

ALASKA CLEAN WATER FUND

STATE REVOLVING FUND

INTENDED USE PLAN

Final

**FFY18 Grant Allotment
State Fiscal Year 2019**



Submitted to the U.S. Environmental Protection Agency

By

Alaska Department of Environmental Conservation

Division of Water

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PROGRAM OVERVIEW

In 1987, Congress amended the federal Clean Water Act (CWA) authorizing the Clean Water State Revolving Fund (CWSRF), a low interest loan program, to assist public entities with the financing of publicly owned treatment facilities (Section 212) and nonpoint source management activities (Section 319). The Alaska Department of Environmental Conservation (ADEC) State Revolving Fund (SRF) Program administers the Alaska Clean Water Fund (ACWF) on behalf of the State of Alaska. The 1987 CWA Amendments authorized the US Environmental Protection Agency (EPA) to award capitalization grants to states to provide seed money for the low-interest loan program. While the 1987 Amendments only authorized funding for the first several years of the loan program, Congress continues to provide funding as part of its annual appropriations.

This Intended Use Plan (IUP), required under the CWA, describes how Alaska intends to use available SRF funds during State Fiscal Year 2019 (SFY19), July 1, 2018 through June 30, 2019. Alaska's allotment from the Consolidated Appropriations Act, 2018, is \$9,603,000.

PROGRAM UPDATES

ADEC continues to make updates to the SRF Program in an effort to improve service to funding recipients and meet program goals.

- Effective September 2018, revisions to the regulations at Title 18, Alaska Administrative Code, Chapter 76 (18 AAC 76), Alaska Clean Water and Drinking Water Loan Funds, now allow financing terms of up to 30 years. This revision to 18 AAC 76 also modified the calculation of financing rates to include reference to the Bond Buyer's Market Index rate. More information about the financing rates for loans is provided in on page 11.
- Beginning in January 2018, ADEC modified the project questionnaire submittal process. Previously, project questionnaires were accepted during an initial open solicitation at the beginning of the calendar year, with a second opening for questionnaire submittal if communities identified a need for additional funding. ADEC now accepts questionnaires on a year-round basis and reviews the projects submitted on a quarterly basis. The Project Priority List (PPL) will be updated and public noticed on a quarterly basis to reflect new project submissions.
- Beginning in SFY19, the SRF Program will modify implementation of equivalency requirements in an effort to reduce the administrative burden on the majority of borrowers. Previously, all projects were required to meet all requirements regardless of the project's equivalency status.
- During SFY19, the SRF program intends to establish a framework for providing microloans for utilities in Alaska's rural communities.

PROGRAM GOALS

ADEC has identified several long and short term goals intended to promote sustainable improvements to the state's infrastructure and help ensure maximum environmental and public health benefits.

Long Term Goals

1. Protect public health and the waters of the State by offering financial assistance for the planning, design and construction of eligible projects.
2. Assist local communities to achieve and maintain compliance with federal and state water quality standards.
3. Foster coordination with other programs and agencies to improve assistance to borrowers in their efforts to achieve compliance and improve water quality.
4. Promote coordinated efforts by the State and eligible entities to expedite funding of eligible projects.
5. Establish a process for coordinating funding strategies with other lenders such as U.S. Department of Agriculture Rural Development.
6. Develop a long term lending strategy.
7. Expand borrower pool through an established marketing and outreach plan.
8. Develop program guidelines to improve the pace of loan projects.
9. Make funds available to borrowers based on estimated repayment schedules of future years. As needed, consider a more aggressive lending policy to provide sufficient funding to meet the needs of systems statewide.
10. Utilize the ACWF administrative fee account for program administration expenses.
11. Utilize Administrative set-aside funds to support technical assistance by the Operator Certification Program.
12. Investigate methods for encouraging borrowers to pursue Green and Sustainable projects.
13. Investigate methods for making loan funds available for onsite wastewater systems and common collector systems.
14. Consider methods for encouraging borrowers to pursue nonpoint source projects.
15. Establish a micro-loan program targeted at providing small, subsidizes loans to rural communities.
16. Ensure full compliance with American Iron and Steel and Davis-Bacon requirements for all SRF loans.

Short Term Goals

1. Provide low interest loans to borrowers for eligible wastewater treatment and nonpoint source pollution projects.
2. Develop and distribute guidance materials to current and potential borrowers.
3. Develop and distribute marketing materials to improve outreach to potential borrowers.
4. Develop structure and procedures for the Microloan Program for implementation in SFY20.
5. Evaluate subsidy allocation methods.
6. Develop an online resource for borrowers about all potential sources of infrastructure funding including Water Infrastructure Finance and Innovation Act (WIFIA) loans.
7. Fully implement equivalency to reduce the regulatory burden on the majority of borrowers.
8. Initiate enhancements to the online payment request and quarterly report system to improve the user experience and data collection.
9. Develop a method for conducting Financial Capacity Assessments in-house.

10. Target shovel ready projects while improving access for borrowers by accepting project questionnaires year-round, with quarterly amendments to the Project Priority List.
11. Finalize implementation of loan process improvements identified during the June 2017 Lean Kaizen event.
12. Develop a method for funding emergency projects.
13. Develop and distribute Davis Bacon guidance materials to borrowers.

FUNDS AVAILABLE

Amount of Capitalization Grant

Alaska's anticipated allotment from the FFY18 federal appropriation is \$9,603,000.

State Match Requirement

Alaska must deposit into the ACWF an amount equal to at least 20% of the federal Capitalization Grant. ADEC will provide the required state match of \$1,920,600 from short term bonding. The interest income of the Fund is used as collateral to acquire bond receipts and avoids use of any general funds from the State budget. This process effectively substitutes bond receipts for interest income. ADEC is required to document that sufficient interest income exists in an amount equal to or greater than the proposed bonding amount, and that this process will still allow the Fund to grow in perpetuity. ADEC's program audits have documented the availability of the required amount of interest.

Cash Draw Proportionality

Draws for loan funding are split between federal funding and the state match following the grant-specific proportionality rate method. The loan funding ratio is currently 83.33% federal and 16.67% state match. Alaska's proposed payment schedule (Table 1) for the FFY18 grant allotment was developed based on projected needs for project construction and execution of loan agreements.

Table 1. SFY19 Estimated Schedule of Payments for FFY18 Capitalization Grant

Federal Quarter Beginning	FFY18 Grant Payment
7/1/2018	\$9,603,000
10/1/2018	\$0
1/1/2019	\$0
4/1/2019	\$0
Total	\$9,603,000

Fund Transfer

Federal regulations allow a transfer of up to 33% of the Drinking Water Capitalization Grants to the ACWF. ADEC reserves the authority to transfer funds between the ACWF and ADWF, as appropriate, at some time in the future.

Administrative Fees

Since December 29, 2000, assistance recipients have been assessed an administrative fee in the amount of 0.5% of the principal loan balance as prescribed in 18 AAC 76. Fee revenue is kept in

the ACWF Fee Account, separate from the regular loan fund, and is used exclusively to pay program administrative costs.

Because the balance in the ACWF fee account is larger than the Alaska Drinking Water Fund (ADWF) fee account, in SFY19, most administrative expenses associated with both the ACWF and the ADWF will be paid from the ACWF administrative fee account. This practice will continue until both of the fee accounts have a relatively similar balance. As shown in Table 2, the difference between the two fee accounts is currently approximately \$1.5 million. That difference is expected to narrow to \$0.7 million by the end of SFY19.

Table 2. ADWF and ACWF Fee Accounts

Fee Account Information	ADWF Fee Account	ACWF Fee Account
Fee Account Balance (4/23/2018)	\$5,058,302	\$6,578,954
SFY19 Anticipated Deposits	700,475	718,136
SFY19 Anticipated Expenditures	(216,500)	(1,073,500)
Anticipated Fee Account Balance (6/30/2019)	\$5,542,277	\$6,223,590

In SFY19, ADEC intends to use approximately \$1,073,500 from the ACWF Fee Account for administrative activities of both the ACWF and the ADWF, include evaluating loan applications, administering loans, reviewing and processing disbursements, performing audits and providing technical assistance to potential loan applicants. Within two years, the balances of these two accounts are expected to become relatively similar at which time all ADWF administration expenses will be charged to the ADWF fee account.

Administrative Set-Aside (4%)

The Clean Water Act allows each state to use up to 4% of its capitalization grant to fund the administration of the SRF program. In SFY19, ADEC will not be using the 4% set aside for administrative use but reserves the right to do so in future years. See Table 3 for a summary of the total capitalization grants, administrative allowance used and the remaining banked authority.

Table 3. Banked Authority for Administrative Uses

Total federal grants requested through SFY19	\$266,766,962
Allowable administrative funds through SFY19 (4% of total grants)	\$10,670,678
Total set-aside funds utilized through SFY18	\$9,434,583
Total set-aside funds reserved through SFY18	\$851,975
Total set-aside funds reserved in SFY19	\$384,120
Total set-aside reserved through SFY19	\$1,236,095

Program and Non-Program Income

In SFY19, program income is estimated to total \$48,015 (0.5% of the capitalization grant award of \$9,603,000). Program income is defined at 40 CFR 31.25(b) as “gross income received by the grantee or subgrantee directly generated by a grant supported activity or earned only as a result of the grant agreement during the grant period.”

Non-program income is estimated at \$670,121 and is calculated as the difference between total anticipated deposits to the ACWF fee account (\$718,136) less the program income (\$48,015).

Estimated Funds Available – SFY19

In SFY19, the amount available for loans is the difference between the funds available and total program commitments, plus two years of projected future loan repayments, for a total of \$36.5 million. Table 4 summarizes funding sources, loan commitments, and expenditures since the inception of the ACWF.

Table 4. Estimated Available Funding (as of 4/23/2018)

Sources of CWSRF Funds	
Federal Grants Received (cumulative through SFY18)	\$257,163,962
FFY 18 Federal Capitalization Grant	9,603,000
FFY 18 Bond Proceeds (State Match)	1,920,600
State Match, prior years	48,746,641
Investment Income	47,393,713
Past Loan Repayments (principal + interest collected)	229,578,387
Projected Repayments SFY19 (4/1/18 – 6/30/19)	14,881,480
Projected Repayments SFY20	14,543,439
Projected Repayments SFY21	13,798,204
<i>Subtotal</i>	<i>\$637,629,425</i>
Uses of CWSRF Funds	
Existing Loan Commitments	\$533,745,439
Transfer from ACWF to ADWF (SFY08)	29,000,000
Administrative Set-Aside	9,434,583
Previous Bonding and Transaction Costs	27,014,887
SFY19 Bonding and Transaction Costs	1,924,454
<i>Subtotal</i>	<i>\$601,119,363</i>
Total Available for CWSRF Loans	\$36,510,062

CRITERIA AND METHOD FOR FUND DISTRIBUTION

Project Priority List

For a project to be considered for funding from the ACWF, it must be included in the State's PPL of CWSRF projects. The process is initiated when an eligible applicant completes a project questionnaire through the ADEC Online Application System (OASys).

In an effort to make loan funds more accessible, and to facilitate prioritization of construction-ready projects, ADEC implemented a revised schedule for questionnaire submittal beginning in January 2018. Questionnaires are now accepted year-round through OASys rather than during one or two limited solicitation periods during the year. Newly submitted questionnaires are reviewed by a scoring committee on a quarterly basis. The submittal deadlines for questionnaire reviews during the 2018 calendar year are: February 28, May 31, August 31, and November 30. A letter was sent to eligible applicants on January 4, 2018, providing information about the schedule for questionnaire submittals and inviting submittal of project questionnaires to be considered for SFY19 funding assistance.

The project scoring committee, made up of representatives from the SRF Program, as well as the ADEC Drinking Water, Wastewater, Source Water Protection, and Nonpoint Source Programs, evaluates the project questionnaires based on the CWSRF criteria and assigns a numeric score to each project. The SFY19 rating criteria for both point source and nonpoint source projects are provided in Appendix 1. Projects are added to the PPL in rank order.

Based on the financial data provided in Table 4, approximately \$36.5 million is currently available for new loans. The highest ranked projects, up to a cumulative amount equal to what is available, are given priority status during the first two months following issuance of the final IUP. During that two month period, applications are accepted only from the list of priority projects. Further, any project on the PPL, regardless of its rank on the list, which can demonstrate that agency plan and specification approval is in place at the time of issuance of the final IUP will be allowed to submit a loan application. After the two-month period, loan applications are accepted for any ready-to-proceed project on the list in accordance with the bypass procedures discussed in the following section of this IUP.

Amendments to the Project Priority List

ADEC will amend the funding list to include additional projects after each quarterly review and scoring of new project questionnaires. In the second, third and fourth quarters of SFY19, any projects reviewed and scored will be added to the PPL in ranked order. The amended funding list will be publicly noticed for 10 days.

Bypass Procedures

If a complete loan application has not been submitted for a project on the PPL, the project may be bypassed for another ready-to-proceed project with a lower ranking on the PPL.

In addition, a project may be bypassed by the next highest scored eligible project as necessary for the state to meet federal grant requirements for equivalency, additional subsidy, and Green Project Reserve. In the event that two or more projects have the same ranking, preference will be

given to projects with the following criteria and in this order: ready to proceed; response to a compliance or legal order with a specific deadline; and inclusion of a Green component.

Emergency Procedures

For purposes of the SRF program, an emergency refers to a natural disaster or terrorist action that damages or disrupts normal public water system operations and requires immediate action to protect public health and safety. Upon issuance of an emergency declaration by a federal or state emergency response official, or upon a finding by ADEC, funds may be made available for projects not currently described in an IUP. Bypass procedures may be waived under direct threat of severe public or environmental harm. Reasonable efforts to fund projects in priority order will still be followed under emergency situations.

FUNDING ALLOCATIONS

Each year, ADEC identifies funding levels for Green Project Reserve and additional subsidization based on administrative and funding requirements.

Green Project Reserve (GPR)

The FFY18 capitalization grant requires ADEC to use at least 10% of the grant for eligible projects as specified by the 2012 EPA Green Project Reserve Guidance. Alaska's required SY19 GPR amount is \$960,300. GPR projects are listed on the Project Priority List by green project type: green infrastructure; water or energy efficiency improvements; or other environmentally innovative activities. Documentation must be submitted for any project to be considered for the GPR outlining the benefits of the green components of the project.

At the time this IUP was drafted, four projects totaling \$4.9 million have been initially identified to satisfy the federal grant GPR requirement (see Table 5). These projects will be further reviewed during the loan application process to ensure that each project, in whole or in part, qualifies for the GPR. Applicants will be required to provide to ADEC a Green Project Assessment form with applicable backup documentation, which will be posted no later than the next reporting quarter at the following website:

<http://www.dec.alaska.gov/water/MuniGrantsLoans/greenproj.htm>.

As necessary, ADEC will seek out other potential GPR eligible projects not initially listed in the IUP, which meets GPR project eligibility, to make up any shortfall in meeting the current year's GPR requirements

Table 5. SFY19 GPR Projects

Applicant - Project Name	Loan Request
Nome - Bering Street Sewer Replacement	\$2,086,937
AWWU – Pump Station 52 Improvements	\$1,705,000
AWWU – AWWTF Resource Recovery Study	\$800,000
AWWU – ERWTF Sludge Dewatering	\$300,000
Total	\$4,891,937

Additional Subsidy – Disadvantaged Community Assistance

Under the FFY18 federal capitalization grant, a minimum of 10% of the grant must be offered in the form of additional subsidy for any project or borrower. An additional 30% of the grant may be offered as subsidy for projects that meet specific criteria. ADEC has chosen to offer the required subsidy in the form of principal forgiveness to disadvantaged and distressed communities. Of the total available subsidy, ADEC intended to allocate 80% for eligible Point Source projects and 20% for eligible Nonpoint Source (NPS) projects. However, no project questionnaires were submitted for NPS projects during the first quarter and, therefore, all available subsidy will be offered to Point Source projects. If an eligible NPS project is proposed in subsequent quarterly questionnaire review periods, any unallocated subsidy remaining may be made available to that Nonpoint Source project.

ADEC will offer borrowers that meet the disadvantaged community criteria subsidy of 50% of the total project costs, up to a cumulative maximum of \$600,000 per utility. Subsidy funding will be awarded to disadvantaged entities according to overall project ranking on the PPL, from highest to lowest, until all funding is utilized. A utility is considered disadvantaged if it meets one or more of the following criteria:

- Median Household Income (MHI) is less than the state average MHI that is currently published by the Alaska Department of Labor and Workforce Development, Research and Analysis.
- Rate of unemployment is above the state average unemployment rate that is currently published by the Alaska Department of Labor and Workforce Development, Research and Analysis.
- The five year population trend for the community is outside the range defined by the state five year population trend, plus or minus 5%. Data is provided from the Alaska Department of Labor and Workforce Development, Research and Analysis Section.
- The activity is to be carried out in an economically distressed area, as described in section 301 of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3161).

Additionally, ADEC will offer borrowers located in distressed communities 80% of total project costs as principal forgiveness. Distressed communities are identified by the Alaska Department of Labor and Workforce Development's 2017 Distressed Communities Report¹.

Projects must meet the following milestones to be eligible for subsidy:

- Submission of a loan application within two months of issuance of the IUP, or subsidy funds may be made available to the next highest ranked eligible project.
- Submission of disbursement requests equal to at least the amount of the loan subsidy within one year of the signed loan agreement. If a utility is unable to expend the full subsidy within one year, the subsidy may be reduced to match the expenses incurred to date.

¹ Alaska Department of Labor and Workforce Development, 2017. 2017 Distressed Communities Report, June 2017. Denali Commission.

Any uncommitted subsidies that exist after one year of publication of the IUP will be distributed to projects with existing subsidies, or to those projects which are the furthest along in completion of construction.

Additional Subsidy Reserve Performance

As Table 6 shows, Alaska is working toward meeting the required subsidy allocation in past years. An additional \$29,852 in subsidy from the FFY14 capitalization grant in subsidy needs to be re-allocated. ADEC intends to meet that requirement by September 1, 2018. Monitoring of subsidy allocation for the FFY16 and FFY17 grants continues as projects progress to ensure that the minimum subsidy allocation requirement will be met.

Table 6. Alaska CWSRF Additional Subsidy Summary

State Fiscal Year	Federal Fiscal Year	Minimum Subsidy Required (a)	Subsidy Committed (b)	Difference (a-b)	Comments
11	2010	\$1,826,274	\$1,826,273	\$1	Subsidy met - Possible rounding error
12	2011	\$817,962	\$817,962	\$0	Subsidy met
13	2012	\$469,287	\$469,287	\$0	Subsidy met
14	2013	\$375,468	\$375,468	\$0	Subsidy met
15	2014	\$455,654	\$425,802	\$29,852	Need to re-allocate subsidy.
16	2015	\$0	\$0	\$0	Subsidy met
17	2016	\$797,700	\$265,940	\$531,760	One project in process. Will monitor closely and adjust as needed.
18	2017	\$791,500	\$0	\$791,500	Three projects in process. Will monitor closely and adjust as needed.
TOTAL		\$5,533,845	\$4,180,732	\$1,353,113	

PROGRAM ADMINISTRATION

Loan Terms and Interest Rates for Eligible Projects

From April 28, 2005 through September 9, 2017, loans with a contract term of five to 20 years were assessed an effective finance charge rate of 1.5% or 18.75% of the current bond rate as defined by the Municipal Bond Index (MBI). Loans with a contract term of one to five years were assessed an effective interest rate of 1% or 12.5% of the current bond rate as defined by the MBI. Any loan term less than one year were assessed a 0.5% finance charge. However, the MBI was defined as the Merrill Lynch 500 Municipal Bond Index, which ceased to exist several years ago. Therefore, the effective finance charges have been 1.5%, 1% and 0.5% for many years.

ADEC adopted revisions to the finance charge calculations in 18 AAC 76 on September 10, 2017. The revised regulations modified the calculation of finance charges to reflect current market trends based on the Bond Buyer's Municipal Bond Index, as shown in Table 7. The revised regulations also increase the allowable financing term from 20 years to 30 years.

Table 7. Finance Rates (effective September 10, 2017)

Loan Term	Finance Rate for any Bond Rate*	Finance Rate for Bond Rate*
	Less than 4 %	Greater than 4 %
20-30 Years	2	$2 + (0.75 \times (\text{Bond Rate}^* - 4))$
5-20 Years	1.5	$1.5 + (0.625 \times (\text{Bond Rate}^* - 4))$
0-5 Years	1	$1 + (0.5 \times (\text{Bond Rate}^* - 4))$

*Bond Buyer's Municipal Bond Index Current Day – Yield to Maturity

ASSURANCES AND SPECIFIC PROPOSALS

The Operating Agreement specifies numerous conditions that must be met. Each capitalization grant typically contains additional conditions that must be met. ADEC is committed to being in compliance with all conditions in both the Operating Agreement and Capitalization Grant.

Expeditious and Timely Expenditure

ADEC will enter into binding commitments to provide assistance in an amount equal to 120% of the FFY18 federal capitalization grant within one year after receipt of the grant payment. The PPL includes an estimated date for the beginning of construction for each project to indicate a proposed project schedule.

Additionally, to assure expeditious and timely expenditure of funds, ADEC continues to require that applicants submit the first disbursement request within two years of execution of the loan agreement. If no disbursement is made within the two year period, ADEC may take action to recall the loan; however, an extension may be granted upon an applicant's request, if there is reasonable justification.

Equivalency Requirements and Equivalency Projects

Per EPA's Standard Operating Procedures for the CWSRF and DWSRF, specific requirements, often referred to as federal equivalency requirements, apply only to a subset of loans equal to the amount of the capitalization grant, rather than to all loans funded by the SRF Program. Beginning in SFY19, ADEC intends to take full advantage of the flexibility offered by equivalency to reduce the burden of the federal grant conditions, listed above, for most applicants. For SFY19, all loans to the Anchorage Water Wastewater Utility (AWWU) will be required to meet all federal grant conditions, and therefore, may fulfil the equivalency requirements.

For the CWSRF, these specific equivalency requirements are:

- Architectural and engineering (A/E) services procurement
- Disadvantaged Business Enterprises (DBE)
- Federal cross-cutters
- Signage to enhance public awareness of SRF assistance agreements
- Single Audit
- Federal Funding Accountability and Transparency Act (FFATA)

Table 8 lists projects from the SFY19 PPL are expected to be used to meet the equivalency requirements. Other AWWU projects may be substituted if any of these projects do not move forward. The SFY19 annual report will provide a summary of the project that are selected to meet the state's equivalency obligation.

Table 8. SFY19 Equivalency Projects

Applicant Anchorage Water & Wastewater Utility (AWWU)

Project Name	Loan Request
D-2-4 Trunk Improvements	\$2,367,000
Nathan Circle Sewer Upgrade	\$615,000
Downtown Sewer Rehab	\$1,732,382
AWWTF Scum Pump & Inline Grinder Rehab	\$1,953,000
Pump Station 52 Improvements	\$1,705,000
Turpin Street Septage Receiving Station	\$1,308,000
Total	\$9,680,382

Architectural and Engineering Services Procurement

Loan recipients identified by ADEC as equivalency projects are required to procure architectural and engineering (A/E) services in accordance with federal requirements found in Chapter 11 of Title 40 U.S. Code. These services include, but are not limited to: program management, construction management, feasibility studies, preliminary engineering design, engineering, surveying, mapping and architectural-related services. ADEC includes provisions addressing the requirements in funding agreements for equivalency projects.

Disadvantaged Business Enterprise (DBE)

Loan recipients and their contractors must comply with the federal DBE requirements throughout the life of equivalency projects.

Signage to Enhance Public Awareness

To enhance public awareness of EPA assistance agreements in Alaska, ADEC posts detailed project notices on the following ADEC web site:

<http://dec.alaska.gov/water/MuniGrantsLoans/SRFAwareness.htm>

Single Audit

Borrowers who have received federal funds through ADEC's SRF Program may be subject to the requirements of the Single Audit Act and 2 CFR 200. ADEC monitors borrowers' compliance with those requirements in an amount equal to the capitalization grant.

Federal Funding Accountability Transparency Act (FFATA)

FFATA reporting requirements apply in an amount equal to the capitalization grant. ADEC will select projects with a dollar value equaling or marginally exceeding the most recent federal capitalization grant award to comply with FFATA requirements. Information will be reported no later than the end of the month following the date of the finalized loan agreement.

Additionally, FFATA reporting will be conducted for set-aside contracts that equal or exceed \$30,000.

ADDITIONAL INFORMATION / REQUIREMENTS

American Iron and Steel

All recipients of SRF funding for wastewater and stormwater facility construction projects must meet the American Iron and Steel (AIS) requirements. Projects may use only specific iron and steel produced in the United States. ADEC includes provisions addressing the AIS requirements in all funding agreements.

Cost and Effectiveness Certification

In accordance with amendments to Section 602(b)(9) of the CWA effective June 10, 2014, funding recipients are required to submit a certification, signed by a professional engineer, stating that a cost and effectiveness study has been completed.

Davis-Bacon Act Wages

ADEC will provide borrowers with the specific EPA Davis-Bacon contract language that is to be included in bid specifications and/or contracts and will confirm that these contracts include the correct wage determinations. In addition, ADEC will collect certifications of Davis-Bacon compliance via online project quarterly report statements.

Environmental Review

All CWSRF-funded projects involving the construction of treatment works, regardless of the source of the funding (e.g. capitalization grant, prior year appropriations, state match, interest earnings, principal repayments, etc.), must undergo an environmental review in conformance with the EPA-approved State Environmental Review Process (SERP).

Federal Reporting

EPA's Clean Water Benefits Reporting (CBR) database collects project level information and anticipated environmental benefits associated with the CWSRF projects, while the CWSRF National Information Management System (NIMS) produces annual reports that provide a record of progress and accountability for the program. EPA uses the information provided to oversee the CWSRF State programs and develop reports to the US Congress concerning activities funded by the CWSRF program. ADEC commits to entering benefits information on all projects into CBR by the end of the quarter in which the assistance agreement is signed. ADEC also commits to entering all program information into NIMS on an annual basis as EPA requests.

Generally Accepted Accounting Principles

Amendments to Section 602(b)(9) of the CWA, effective June 10, 2014, require States to have loan recipients maintain project accounts per Generally Accepted Accounting Principles (GAAP) as issued by the Governmental Accounting Standards Board (GASB). This provision requires assistance recipients to use standards relating to the reporting of infrastructure assets. ADEC includes this information in the loan agreements and reviews compliance annually during Single Audit reviews.

Fiscal Sustainability Plans

The CWA requires CWSRF loan recipients for publicly owned treatment works (POTW) projects to develop and implement a Fiscal Sustainability Plan (FSP) that includes the following minimum elements:

- An inventory of critical assets that are part of the system;
- An evaluation of the condition and performance of the critical assets;
- A plan to maintain, repair and replace the critical assets and to fund those activities; and
- A certification that the assistance recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan.

Applicants can self-certify that the FSP, or its equivalent, has been developed and implemented prior to the final disbursement for the project.

Sustainability Policy

ADEC is committed to promoting sustainable design and management of wastewater utilities and clean water resources. Projects that meet ADEC's sustainability criteria are eligible for up to 50 bonus points in the priority ranking system.

PUBLIC REVIEW AND COMMENTS

A notice of the draft IUP was provided to all potential borrowers that submitted a project questionnaire and published in the Anchorage Daily News on May 22, 2018. The draft IUP was posted on the ADEC website throughout the 30 day public comment period. comments were received from the EPA during this public notice period, and the SFY19 IUP was revised in response to those comments. A list of the comments and responses is provided in Appendix 3.

Appendix 1

Priority Criteria for SFY19

Point Source and Nonpoint Source Projects

Alaska Clean Water State Revolving Fund - Priority Criteria for SFY19 Point Source Projects

PUBLIC HEALTH CONSIDERATIONS (only one):		Points
1	This project will correct the cause of a human disease event documented by ADEC or a recognized public health organization. <i>Examples:</i> <i>Outbreaks of Hepatitis, Giardiasis or Cryptosporidiosis.</i> <i>Upgrading facilities to meet new EPA/ADEC regulations or resolve violation(s) of a wastewater permit with short term compliance deadline (\leq 1 year).</i> <i>Installation of new sewer mains in an area where there is documented well contamination resulting from sewer main leaks.</i>	350
2	This project will correct conditions severe enough that a disease event may occur, although an event may have not yet been reported. <i>Examples:</i> <i>Violations of a wastewater permit with longer term compliance deadlines (> 1 year).</i> <i>Documented failure of on-site disposal systems.</i> <i>Correction of documented I&I issues that prevent the WWTP from meeting permit limits.</i> <i>Construction to address documented surface water contamination violation.</i>	300
3	This project will minimize public health threats where the potential for a disease event exists. <i>Examples:</i> <i>Correction of documented issues with a high potential to violate a wastewater permit condition.</i> <i>Replacement of pipes or facilities that are documented as leaking or constructed of inferior materials (example - asbestos cement pipe, structurally impaired lift station wet well).</i> <i>Improvements to a collection system prone to freeze-up.</i> <i>Installation of new sewer mains to an area that is currently served by on-site systems and, has a high potential of regulated contaminants exceeding safe standards.</i>	200
4	This project will minimize potential future public health problems. There is no current threat of a disease event. <i>Examples:</i> <i>Replacement of collection system components that are at end of life, but no documentation of significant failure</i> <i>Wastewater Treatment Facility upgrades to increase capacity and/or replace obsolete equipment that is not related to a permit violation correction.</i> <i>Improve system security, such as fencing, remote monitoring, access cards, etc.</i> <i>SCADA upgrades</i>	100
5	This project will not address any significant health related issues. <i>Examples:</i> <i>Sewer main alignment changes (rerouting mains that have little to no improvement on operation).</i> <i>Sewer main expansion for future development.</i> <i>Wastewater treatment plant or collection system studies, unless required by compliance conditions.</i> <i>Master Plans.</i>	0
WATER QUALITY CONSIDERATIONS (only one)		
1	This project will correct a document pollution event in a:	
	Non-303(d) listed Water Body	250
	303(d) Category 4a Listed Water Body (impaired with final/approved Total Maximum Daily Load (TMDL)	240
	303(d) Category 4b Listed Water Body (impaired with other pollution controls)	230
	303(d) Category 4c Listed Water Body (impairment not caused by a pollutant, e.g., invasive species, flow modifications)	230
	303(d) Category 5 Listed Water Body (Impaired, requires TMDL)	220
2	Current conditions are severe enough that a pollution event can occur; however one has not been reported or documented. This project will correct a problem in a	
	Non-303(d) listed Water Body	230
	303(d) Category 4a Listed Water Body (impaired with final/approved TMDL)	220
	303(d) Category 4b Listed Water Body (impaired with other pollution controls)	210
	303(d) Category 4c Listed Water Body (impairment not caused by a pollutant, e.g., invasive species, flow modifications)	210
	303(d) Category 5 Listed Water Body (Impaired, requires TMDL)	200
3	This project will minimize the potential for future pollution events.	100
4	This project has minimal impact on future pollution events.	0

Alaska Clean Water State Revolving Fund - Priority Criteria for SFY19 Point Source Projects

RECEIVING WATERS (Only one)		
	This project addresses direct adverse impacts to:	
1	Surface or groundwater	10
2	Marine waters or estuaries	5
3	This project will not address adverse impacts to receiving waters.	0
PROJECT READINESS (Only one)		
1	This project will complete work that has already begun construction and has an environmental review completed by the ADEC SRF Program. Documentation is attached.	50
2	Engineering plans and specifications have been approved by the ADEC Engineering Support and Plan Review (ESPR) Program. Documentation is attached.	40
3	Substantial engineering plans and specification (at least 65% complete) have been prepared and provided to ADEC ESPR Program. Documentation is attached.	30
4	A feasibility study, facility plan and/or set of engineering plans and specifications (at least 35% complete) have been prepared and are attached.	20
5	An up-to-date comprehensive study, master plan, and/or a current project cost estimate has been prepared and is attached.	10
6	No project development has been accomplished.	0
FUNDING COORDINATION (Only one)		
1	This loan will be used to match other state or federal funds. Documentation is required to identify each funding source.	15
2	Other funding sources have not been identified.	0
ABILITY TO REPAY (Only one)		
1	The source, amount and year of repayment funds has been identified and are available now. This does not include anticipated funds from future year funding or appropriations. Documentation is attached.	10
2	Repayment funds have not yet been identified.	0
SUSTAINABILITY PROJECTS (Only one)		
1	Fix it First Projects – These are projects currently located in an established area which is still suitable for use and should be encouraged over project in undeveloped areas. The repair, replacement and upgrade of infrastructure in these types of areas are encouraged.	50
2	Effective Utility Management – Plans, studies and projects that improve the technical, managerial and financial capacity of assistance recipients to operate, maintain and upgrade their infrastructure. Improved stewardship of the existing infrastructure will help improve sustainability and extend the useful life of the system.	25
3	Planning – Preliminary planning, development of alternatives, and capital projects that reflect the full life cycle cost of infrastructure, conserve natural resources or use alternative approaches to integrate natural systems in the built environment.	25
4	Not applicable.	0
OPERATOR CERTIFICATION (Only one)		
1	The system employs, or has on contract, an operator certified to the level of the system.	5
2	The system does not employ, or have on contract, an operator certified to the level of the system.	0
AFFORDABILITY CRITERIA (Only one)		
	Loan cost to population benefitting ratio:	
1	\$0 - \$400 per person	15
2	\$400 - \$4,000 per person	10
3	> \$4,000 per person	5
GREEN PROJECT (Determined by ADEC)		
	The applicant has sufficiently demonstrated eligible Green components under the project.	25

Alaska Clean Water State Revolving Fund - Priority Criteria for SFY19 Nonpoint Source Projects

WATER QUALITY CONSIDERATIONS (only one)		
1	PROTECTION: This project's main emphasis is prevention of nonpoint source pollution in a: Non-303(d) listed Water Body	100
	303(d) Category 4a Listed Water Body (impaired with final/approved Total Maximum Daily Load (TMDL)	90
	303(d) Category 4b Listed Water Body (impaired with other pollution controls)	90
	303(d) Category 4c Listed Water Body (impairment not caused by a pollutant, e.g., invasive species, flow modifications)	90
	303(d) Category 5 Listed Water Body (Impaired, requires TMDL)	90
2	RESTORATION: The goal of the proposed project is to restore water quality in a water body identified as impaired or polluted in the most recent 303(d) list. This project implements a TMDL or load allocation, or otherwise addresses a water quality problem that has resulted in a water body designated as impaired in a : Non-303(d) listed Water Body	100
	303(d) Category 4a Listed Water Body (impaired with final/approved TMDL	90
	303(d) Category 4b Listed Water Body (impaired with other pollution controls)	90
	303(d) Category 4c Listed Water Body (impairment not caused by a pollutant, e.g., invasive species, flow modifications)	90
	303(d) Category 5 Listed Water Body (Impaired, requires TMDL)	80
3	STEWARDSHIP: The proposed project will improve or maintain water quality in a: Non-303(d) listed Water Body	100
4	This project has minimal impact on future pollution events.	0
PROJECT READINESS (Only one)		
1	Engineering documents have been completed. Documentation is attached.	25
2	Preliminary engineering documents have been completed. Documentation is attached.	20
3	Key planning document(s) (such as TMDL, Corrective Action plan, Comprehensive Plan) have been completed. Documentation is attached.	15
4	A feasibility study that demonstrates the need and costs for the project has been completed. Documentation is attached.	5
5	No action has been taken.	0
FUNDING COORDINATION (Only one)		
1	This loan will be used to match other state or federal funds. Documentation is required to identify each funding source.	15
2	Other funding sources have not been identified.	0
ABILITY TO REPAY (Only one)		
1	A viable repayment source has been identified. Documentation is attached.	10
2	Repayment funds have not yet been identified.	0
NONPOINT SOURCE STRATEGY IDENTIFIED PRIORITIES - Coordination with Alaska Clean Water Five-Year Strategic Plan Goals - Determined by ADEC (Only one)		
1	Increase the amount known about Alaska's waters	10
2	Standardize how ADEC evaluates information for the purpose of listing and delisting a waterbody on the impaired waterbody list by developing listing methodologies and policy.	20
3	Increase of continue collaboration with other programs, agencies and community based organizations.	10
4	Restore waters that are impaired and keep them healthy once restored.	30
5	Conduct research on BMPs so that urban and industrial development sustains water quality.	20
6	Keep our waters clean – highlight and protect healthy waters that are at risk.	40
7	Keep our waters clean – Educate the public on water quality and smart practices to prevent pollution.	10
GREEN PROJECT (Determined by ADEC)		
	The applicant has sufficiently demonstrated eligible Green components under the project.	25

Appendix 2

SFY19

Project Priority List

Alaska Clean Water Fund - State Fiscal Year (SFY) 2019 Project Priority List

Note: Projects in shaded cells are within the fundable limit identified in the first quarter of SFY19 and will be provided a 2-month window after the final IUP is issued to submit a loan application. After the 2-month window expires, applications will be accepted for any project on the list. Funding will then be awarded on a first-come, first-served basis.

(1) Additional subsidy is subject to change depending on the readiness of projects to proceed.

(2) Loan terms will be finalized when a loan agreement is offered. The finance rate will be based on a calculation identified in Alaska Administrative Code (18 AAC 76.080).

Rank	Score	APDES Permit Number	Clean Water Needs Category	Applicant	Project Name and Description	Requested Loan Amount	Additional Subsidy (1)	Disadvantaged Community	Distressed Community	Requested Loan Term (years) (2)	Green Project Amount / Type	Sustainability Policy	Estimated Construction Start	Quarter Added to IUP
1	660	AK-0022497	I	City of Palmer	Wastewater Treatment Facility Upgrades - Install two water clarifiers to the new moving bed biofilm reactor wastewater treatment system currently being installed at the City of Palmer WWTP. The clarifiers will allow the City to fully meet US EPA Consent Decree requirements.	\$8,052,000	\$600,000	X		20 to 30		Fix It First	05/15/2019	Q1
2	640	AK-0047856	I	Anchorage - AWWU	GWWTFF Upgrades Phase II - Design and construct a new Girdwood Wastewater Treatment Facility including a building, yard piping, process equipment, electrical, mechanical and SCADA.	\$15,800,000				5 to 20		Fix It First	10/10/2019	Q1
3	575	2007 DB003	III-B, III-A	Nome Joint Utility System	Bering Street Sewer System Replacement - Replace leaking 33-year-old "Sclaircore" direct bury (and joint trench) sewer collection piping in coordination with an Alaska Department of Transportation & Public Facilities project. Water distribution pipes will also be replaced; a separate DWSRF application has been submitted.	\$2,086,937	\$600,000	X		5 to 20	\$2,086,937 (Energy Efficiency)	Fix It First	06/01/2020	Q1
4	520	AK-0022551	III-B	Anchorage - AWWU	D-2-4 Trunk Improvements - Abandon in place approximately 1,100 feet of sewer main and add approximately 1,670 feet of new sewer main with a new alignment. In addition, provide access for maintenance vehicles to manholes along Chester Creek.	\$2,367,000				5 to 20		Fix It First	07/17/2018	Q1
5	410	AK-0022551	III-B	Anchorage - AWWU	Pawn Place Sewer Upgrade - Removal and replacement of an existing manhole and associated work, cured in place pipe (CIPP) lining of approximately 227 feet of 8-inch asbestos concrete pipe, 2 robotic sewer service reinstatements, sewer flow control, access road installation and removal, clearing and grubbing, landscaping, and paving.	\$263,000				5 to 20		Fix It First	07/30/2018	Q1
6	400	AK-0022551	III-B	Anchorage - AWWU	Seppala Drive W 30th Ave Northern Lights Boulevard Sanitary Sewer Main Reconstruction - Reconstruct approximately 360 linear feet of old CWS sanitary sewer main flowing north from Turnagain Elementary School to Northern Lights Blvd.	\$533,000				5 to 20		Fix It First	05/01/2018	Q1
7	390	AK-0022551	III-B	Anchorage - AWWU	Nathan Circle Sewer Upgrade - Remove and replace several sections of 8 and 10-inch sewer pipe with reverse grade and/or bellies.	\$615,000				5 to 20		Fix It First	09/10/2018	Q1

Alaska Clean Water Fund - State Fiscal Year (SFY) 2019 Project Priority List

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8	380	AK-0022551	III-B	Anchorage - AWWU	Downtown Sewer Rehabilitation - Rehabilitate over 2,000 linear feet of sewer main in downtown Anchorage within 8th Avenue, West 2nd, Avenue C, D, E, H, I and M streets.	\$1,732,382				5 to 20		Fix It First	10/22/2018	Q1
9	325	AK-0022551	I	Anchorage - AWWU	AWWTF Scum Pump & Inline Grinder Rehabilitation - Improve the scum handling system from the clarifiers to the incinerator by replacing piping, pumps, heating, insulation and controls.	\$1,953,000				5 to 20		Fix It First	06/01/2019	Q1
10	315	AK-0022551	III-B	Anchorage - AWWU	Pump Station (PS) 52 Improvements - Evaluate, provide recommendations, and prepare construction documents for improvements to address continued expansion of the basin this pump station serves.	\$1,705,000				5 to 20	\$118,200 (Energy Efficiency)	Fix It First	05/04/2018	Q1
11	300	AK-0022551	III-B	Anchorage - AWWU	Turpin Street Septage Receiving Station - Upgrade the existing septage receiving station to efficiently accept leachate and to serve as a long-term backup facility to King Street.	\$1,308,000				5 to 20		Fix It First	6/1/2018	Q1
12	290	AK-0022551	III-B	Anchorage - AWWU	1st Avenue A-F Streets Sewer Rehabilitation - Upgrade existing sewer pipe that may be in poor shape or collapsed and susceptible to blockages to prevent sanitary sewer overflows.	\$892,000				5 to 20		Fix It First	05/01/2018	Q1
13	290	AK-0022551	III-B	Anchorage - AWWU	AWWTF General Civil Improvements to Support Concrete Inspection - Rehabilitate asphalt and concrete surfaces, site perimeter fencing/gate repairs, and additional signage at the Asplund Wastewater Treatment Facility.	\$895,000				5 to 20		Fix It First	06/01/2018	Q1
14	290	AK-0022551	III-B	Anchorage - AWWU	Farm Avenue Sewer Rehabilitation - Replace 1,100 feet of 8-inch ductile iron gravity sewer with larger diameter pipe to accommodate pump station flow.	\$2,515,000				5 to 20		Fix It First	05/15/2018	Q1
15	290	AK-0022551	III-B	Anchorage - AWWU	Flower Park Glenn 4th Rehabilitation - Rehabilitate approximately 1,900 linear feet of 8-inch sewer pipe with multiple deficiencies including fractures, cracks, offsets and joint separations.	\$1,549,000				5 to 20		Fix It First	05/01/2018	Q1

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16	290	AK-0022551	III-B	Anchorage - AWWU	Pump Station (PS) 12 Force Main Rehabilitation - Assess and rehabilitate the pump station, force mains, gravity junction box and the receiving 48-inch gravity sewer to meet current standards, enhance operation efficiency and provide continued service. The dual culverts located where the force mains cross Campbell Creek will also be assessed and rehabilitated as part of the project.	\$1,282,000				5 to 20		Fix It First	08/01/2018	Q1
17	270	0125DB002	III-B	Chevak	Helical Piles Replacement (Sewer) - Install two helical piles per sewer main support. Approximately 50 supports shall be installed.	\$33,675	\$26,940	X	X	< 5		Fix It First	07/01/2018	Q1
18	270	AKG-573035	III-B	Noorvik	Utilidor Replacement (Sewer) - Replace existing damaged utilidor with new aluminum utilidor. Replace existing sewer piping as needed. New insulation shall be installed within the utilidor. Utilidor will be releveled on-site.	\$29,275	\$23,420	X	X	< 5		Fix It First	07/01/2018	Q1
19	265	AKG-570097	III-B	Savoonga	Helical Piles Replacement (Sewer) - Install two helical piles per sewer main support. A total of 75 supports shall be installed.	\$37,463	\$29,970	X	X	< 5		Fix It First		Q1
20	165	AK-0022551	III-B	Anchorage - AWWU	AWWTF Storage Construction - Construct additional warm storage for equipment, materials and sodium hypochlorite at the Asplund Wastewater Treatment Facility.	\$1,918,000				5 to 20		Fix It First	09/24/2018	Q1
21	105	2007 DB003	III-B	Nome Joint Utility System	USDA Wastewater Loan Refinance - Refinance three wastewater loans with the USDA for facilities that were constructed and are now in operation.	\$588,480		X		5 to 20		Fix It First	06/30/2018	Q1
22	75	AK-0022551		Anchorage - AWWU	AWWTF Resource Recovery Study - Study feasibility of biosolids energy recovery at the Asplund Wastewater Treatment Facility. This project may also include preliminary design activities.	\$5,201,000				5 to 20		Fix It First	06/01/2020	Q1
23	75	AK-0022551	III-B	Anchorage - AWWU	King Street Improvements - AWWU is conducting a facility plan for the King Street Facility, the primary operations center for wastewater collections system maintenance. The proposed improvements include installation of backup power as well as improvements to various buildings located at the site.	\$11,409,935				5 to 20		Fix It First	04/01/2020	Q1

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24	65	AK-0022543	I	Anchorage - AWWU	ERWWTF Sludge Dewatering Replacement - Replace two 25-year-old gravity belt thickeners. Recurring component failures include issues with gear boxes, DC motors, corroded wiring, controls systems and circuit boards as well as failures with support systems (polymer system & TWAS pumping for both units).	\$300,000				5 to 20		Fix It First	01/09/2019	Q1
TOTAL FOR PROJECTS IN SHADED CELLS						\$36,415,319								
TOTAL FOR ALL PROJECTS						\$63,066,147	\$1,280,330				\$2,205,137			

AMENDED SCOPE OF WORK

APDES Permit Number	Clean Water Needs Category	Applicant	Project Name and Description
AKG-572028	I, III-B	Ketchikan Gateway Borough	South Tongass Wastewater Main: Shoup to Forest Park ACWF Loan # 482021- The original scope of work for this project was amended to include proposed WWTP upgrades to be completed in advance of new main construction. Work will include replacement of the treated sludge dewatering system and replacement of deteriorated or obsolete electrical and controls systems. No increase to the loan amount is requested.

Appendix 3. Response to Comments

EPA Region 10 provided comments on the draft SFY19 IUP. No other comments were received.

EPA Comment	ADEC Response
P. 4 – consider adding compliance with AIS to Long Term Goal 16	This long term goal was revised to add compliance with American Iron and Steel requirements.
P. 6 – “most administrative expenses will be paid from the ACWF administrative fee account.” Clarify that “most” refers to paying DW and CW admin fees from the CW account.	This section was revised to clarify administrative fee expenditures.
P. 6 – include an estimate of program vs. non-program income for SFY19	A section was added to discuss program and non-program income.
P. 8 – public notice for 10 days – Where is the 10-day timeframe coming from? Is it consistent with state rules on public notice?	The 10-day public notice period is consistent with past practice for the SRF Program for providing public notice for revisions to the Project Priority List and Intended Use Plan.
P. 9 – “no more than 20%” of the grant as subsidy. This is not correct – the full range of subsidy that may be offered is 10%-40%. 10% is required and can be used for any project/any borrower (language from enacted appropriations bill). Up to an additional 30% is optional, but can only be used for projects that meet the WRRDA criteria.	This section was revised to correct the language regarding subsidy allocation.
P. 13 – the Environmental Review section should be under the Additional Information/Requirements Section, not under the section on Equivalency because Environmental Review is not an equivalency requirement.	The Environmental Review section was moved as requested.