



State Revolving Fund Intended Use Plan FY20



Prepared by
The Division of Water Quality

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STATE REVOLVING FUND INTENDED USE PLAN

FY20

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CHAPTER 1. Introduction

The Intended Use Plan is used by the Department to apply for the EPA Capitalization Grant. The primary purpose of the Plan is to identify current and projected projects that may be awarded funding from federal grant awards. The federal award for FY20 is estimated to be \$8,458,000. See Table 2 for a list of State Revolving Fund projects. In addition, the Plan identifies current and projected projects that may be awarded from State monies, including the Utah Wastewater Loan Program and Hardship Grant Funds. See Table 3 and 4 for a list of these respective projects.

As required under Sections 606(c) and 610(b) of the Clean Water Act, the State of Utah has prepared an Intended Use Plan (IUP) for the Clean Water State Revolving Fund (CWSRF) program. The purpose of the IUP is to facilitate the negotiation process for the Fiscal Year 2020 CWSRF Capitalization Grant agreement. This IUP outlines the short-term and long-term goals of the program and proposes a schedule of payment between the Department of Environmental Quality – Division of Water Quality and the Environmental Protection Agency – Region 8. This document also describes the intended uses for: the State Revolving Fund (SRF), the Utah Wastewater Loan Fund (UWLF), and the Hardship Grant Funds (HGFs). All data provided in the 2020 IUP are projections of funding for the listed projects. Ultimately, the Utah Water Quality Board will determine loan amounts and financing terms as projects are presented for authorization.

The CWSRF is a financial assistance program that provides low-cost financing for treatment works, sewerage systems, storm water projects, decentralized systems, and nonpoint source projects. The operation of Utah's CWSRF program is coordinated between the Utah Water Quality Board (the Board) and the Department of Environmental Quality – Division of Water Quality. Projects financed through the State Revolving Fund may receive funding from the following sources: (a) SRF Capitalization Grants; (b) SRF loan repayments; and (c) State matching funds. Occasionally, an SRF-eligible project will be financed through the Utah Wastewater Loan Program or Hardship Grant Funds. If this occurs, the project may be removed from the SRF Project Priority List. Similarly, if an SRF-eligible project does not proceed, it may be removed from this list. The Intended Use Plan includes any project listed on the FY 2020 Project Priority List as well as any unanticipated projects that may be added during the year. Projects are listed on the Project Priority List prior to being presented to the Water Quality Board for authorization. Projects will be considered for funding according to their priority and readiness to proceed.

CHAPTER 2. Program Operations

Since its inception in 1989, Utah's CWSRF program has received appropriations from the federal government through capitalization grants. For FY20, Utah estimates its capitalization grant award will be approximately \$8,458,000.

In addition to federal dollars, The Department of Environmental Quality – Division of Water Quality is required to provide a twenty percent (20%) state match. Utah has met the state match requirement by using money from the Utah Wastewater Loan Fund (UWLF). Revenues into the UWLF are comprised of principal repayments from state loans and from a state sales tax allocation. For FY20, Utah anticipates receiving its full measure of sales tax dollars, which is \$3,587,500. The entire 20% state matching amount will be used toward eligible project costs before draws are made from the capitalization grant. Once the requirement is met, draws will be made from the federal award as a 100% federal share.

The Department of Environmental Quality – Division of Water Quality will use SRF administrative funds of up to \$400,000 for costs associated with administering the program. In addition, loan origination fees, equal to 1% of the principal loan amount, are charged to loan recipients. That revenue may also be used for program administration expenses. The Division of Water Quality estimates that \$938,000 will be collected from loan origination fees by the end of Fiscal Year 2020.

2.1 *Transfer of Clean Water State Revolving Funds*

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

For FY20, the projected amount of funds to be transferred is \$0, with no short- or long-term impacts on the fund. Justification for any transfers to the Drinking Water SRF program, including amount, type of funds, and fund impact, will be documented in a future Intended Use Plan (IUP).

The intended use plan will reserve the authority to transfer funding to the DWSRF program. A Memorandum of Understanding between the divisions to process the actual transfers will require the Water Quality Board approval.

TABLE 1 – TRANSFER AMOUNTS

<i>Award Year</i>	<i>DWSRF Capitalization Grant Award</i>	<i>Reserved Transfer Amount</i>
<i>2019</i>	<i>\$11,004,000</i>	<i>\$3,631,320</i>
<i>2020</i>	<i>\$11,011,000</i>	<i>\$3,633,630</i>
<i>Total</i>		<i>\$7,264,950</i>

2.2 *Extended Financing Terms*

As of July 1, 2019, the Utah Water Quality Board has authorized extended financing to three SRF recipients: Central Valley Water Reclamation Facility, South Salt Lake City, and Provo City. The Division of Water Quality estimates that the long term impact of extended financing on the SRF program is less than a 1% revolving level reduction over 60 years. This estimate does not include an adjustment for inflation.

In cases of extreme hardship, the maximum affordable loan amount may not provide sufficient capital to cover project costs. In these cases, the Board would be requested to provide hardship grant funds to make these projects feasible. Extended-term financing can increase the loan amount that a community qualifies for under the 1.4% median adjusted gross household income (MAGI) affordability guideline. The extended terms also benefit the SRF program by replacing an award of grant dollars with additional loan repayments, albeit in years 21-30.

2.3 Additional Subsidization

The FY20 capitalization grant may allow states to provide additional subsidization in the form of principal forgiveness and negative interest loans. A minimum of \$835,800 and maximum of \$2,574,000 additional subsidization amounts will be outlined in the programmatic terms and conditions of the award. The Water Quality Board uses principal forgiveness agreements as its mechanism for awarding additional subsidization.

Additional subsidy may be provided to disadvantaged communities, communities addressing water-efficiency or energy-efficiency goals, communities mitigating storm water runoff, or to encourage sustainability. For the Water Quality Board to qualify a community as disadvantaged, the community must have a demonstrated hardship based on its cost of sewer service relative to 1.4% of the MAGI, unemployment, poverty level, or economic trends. Table 2: FY20 List of SRF Projects identifies those projects that may meet any additional subsidization requirement. However, the Water Quality Board may authorize principal forgiveness to additional projects presented for authorization during the year.

2.4 Green Project Reserve

The FY20 capitalization grant allocation requires that, to the extent there are sufficient eligible projects applications, not less than 10% of the SRF funds shall be used for projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. For The required amount for FY20 is \$835,800. The State of Utah will meet this objective by identifying projects that meet green infrastructure requirements and providing funding, in whole or in part, as they proceed to construction. Table 2: FY20 List of SRF Projects identifies projects that may meet the Green Project Reserve requirement.

2.5 Program Assurances

The State of Utah must comply with its Operation Agreement with EPA and Utah Administrative Code, R-317-102, Utah Wastewater State Revolving Fund (SRF). Assurances include:

- Section 602(a)-Environmental Reviews
- Section 602(b)(3)-Certify binding commitments within one year
- Section 602(b)(4)-Certify expeditious and timely expenditures
- Section 602(b)(5)-First use for enforceable requirements

The Division of Water Quality will complete the one-page worksheet through the Clean Benefits Reporting database for all binding commitments in the quarter that they are made.

CHAPTER 3. CWSRF Project Funding

Eligible projects to be funded by the SRF include loans closed with remaining draws, authorized loans, and anticipated loans. Loans closed with remaining draws are projects that are currently under construction. Authorized loans are projects that have been authorized by the Utah Water Quality Board and are in the design phase. Anticipated loans are projects that are in the beginning stages of planning.

Funding through the SRF can include federal dollars from the capitalization grant awards, principal repayments, interest payments, and investment fund interest earnings. Table 2 shows the projects that are expected to be funded from the Clean Water SRF. Projects must meet specific programmatic requirements including federal cross cutters and “super cross-cutters,” Davis-Bacon wages, American Iron and Steel (AIS), NEPA-like environmental review, Single Audit Act, Disadvantaged Business Enterprise (DBE), and Architectural and Engineering Services procurement.

As determined by the Utah Water Quality Board, SRF loan recipients may be charged a hardship grant assessment in lieu of interest. Upon collection, the hardship grant assessment will be placed into the Federal Hardship Grant Fund. If a hardship grant assessment is derived from a loan funded directly by EPA Capitalization Grant monies, the assessment shall be used for purposes identified in 40 CFR Part 31.25. If a hardship grant assessment is derived from a loan funded by SRF loan repayments, the assessment may be used to provide grants to communities for projects that are economically unfeasible without grant assistance.

3.1 Long Term Goals

1. Provide a permanent funding source for water quality construction projects that supplements a community’s own resources and/or other funding sources.
2. Distribute SRF funds to projects with the highest water quality and infrastructure needs by evaluating and prioritizing proposed projects throughout the state.
3. Support EPA’s Sustainability Policy by balancing a community’s economic and water quality needs with the perpetuity of the SRF program.
4. Assist communities with all phases of a project, including sufficient planning, project design, environmental work, and construction.

3.2 Short Term Goals

1. Present eligible projects to the Water Quality Board for authorization and assist communities through the application and award process.
2. Collaborate with other agencies (e.g., Utah Permanent Community Impact Board, U.S. Department of Agriculture Rural Development, and U.S. Army Corps of Engineers) to sufficiently fund projects.
3. Solicit and fund eligible nonpoint source and storm water projects.
4. Provide funding, equal to at least ten percent (10%) of the capitalization award, for energy efficiency and recycled water and water reuse projects to the extent such projects exist.
5. Increasing the profile of the SRF program as a potential funding source for low income and rural Utah communities.

TABLE 2 – LIST OF FY20 SRF PROJECTS

LOAN RECIPIENT	PERMIT NUMBER	NEEDS CATEGORY	ASSISTANCE AMOUNT	FUNDING TYPE	INTEREST RATE	TERM (YRS)	ADDITIONAL SUBSIDY AMOUNT (Principal Forgiveness)	GREEN PROJECT RESERVE AMOUNT	BINDING COMMITMENT / CONSTRUCTION START	INITIATION OF OPERATION
LOANS CLOSED WITH REMAINING DRAWS										
Duchesne City	UT0020095	I-Secondary Treatment	\$2,700,000	1st Round	0.25%	30	\$400,000	\$262,295	May-2017	Jul-2019
Logan City	UT002199920	II-Advanced Wastewater Treatment	\$69,131,000	2nd Round	0.75%	20			Mar-2016	Jan-2022
Logan City	UT002199920	II-Advanced Wastewater Treatment	\$20,000,000	2nd Round	1.50%	30			Dec-2018	Jan-2022
Moab City	UT0020419	I-Secondary Treatment	\$14,200,000	1st Round	1.15%	20		\$502,937	Apr-2017	Nov-2019
Salem City	UT0020249	I-Secondary Treatment	\$20,000,000	2nd Round/1st Round	1.15%	30			Jul-2018	Aug-2022
San Juan Spanish Valley SSD	See Moab	IVa-New Collectors	\$968,000	1st Round	0%	30	\$1,997,000		Jan-2019	Jan-2020
AUTHORIZED LOANS										
Central Valley WRF	UT0024392	I-Secondary Treatment	\$65,100,000	1st Round	1.50%	20			Dec-2018	Dec-2024
Provo City	UT0021717	II- Advanced Treatment	\$75,800,000	1st Round	0.50%	20	\$2,000,000		Dec-2018	Jan-2025
South Davis Sewer Dist	UT0021628	II-Advanced Treatment	\$28,851,000	1st Round	0.55%	20		\$26,351,000	Feb-2017	Dec-2024
South Salt Lake City	See CVWRF	I-Secondary Treatment	\$2,413,000	1st Round	0%	20	\$2,000,000		Dec-2018	Dec-2024
ANTICIPATED LOANS										
Millville City	N/A	Iva-New Collectors	\$8,400,000				\$2,000,000		Mar-2020	Dec-2020
Spanish Fork City	UT0020109	II-Advanced Treatment	Unknown						Jun-2024	
TOTAL			\$307,563,000				\$8,397,000	\$27,116,232		

CHAPTER 4. Utah Wastewater Loan Program

The Utah Wastewater Loan program is a state-funded loan program similar to the SRF. Revenue for the Utah Wastewater Loan program is derived from sales tax dollars and principal repayments. Monies may be authorized in the form of loans or interest-rate buy downs.

Projects eligible for funding through the Utah Wastewater Loan program have been divided into three categories: closed loans with remaining draws, authorized loans, and anticipated loans. Closed loans with remaining draws are projects that have held loan closing and are currently under construction. Authorized loans are those projects which have received authorization from the Utah Water Quality Board, but have not yet held loan closing and are still in the planning or design phase. Anticipated loans are those projects that may be presented to the Utah Quality Board for authorization in the next fiscal year.

Please refer to Table 3 for a list of projects to be funded from the Utah Wastewater Loan Fund.

TABLE 3 – LIST OF FY20 UTAH WASTEWATER LOAN PROGRAM PROJECTS

LOAN RECIPIENT	ASSISTANCE AMOUNT	INTEREST RATE	TERM (YEARS)	BINDING COMMITMENT	CONSTRUCTION START	CONSTRUCTION END
LOAN CLOSED WITH REMAINING DRAWS						
Eagle Mountain City	1,793,000	1%	20	Mar-2018	Aug-2018	Mar-2021
Grantsville City	4,880,000	1.75%	30	Sep-2018	Start Sep 2018	Apr-2020
South Salt Lake	6,835,000	0%	20	Dec-2018	Start Feb 2020	June-2024
AUTHORIZED LOANS						
KCCWD-Duck Creek	1,000,000	0%	30	Aug-2018	May-2020	Nov-2022
ANTICIPATED LOANS						
Lewiston City	3,064,000	Unknown	Unknown	Unknown	Sept 2017	Jul-2021
Millville	3,200,000	Unknown	Unknown	Unknown	2020	2023
TOTAL	\$20,772,000					

CHAPTER 5. Hardship Grant Funds

The State of Utah provides hardship grants for several types of projects. First, hardship grant funds may be authorized as planning advances or grants and design advances. Advances are repaid once construction funding has been secured through a loan closing. Second, funds may be awarded as hardship construction grants to entities that may not otherwise be able to afford to complete an eligible project. The Water Quality Board may consider authorizing a hardship grant when the estimated annual cost of sewer service exceeds 1.4% of the local MAGI. Third, hardship grants may be awarded for water quality improvement projects such as non-point source, water quality studies, and educational outreach efforts. Projects eligible for Hardship Grant Funds may be added to the list once authorization has been received from the Board.

Please refer to Table 4 for a list of projects to be funded from the Hardship Grant Funds.

TABLE 4 – LIST OF FY20 HARDSHIP GRANT FUND PROJECTS

Recipient	Assistance Amount Balance	Type
HARDSHIP GRANTS		
Duchesne City	\$122,488	Construction Grant
Eagle Mountain City (White Hills)	510,000	Construction Grant
Emigration SID	26,158	Planning Grant
Green River	54,000	Planning Grant
Kane County WCD (Duck Creek)	2,034,500	Design/Construction Grant
Wasatch Co Study	100,000	Hardship Grant
USU Ext Study	3,083	Hardship Grant
Lewiston City	186,000	Design Advance
Millville City	347,250	Design Advance
Wellington City	350,000	Design Grant
NON-POINT SOURCE GRANTS		
DEQ - Ammonia Criteria	\$46,630	NPS Grant
DEQ – Nitrogen Transformation Study	14,500	NPS Grant
DEQ – San Juan River Monitoring	125,083	NPS Grant
DEQ-Great Salt Lake Advisory Council	173,009	NPS Grant
Gunnison Irrigation Company	48,587	NPS Grant
Utah Department of Agriculture	385,393	NPS Grant
DEQ - GW Quality Study	5,051	NPS Grant
DEQ – Utah Lake Water Quality Study	206,150	NPS Grant
UofU-Utah Lake Sediment	70,785	Hardship Grant
BYU-Utah Lake Bioassays to Nutrient Limitation	41,798	Hardship Grant
USU-Utah Lake Paleo	155,766	Hardship Grant
FY15 – FY20 Remaining Payments	1,753,711	Various NPS Grants
TOTAL	\$6,759,942	

CHAPTER 6. Payment Schedule

Utah's Clean Water SRF has met "first use" requirements of Section 602(b) (5). SRF funds will be distributed using the method, criteria, and eligible activities that are outlined in Section R-317-101 and 102 of the Utah Administrative Code. The methods and criteria provide affordable assistance as well as maximum benefit to the long-term viability of the fund.

If the dollar amount of projects in the FY 2020 Intended Use Plan exceeds the actual amount of funds available during the planning period, one of the following may occur:

1. Projects listed may not be funded.
2. Projects may be funded using available credit enhancement techniques.
3. Projects may need to be delayed until funds are available.

Please see the CASH FLOW PROJECTIONS for the detail of revenue and expenses for the State Revolving Fund, Utah Wastewater Loan Fund, and Hardship Grant Funds.

6.1 Cash Flow Projections – State Revolving Fund

STATE REVOLVING FUND (SRF)	State Fiscal Year 2020	State Fiscal Year 2021	State Fiscal Year 2022
Funds Available			
2016 - 2019 Capitalization Grants	24,671,801	-	-
2017 - 2019 State Match	4,800,000	-	-
Future Capitalization Grants (estimated)	8,000,000	8,000,000	8,000,000
Future State Match (estimated)	1,600,000	1,600,000	1,600,000
SRF - 2nd Round	85,486,526	107,806,133	58,649,674
Interest Earnings at 2.866%	816,767	3,090,047	1,681,076
Loan Repayments	4,007,334	14,684,494	18,091,792
Total Funds Available	129,382,428	135,180,674	88,022,541
Project Obligations			
Duchesne City	(27,295)	-	-
Logan City	(10,000,000)	(13,131,000)	(10,000,000)
Moab City	(80,000)	-	-
Salem City	(469,000)	-	-
Loan Authorizations			
Central Valley Water Reclamation Facility	(5,000,000)	(15,000,000)	(23,850,000)
Provo City	-	(15,000,000)	(25,000,000)
*South Davis Sewer District (with NPS)	(6,000,000)	(20,000,000)	(2,851,000)
South Salt Lake City (B)	-	-	(4,410,000)
Planned Projects			
Future Project Reserve	-	(5,000,000)	(5,000,000)
*Millville City	-	(8,400,000)	-
Total Obligations	(21,576,295)	(76,531,000)	(71,111,000)
SRF Unobligated Funds	\$ 107,806,133	\$ 58,649,674	\$ 16,911,541

6.2 Cash Flow Projections – Utah Wastewater Loan Fund

UTAH WASTEWATER LOAN FUND (UWLF)	State Fiscal Year 2020	State Fiscal Year 2021	State Fiscal Year 2022
Funds Available			
UWLF	20,485,716	11,603,732	6,813,524
Sales Tax Revenue	-	3,587,500	3,587,500
Loan Repayments	864,441	3,357,992	3,031,806
Total Funds Available	21,350,157	18,549,224	13,432,830
General Obligations			
State Match Transfers	(6,400,000)	(1,600,000)	(1,600,000)
DWQ Administrative Expenses	(405,425)	(1,621,700)	(1,621,700)
Project Obligations			
South Salt Lake City (A)	(1,941,000)	(2,249,000)	(2,249,000)
Loan Authorizations			
Kane Co Water Conservancy Dist (Duck Creek)	(1,000,000)	-	-
Planned Projects			
*Millville City	-	(3,200,000)	-
*Lewiston City	-	(3,065,000)	-
Total Obligations	(9,746,425)	(11,735,700)	(5,470,700)
UWLF Unobligated Funds	\$ 11,603,732	\$ 6,813,524	\$ 7,962,130

6.3 Cash Flow Projections – Hardship Grant Funds

HARDSHIP GRANT FUNDS (HGF)	State Fiscal Year 2020	State Fiscal Year 2021	State Fiscal Year 2022
Funds Available			
Beginning Balance		2,917,915	4,371,544
Federal HGF Beginning Balance	6,784,759	-	-
State HGF Beginning Balance	1,923,990	-	-
Interest Earnings at 2.866%	83,206	83,636	125,302
UWLF Interest Earnings at 2.866%	195,727	388,233	315,394
Hardship Grant Assessments	632,902	974,418	854,384
Interest Payments	147,072	403,983	373,034
Advance Repayments	-	880,000	-
Total Funds Available	9,767,657	5,648,185	6,039,658
Financial Assistance Project Obligations			
Eagle Mountain City - Construction Grant	(510,000)	-	-
Emigration Sewer Imp Dist - Planning Grant	(26,158)	-	-
Green River	(54,000)	-	-
Kane Co Water Conservancy Dist (Duck Creek) - Hardship Grant	(2,034,500)	-	-
Lewiston City - Hardship Design Advance	(186,000)	-	-
Millville City - Hardship Design Advance	(347,000)	-	-
USU Extension - Hardship Grant	(3,083)	-	-
Wasatch Co. Study	(100,000)	-	-
Wellington City - Hardship Design Grant	(350,000)	-	-
Non-Point Source/Hardship Grant Obligations			
Fitzgerald ARDL interest-rate buy down	(51,056)	-	-
McKees ARDL interest-rate buy down	(55,261)	-	-
Munk Dairy ARDL interest-rate buy down	(16,017)	-	-
(FY11) Gunnison Irrigation Company	(48,587)	-	-
(FY12) Utah Department of Agriculture	(385,393)	-	-
(FY13) DEQ - Great Salt Lake Advisory Council	(173,009)	-	-
(FY15) DEQ - Ammonia Criteria Study	(46,630)	-	-
(FY15) DEQ - Nitrogen Transformation Study	(14,500)	-	-
(FY17) DEQ - GW Quality Study	(5,051)	-	-
(FY17) DEQ - Utah Lake Water Quality Study	(206,150)	(172,749)	-
UofU - Utah Lake Sediment - Water Nutrient Interactions	(70,785)	-	-
BYU - Bioassays to Investigate Nutrient Limitation	(41,798)	(26,282)	-
USU - Historic Trophic State/Nutrient Concentrations Paleo	(155,766)	(77,609)	-
FY 2015 - Remaining Payments	(4,223)	-	-
FY 2016 - Remaining Payments	(2,386)	-	-
FY 2017 - Remaining Payments	(29,723)	-	-
FY 2018 - Remaining Payments	(148,781)	-	-
FY 2019 - Remaining Payments	(602,220)	-	-
FY 2020 - Remaining Payments	(834,667)	-	-
Future NPS Annual Allocations	-	(1,000,000)	(1,000,000)
Planned Projects			
*Millville City - Hardship Design Advance	(347,000)	-	-
Total Obligations	(6,849,742)	(1,276,641)	(1,000,000)
HGF Unobligated Funds	\$ 2,917,915	\$ 4,371,544	\$ 5,039,658

CHAPTER 7. Project Priority List (PPL)

**State of Utah
Wastewater Project Assistance Program**

Project Priority List

As of Feb 26 2020

Rank	Project Name	Funding Authorized	Total Points	Point Categories			
				Project Need	Potential Improvement	Population Affected	Special Consideration
1	Provo City	18-Dec	144	50	24	10	60
2	Central Valley Water Reclamation Facility	18-Dec	143	50	23	10	60
3	South Davis Sewer District	17-Feb	138	50	18	10	60
4	Millville City		114	45	46	3	20
5	Wellington City		74	10	21	3	40
	Lewiston City		67	10	16	1	40
7	Kane County Water Conservancy District (Duck Creek)	18-Aug	62	40	21	1	0