAU) which is primarily 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 which provides water system operators and managers with multiple strategies to reduce their energy costs. A number of 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.

DDW and RWAU entered an agreement of up to \$50,000 to purchase special equipment to assist small and very small water systems. The equipment helps RWAU identify areas in need of repair or potential improvement. This will ultimately save energy and its associated costs and improve system efficiency. A portion of the equipment has already been purchased and the remaining equipment should be purchased by the end of state fiscal year 2017. Approximately \$12,650 remains available to complete the purchases.

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. Water rates & fees analysis
- b. Applying for and obtaining funding for projects
- c. Locating and securing consulting engineering services
- d. Developing ordinances, resolutions and by-laws
- e. System security
- f. Preparing management, conservation, financial, capital improvement, sampling, and cross connection control plans
- g. Train system boards and or councils in subjects related to capacity development
- h. Perform Financial/Management audits with water systems as requested by the system or DDW
- i. Encouraging and assisting public water systems listed on the ETT (enforcement targeting tool) with application for financial assistance where such assistance would help the water system return to compliance with drinking water rules
- j. Assisting water systems which have borrowed funds from the Drinking Water Board during the construction and start-up phases of the project

The Small Systems Technical Assistance set-aside does not require a state dollar for dollar match.

Local Assistance, Capacity Development, Source Water Assessment, Wellhead Protection and Other State Programs:

We are requesting \$1,114,861 which is approximately 12.9% of the grant total. (12.9% x 8,674,000). A carry forward balance of approximately \$49,000 is anticipated for FY 2018, making a total estimated balance available of \$1,163,927 for this set-aside. The FY 2018 budget was estimated at \$1,133,800. It is divided into two sub-categories, local assistance/capacity development outreach and wellhead protection. Budgeting, disbursements, and draws are accounted for by two sub-categories.

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

Category:

We are requesting \$867,400 from the 2017 grant for capacity development, out-reach, local assistance and a water use study. The estimated carry-forward to FY 2018 will be about \$145,000, for a combined amount available of \$1,112,400. The amount budgeted for FY 2018 is \$949,500.

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, 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 the 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 \$40,000 in the contract for this specific purpose.

Water Use Study: The DDW estimates a total cost of \$13.5 million will be needed to complete a water use study that may span over three years. The Governor's Office recommended the Legislature approve \$4.0 million from the State's General Fund in the 2017 session for the 2018 budget year. The Legislature is still in process. DDW proposed to use a combination of set-aside and construction fund money to provide \$1.5 million from the SRF loan program. Any expenses incurred in behalf of the water use study will be included with this set-aside.

The following paragraphs explain how the water use study came about:

DDW regulates over 1,000 public water systems in the State. DDW's mission is to work

cooperatively with these water systems to assure that the public has access to a safe and reliable supply of drinking water. As part of that mission DDW has set minimum source capacity requirements to ensure each water system has enough water to meet customer demands. Up to date water use data is essential in order to have valid minimum source capacity requirements.

DDW's current requirements, in place for more than 30 years, were called into question and the Utah Legislature commissioned an audit of those requirements in 2014. Audit findings and recommendations are provided in the Legislative Auditor General's December 2014 Report to the Utah Legislature, *A Review of the Division of Drinking Water's Source Sizing Requirements* (Report Number 2014-13).

The report recommended the following actions, among others:

1. "We recommend that DDW re-evaluate its indoor source sizing regulations and issue a set of revised standards that are based on actual indoor use data provided by Utah water systems."
2. "We recommend that DDW review its outdoor source sizing requirements and establish new requirements, based on current research, that are consistent with actual outdoor water use data."

These audit recommendations deal with both indoor and outdoor water use and since most water systems in the State provide water for both uses, separating indoor use from outdoor use is needed. DDW's plan to comply with these recommendations involves installing automated metering equipment at both source locations and at individual residential connections. The equipment proposed for residential installations is capable of recording water use data at five minute intervals.

DDW worked with statisticians from the Department of Health (DOH) to determine the number of water systems as well as the number of individual residences within each system necessary to provide a statistically valid representation of water use throughout the State. Information from the DOH statisticians indicated that collecting water use data from 46 water systems and 30 residents within each selected water system would provide data at a 95% confidence level.

Water systems of various sizes and from various regions within the State have been selected and if funding for the study is authorized by the legislature, DDW will begin to implement the study.

Collecting data over a minimum three year period should smooth the data and account for some variance in weather patterns. By analyzing the five-minute interval water use data on a per resident basis over this three year period DDW should be able to identify periods of high water use associated with outdoor watering needs. This level of data will provide the necessary information to comply with the Legislative Auditor General's report and allow the Division to set reasonable minimum source capacity requirements.

Wellhead Protection Sub-Category:

DDW is requesting \$247,461 in funding for this category from the 2017 grant. DDW anticipates a deficit of about \$70,461 for this sub-category. Total available funds beginning

FY 2017 should be about \$177,000. This amount is close to covering the budgeted expenses of \$184,300 for SFY 2018. One employee will oversee the implementation and maintenance of GIS activities and will prepare ground water source protection plan updates for the water systems as review is required. This sub-category budget will continue to cover expenses to address a backlog of wellheads that need to be entered and/or updated. Maintenance of the source protection zone geodatabase is an on-going project as new water sources are developed and existing source protection zones are modified.

The Local Assistance and Other State Programs set-aside does not require a state dollar for dollar match.

C - ATTACHMENTS

Attorney General Enabling Legislation Opinion Letter for FY2016 base program
Organization Chart

D - UTAH ADMINISTRATIVE CODE RULE R309-705

The Rule for Projects Receiving Assistance from the Federal DWSRF can be found at the website <http://www.rules.utah.gov/publicat/code/r309/r309-705.htm>

Construction Loan Program information is available at the website http://www.deq.utah.gov/FeesGrants/funds/drinkingwater/federal_srf.htm#loans

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OAG-070-15

December 8, 2015

Kenneth Bousfield, Director
Division of Drinking Water
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. 300f et seq., Capitalization Grants**

Dear Mr. Bousfield:

This letter is in response to your request dated December 1, 2015, for an updated opinion concerning State authority to establish and operate a Drinking Water State Revolving Fund program, as prescribed under the Federal Safe Drinking Water Act, 42 U.S.C. § 300f *et seq.* There have been no changes which affect the opinion previously issued on January 21, 2015.

The Utah Legislature has enacted Utah Code Ann. § 19-4-101 *et seq.* which established the Division of Drinking Water and the Utah Safe Drinking Water Board. Utah Code Ann. § 19-4-104 and 105 empower the Board with rulemaking authority to meet the requirements of Federal law governing drinking water.


In 1983, the Utah Legislature established a restricted account within the General Fund, known as the Water Development Security Account. Utah Code Ann. § 73-10c-5. The Fund was created for the purpose of supporting drinking water projects and wastewater projects in accordance with the terms of credit enhancement agreements. In 1985, the Legislature amended the Water Development Security Account to provide for the use of monies in the account to make loans for drinking water and wastewater projects. Laws of Utah 1985, ch. 123. Therefore, pursuant to that amendment, two accounts exist within the Security Account: one for wastewater projects and 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, which consists of money appropriated to the subaccount by the Legislature, money received to meet match requirements, money received from the repayment of loans made from the State Revolving Fund subaccount, money received under the Federal Safe Drinking Water Act, investment income derived from money in the State Revolving Fund Account, and money deposited under any other law. Utah Code Ann. § 73-10c-5(3). The money received under the Federal Safe Drinking Water Act is subject to the restriction of that Act and is eligible for use in state revolving loan funds which meet the requirements of the

Act. Id. § 73-10c-5. 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, section 73-10c-5 was amended to add the Drinking Water Origination Fee Subaccount, consisting of loan origination fees, to be used in administering the loan program in section 73-10c-10. In 2010, section 73-10c-10 was amended to allow the Board to establish an origination fee for a federally funded loan. No changes were made to the conditions or restriction established for the security fund.

The Utah Drinking Water Board has promulgated rules for making loans incorporating the requirements of the Federal Safe Drinking Water Act at Utah Admin. Code R309-705. Additionally, the Board is authorized by Utah Code Ann. § 19-4-104(1)(a)(v) and (2)(b) 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.

This office certifies that the capitalization grant application and operating agreement submitted to the Federal Environment Protection Agency for Drinking Water State Revolving Fund capitalization grants are consistent with state law and that the Utah Drinking Water Board and the Division of Drinking Water are authorized to being themselves to the terms of the capitalization grant agreement. As described above, the Utah Drinking Water Board and the Division of Drinking Water are instrumentalities of the State of Utah that are authorized to: (1) enter into capitalization grant agreements with the Federal Environmental Protection Agency, (2) accept capitalization grant awards made under Section 1452(a)(1)(A) of the Federal Safe Drinking Water Act, and (3) otherwise manage the fund in accordance with the requirements and the objectives of the Safe Drinking Water Act.

Sincerely,
SEAN D. REYES
Attorney General

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



Division of Drinking Water

DRINKING WATER

Revised:01/27/17

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Marie Owens

Governor Appointed Board

Drinking Water

Env Engineer
Eva Nieminski

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Env Prog Mgr
Kate Johnson

Env Scientist
Deidre Beck

Admin Sec
Marianne Booth

Office Specialist
David Gould

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Shaunna Heuser

Env Scientist
Melissa Noble

Cont/Grant
Sandy Pett

Construction

Eng Mgr
Michael Grange

Env Prog Coord
Heather Bobb

Env Engineer
Julie Cobleign

Env Engineer
Samuel Grenlie

Env Engineer
Lisa Nelson

Env Engineer
Rich Peterson

Engineering

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