ALASKA DRINKING WATER FUND

Intended Use Plan

State Fiscal Year 2024

July 1, 2023 – June 30, 2024

For Federal Base Capitalization Grant
funds appropriated in Federal Fiscal Year 2023
and Bipartisan Infrastructure Law General Supplemental
funds appropriated in Federal Fiscal Year 2022

Submitted to the U.S. Environmental Protection Agency
By
Alaska Department of Environmental Conservation
Division of Water – State Revolving Fund Program
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Acronyms

AAC	Alaska Administrative Code
ACWF	Alaska Clean Water Fund
ADEC	Alaska Department of Environmental Conservation
ADWF	Alaska Drinking Water Fund
AIS	American Iron and Steel
AWIA	America's Water Infrastructure Act of 2018
AWWU	Anchorage Water and Wastewater Utility
BABA	Build America, Buy America Act
BIL	Bipartisan Infrastructure Law
CE	Categorical Exclusion
CWS	Community Water System
DBE	Disadvantaged Business Enterprise
DWP	Drinking Water Program
DWSRF	Drinking Water State Revolving Fund
EPA	U.S. Environmental Protection Agency
FFATA	Federal Funding Accountability Transparency Act
FFY	Federal Fiscal Year
FOCUS	Financial Operations and Cash Flow Utilization System
GPR	Green Project Reserve
IUP	Intended Use Plan
LSL	Lead Service Line
MHI	Median Household Income
NTNC	Non-Transient Non-Community System
OASys	Online Application System
PBR	Project Benefits Reporting
PPL	Project Priority List
PWS	Public Water System
SDWA	Safe Drinking Water Act
SERP	State Environmental Review Process
SFY	State Fiscal Year
SRF	State Revolving Fund
TAF	Technical Assistance and Financing
WIIN	Water Infrastructure Improvements for the Nation Act of 2016

INTRODUCTION

The Drinking Water State Revolving Fund (DWSRF) was created by the 1996 amendments to the federal Safe Drinking Water Act (SDWA) to assist public water systems with financing the cost of infrastructure needed to achieve or maintain compliance with the SDWA. Section 1452 of the SDWA authorizes the Administrator of the US Environmental Protection Agency (EPA) to award capitalization grants to states to provide seed money for the purpose of establishing a low-interest loan program (the DWSRF) and other types of assistance to eligible water systems. In Alaska, this loan program is administered by the Alaska Department of Environmental Conservation (ADEC) State Revolving Fund (SRF) Program.

The Infrastructure Investment and Jobs Act of 2021 (also referred to as the Bipartisan Infrastructure Law or BIL) includes three new appropriations for the DWSRF, one of which is an additional capitalization grant that state DWSRF programs can apply for separately from the 'base' grant and is referred to as BIL DWSRF General Supplemental Funding. Both grants are discussed in this document and will be referred to as the base grant and supplemental grant, respectively.

This Intended Use Plan (IUP), required under the SDWA, describes how Alaska proposes to use available funds in State Fiscal Year 2024 (SFY24) from July 1, 2023 through June 30, 2024 provided by federal funds allocated to Alaska through the DWSRF Federal Fiscal Year 2023 (FFY23) base capitalization grant as well as the FFY22 BIL General Supplemental grant.

The IUP is the central component of the capitalization grant application and describes how the State will use the DWSRF to meet SDWA objectives and further the protection of public health. This IUP contains the following elements pertaining to both the base and supplemental grants:

- Short and long-term goals of the program.
- Project priority list, including project description and size of community.
- Criteria and method used for distribution of funds.
- Description of the financial status of the DWSRF program.
- Description of the set-aside activities and percentage of funds, that will be used from the DWSRF capitalization grant, including DWSRF administrative expenses allowance, PWSP support, technical assistance, etc.
- Description of how the program defines a disadvantaged system and the amount of DWSRF funds that will be used for this type of loan assistance.

Once prepared, an IUP must be noticed for a period of at least 30 days to accept comments from the public. Comments on all facets of the draft IUP are accepted. After considering comments received, the IUP is finalized and posted on the SRF Program's website at https://dec.alaska.gov/water/technical-assistance-and-financing/state-revolving-fund/intended-use-plans/.

PROGRAM UPDATES

Program updates are included in the annual report to EPA; therefore, this section will no longer be included in the Intended Use Plan.

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. Ensure full compliance with all applicable requirements for all SRF loans.
2. Foster coordination with other programs and agencies to improve assistance to water systems in their efforts to achieve compliance and improve capacity.
3. Maintain a working relationship with other infrastructure funding authorities, including but not limited to U.S. Department of Agriculture (USDA) Rural Development, to coordinate financial assistance for drinking water projects.
4. Develop program guidelines to improve the pace of loan projects.
5. Establish a marketing and outreach plan to expand program awareness, inform current and potential borrowers of the SRF's wide variety of funding options and benefits, and thereby, expand the borrower pool.
6. Pursue methods for encouraging borrowers to pursue innovative and non-traditional projects, such as green infrastructure, water and/or energy efficiency, climate resilience, and environmentally and financially sustainable projects.
7. Fully implement the Financial Operations and Cash Flow Utilization System (FOCUS), a cash flow model for forecasting fund usage to allow for improved planning and funding allocation decisions and implementation of a long-term lending strategy.
8. Utilize a portion of the capitalization grant for set-aside activities that provide public water systems with guidance and technical assistance.

Short-Term Goals

1. Coordinate with EPA and EPA funded technical assistance providers to reach new potential borrowers, assess their needs, and provide appropriate assistance with the goal of making SRF funds accessible to this untapped customer base that likely has great need. This goal aligns with a key priority identified in the BIL implementation memorandum[1] to ensure that communities most in need of financial assistance for infrastructure improvements benefit equitably from the opportunities provided through BIL.

[1] Environmental Protection Agency. *Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law.* March 8, 2022. https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf

2. Recruit and hire additional program support and engineering staff to accommodate implementation of SRF BIL funding.
3. Ensure that the SRF Program is meeting capitalization grant requirements for the allocation of additional subsidy.
4. Review current subsidy allocation methods to strategically use the DWSRF additional subsidy to achieve affordable compliance, especially for small, disadvantaged communities in accordance with a key priority of the BIL implementation memorandum[1].
5. Identify workflow processes needed to update and utilize FOCUS, including an improved method to track both the allocation and disbursement of additional subsidy.
6. Complete revisions to the ADWF Operating Agreement.
7. Pursue revisions to the regulations at 18 AAC 76 to increase the SRF Program's agility in response to the needs of borrowers, as well as federal grant conditions. This goal aligns with the BIL implementation memorandum – to provide flexibility to states and borrowers to address a wide variety of local water quality and public health challenges.
8. Pursue revisions to Alaska Statute at AS 46.03, to broaden ADWF eligibility for private water systems and tribally owned utilities.
9. Develop and distribute guidance materials to current and potential borrowers, including procurement requirements associated with American Iron and Steel and Build America, Buy America Act as well as Davis-Bacon guidance materials.
10. Review results of a survey of potential borrowers. Use information to develop effective marketing materials and target their distribution to improve outreach to potential borrowers.
11. Develop an online resource for borrowers that identifies potential sources of infrastructure funding. Also provide an online resource that directs borrowers to potential technical assistance opportunities.
12. Initiate enhancements to the online payment request and quarterly report system to improve the user experience and data collection.
13. Develop and implement the Small Utility Assistance Grant program using Local Assistance set-aside funds to fund eligible projects focused on sustainability, resiliency, and compliance with the lead service line inventory.
14. Develop webinar material and schedule to offer SRF related training (e.g., SRF 101, Eligibility, etc.) to existing and potential borrowers.
15. Engage stakeholders regarding capacity development needs to inform future revisions to the Capacity Development strategy, as well as gather input regarding beneficial uses of set-aside funds from future BIL supplemental grants.

CRITERIA AND METHOD FOR FUND DISTRIBUTION

Project Priority List of DWSRF Projects

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

Questionnaires are accepted year-round through OASys and are reviewed by a scoring committee on a triannual basis. The submittal deadlines for questionnaire reviews are February 28, June 30, and October 31. An email was sent to eligible borrowers in January 2023 providing information about the schedule and inviting submittal of project questionnaires to be considered for SFY24 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 DWSRF criteria and assigns a numeric score to each project. Projects are added to the PPL in rank order. The rating criteria are provided in Appendix 1.

Appendix 2 includes the PPL, the list of public water systems in Alaska that have submitted a questionnaire to express interest in financing a capital improvement project through the SRF Program.

Amendments to the Project Priority List

ADEC will amend the PPL to include additional projects after each triannual review and scoring of new project questionnaires. In updates to the PPL, 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.

Project Readiness Bypass Procedure

When available funding exceeds demand, ADEC awards funding to ready-to-proceed projects without regard to project score or ranking because the Program has sufficient funds to finance all projects. This ensures timely utilization of federal funds.

In the event the SRF Program does not have sufficient funds available to offer loans to all projects that are ready to proceed, ADEC will work with water systems with the highest ranked projects on the PPL to ensure that those projects are given a chance to be funded first. However, the final funding selection of projects from the PPL will be based primarily on the projects' readiness to proceed.

Projects that are ready to proceed are prepared to begin design and/or construction and are immediately ready, or poised to be ready, to execute a loan agreement with ADEC. If, for whatever reason, an applicant is not ready to proceed with completing a loan application and initiating a project, ADEC may select a lower ranking project for funding based on its ability to

proceed in a timely manner. This bypass procedure is necessary to ensure that the available funds will be disbursed in a timely manner.

ADEC reserves the right to fund lower priority projects over higher priority projects if, in the opinion of ADEC, a higher priority project has not taken the steps necessary to expeditiously prepare for funding and project initiation (e.g., ADEC has not received the required documents to execute a loan agreement, the project is not ready to proceed with construction, or the applicant withdraws the project for consideration).

In addition, a project may be bypassed, as necessary, for the State to meet federal grant requirements for equivalency and additional subsidy. 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.

SRF Program staff will regularly evaluate the status of available principal forgiveness funds and the outstanding projects list on the PPL. The intent of this evaluation is to determine if the projects currently identified as receiving principal forgiveness actually are capable of applying for and entering into a loan agreement within the current program year. If during this evaluation, a project is determined to be incapable of meeting the requirements of the program, that project may be bypassed and the corresponding principal forgiveness may be awarded to other eligible projects on the PPL. In addition to readiness-to-proceed, a project may be bypassed due to an applicant's inability to meet all other program requirements, failure to develop an approvable, implementable project, or for other reasons applicable under state or federal law. Any projects bypassed during the program year may be reconsidered for principal forgiveness funds in a future year.

Emergency Procedures

For purposes of the SRF Program, an emergency refers to a natural disaster or manmade disaster 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.

Phasing of a DWSRF Project

To make construction and/or funding more manageable, a project may be divided into separate funded phases or segments, at the option of the borrower. However, to be DWSRF-eligible, any such phase or segment must be of reasonable scope, and when constructed, must have the capability of being placed into immediate full operation, without its full operation being dependent on a subsequent project phase or segment or another outside operation yet to be

completed. After a given project phase is funded, subsequent phases must stand separately in competing with other project for priority list ranking in later fiscal years.

Removing Projects from the Project Priority List

Projects on the PPL will be monitored to ensure that applicants are proceeding with their projects in a timely fashion. A project may remain on the PPL for a maximum of two years (eight quarters). Projects will retain the same score originally assigned unless a revised questionnaire is submitted and reviewed by the project scoring committee. If an application has not been submitted for a project within eight quarters, the project will be removed from the list and a new questionnaire will be required to re-list the project.

Amendments to Existing Loans

A borrower may request an amendment to an existing loan agreement to modify the project scope, increase the loan amount, or both. Amendments that solely increase the loan amount by no more than 10% of the original loan amount, up to $100,000, may be completed through an informal request for a loan amendment with the SRF Program Manager's approval. Similarly, minor scope changes that do not affect the location or purpose of the originally proposed project may also proceed with an informal request for a loan amendment with the SRF Program Manager's approval. Amendments that will increase the loan amount by more than 10% of the original loan, or more than $100,000, and/or include scope modifications that affect the footprint or purpose of the project, are required to be public noticed in an update to the PPL before the loan amendment is issued.

Project Scoring Criteria

The SDWA amendments of 1986 and 1996 imposed many new regulatory requirements upon public water suppliers. Public health and compliance problems related to these requirements, affordability, and readiness to proceed were considered in developing Alaska's project scoring criteria. The scoring criteria is included in Appendix 1.

FINANCIAL STATUS

Capitalization Grants

Alaska's allotment from the FFY23 federal appropriation for the DWSRF base capitalization grant is $4,938,000. Alaska is also applying to receive $99,000 in unobligated funds from the FFY21 federal appropriation. Alaska's allotment from the FFY22 federal appropriation for the DWSRF BIL General Supplemental grant is $17,992,000.

State Match

For the base grant and for the FFY21 reallotment, Alaska must deposit an amount equal to at least 20% of the federal capitalization grants ($1,007,400) into the ADWF. The state match deposit is anticipated to be made by November 2023. ADEC will provide the required state match 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.

For the BIL General Supplemental grant, Alaska must deposit an amount equal to at least 10% of the federal capitalization grant ($1,799,200) into the ADWF. State general funds were appropriated by the Alaska Legislature in the SFY23 capital budget. During the first two years of BIL General Supplemental Funding, a 10% state match is required. The remaining three years of funding will require a 20% state match.

Cash Draw

Draws for loan funding comes from federal funding and the state match. Previously, the cash draw was split between federal funding and state match following the grant specific proportionality rate method, 83.33% federal and 16.67% state match. However, EPA permanently ended requirement for proportionality on November 30, 2022. Alaska's proposed payment schedule (Table 1) was developed based on projected needs for project construction and execution of loan agreements.

Table 1. SFY24 Estimated Schedule of Payments

Grant Type	FFY	Grant Amount	Q1	Q2	Q3	Q4
Base Cap	23	$4,938,000	$1,234,500	$1,234,500	$1,234,500	$1,234,500
BIL General Supplemental	22	$17,992,000	$4,498,000	$4,498,000	$4,498,000	$4,498,000
BIL Emerging Contaminant	22	$7,555,000	$1,888,750	$1,888,750	$1,888,750	$1,888,750
BIL Lead Service Line	22	$6,675,676	$1,668,919	$1,668,919	$1,668,919	$1,668,919

Sources and Uses of Funds

In SFY24, the amount available for loans from the base grant is the difference between the funds received and total program commitments.

Estimated Available Funding- Base Grant

Sources of DWSRF Funds	
Federal Grants Received (cumulative through FFY22)	$267,791,656
FFY 23 Federal Capitalization Grant	4,938,000
Reallotment of FY21 DWSRF Funds	99,000
State Match, Base Grant and re-allotment	1,007,400
State Match, prior years	49,651,114
Investment Income	16,495,638
Past Loan Repayments (principal + interest collected)	178,337,782
Projected Repayments through SFY25	28,867,177
Transfer from ACWF to ADWF (SFY08)	29,000,000
Subtotal	*$576,088,766*

Uses of DWSRF Funds	
Existing Loan Commitments	$398,423,737
Previous Bonding & Transaction Costs	35,372,467
SFY24 Bonding – State Match	1,187,600
Total Set-Asides	56,644,998
Subtotal	*$491,276,402*
Total Available for Base Grant Loans	**$84,812,364**

Estimated Available Funding – BIL General Supplemental Grant

Sources of Funds	
Federal Grant FFY22	$17,992,000
State Match (10%)	1,799,200
Total Sources of Funds	**$19,791,200**
Uses of Funds	
Set-Asides	$4,977,520
Total Uses of Funds	**$4,977,520**
Total Available for BIL General Supplemental Loans	**$14,813,680**

Fund Transfer

Under the SDWA and the BIL, the state is allowed to transfer fund assets between the DWSRF base and the CWSRF base funds; DWSRF BIL General Supplemental and CW BIL General Supplemental funds; and DWSRF BIL Emerging Contaminant and CWSRF BIL Emerging Contaminant funds. ADEC may take advantage of this flexibility between the CWSRF and DWSRF programs in order to assure adequate capacity to meet all funding demands. In accordance with the SDWA Section 302 fund transfer provisions and the DWSRF and CWSRF BIL implementation memo dated March 8, 2022, ADEC hereby reserves the authority to transfer an amount up to 33 percent or an equivalent amount from the CWSRF to the DWSRF.

Administrative Fees

Since December 29, 2000, assistance recipients have been assessed an administrative fee in the amount of 0.5% of the total dollars disbursed as prescribed in Title 18, Chapter 76 of Alaska Administrative Code (18 AAC 76). Fee revenue is kept in the ADWF Fee Account, separate from the regular loan fund, and is used exclusively to pay program administrative costs.

As noted in 18 AAC 76.258, ADEC will use administrative fees for direct costs including salaries, supplies, travel, and professional service contracts. In SFY24, the SRF Program intends to charge ADWF administrative expenses to the ADWF fee account up to $723,500. Expenses in excess of that amount will be charged to the Alaska Clean Water Fund (ACWF) fee account.

Loan Terms and Interest Rates for Eligible Projects

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 the table below. The revised regulations also increased the allowable financing term from 20 years to 30 years. The finance rate includes the interest rate and an administrative fee.

Finance Rates (effective September 10, 2017)

Loan Term	Finance Rate for any Bond Rate*Less than 4 Percent	Finance Rate for Bond Rate* Greater than 4 Percent
20-30 Years	2	2 + (0.75 x [Bond Rate* – 4])
5-20 Years	1.5	1.5 + (0.625 x [Bond Rate* – 4])
0-5 Years	1	1 + (0.5 x [Bond Rate* – 4])
<1 Year	0.5	0.5

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

SET-ASIDES

States are given flexibility to set aside specified amounts of the base and supplemental grants for specific activities. The tables below list the types of set-asides and associated amounts that Alaska will fund using the base and supplemental grants.

The SDWA authorizes each state to set-aside a maximum of approximately 31 percent of the capitalization grant for set-aside activities including administration of the loan fund and assistance to water systems in meeting SDWA requirements. ADEC evaluated each of the four set-aside activities with the goal of protecting public health while maximizing loan fund dollars for infrastructure improvement projects. Set-Aside use for each of the four set-aside activities is listed in Table 4. In support of the long- and short-term goals of the DWSRF, set-aside funds are used to fund a variety of technical assistance and capacity development activities as described in the following paragraphs. Detailed work plans for each set-aside will be submitted for EPA review within 90 days of award of the capitalization grant.

A state may also reserve the authority to access up to 16% of a year's capitalization grant from a subsequent grant, to be used for the activities allowed under the Administration and Technical Assistance set-aside (4%), the Small System Technical Assistance set-aside (2%), and the State Program Management set-aside (10%). When "banking" set-aside funds in this manner, the value of the banked funds from the current capitalization grant is placed in the loan fund. When banked funds are used in a new capitalization grant, the total set-aside use from that grant may exceed 31% and the funding allocated to the loan fund in that year is reduced.

There is a federal limit on the amount of funds used for each set-aside category and the types of activities funded. In accordance with keeping unliquidated obligations at a minimum, ADEC will fully expend set-aside funds within a two-year period.

Set-Aside Use for Base Capitalization Grant

Set Aside Activity	Requested in SFY24	"Banked" Through SFY24
Administration & Technical Assistance (4%)	$197,520	$1,435,168
Small Systems Technical Assistance (2%)	$98,760	$2,180,229
Local Assistance and Other State Programs (15%)		
Capacity Development & Operator Certification	$493,800	
Drinking Water / Wellhead Protection Program	$246,900	
State Program Management (10%)	$493,800	$5,966,103
TOTAL	$1,530,780	

Set-Aside Use for BIL General Supplemental Capitalization Grant

Set Aside Activity		Requested in SFY24	"Banked" Through SFY24
Administration & Technical Assistance (4%)		$719,680	$0
Small Systems Technical Assistance (2%)		$359,840	$0
Local Assistance and Other State Programs (15%)			
Capacity Development & Operator Certification		$1,799,200	
Drinking Water / Wellhead Protection Program		$899,600	$0
State Program Management (10%)		$1,799,200	$0
	TOTAL	$4,977,520	

Administration and Technical Assistance Set-Aside (4%)

The 2016 WIIN Act provisions provide states with three options with regard to the amount used for this set-aside as listed below:

- Four percent of the capitalization grant,
- Flat $400,000, or
- 1/5 percent of the total valuation of the state revolving fund balance.

This year, ADEC plans to utilize $197,520 in base grant Administration and Technical Assistance set-asides and four percent of the BIL General Supplemental award ($719,680). These funds will be used by the Division of Environmental Health Drinking Water Program (DWP) for technical assistance to support public water systems.

For the base capitalization grant, the SRF Program reserves the authority to use 1/5 percent of the total valuation of the state revolving fund balance. The SFY22 audited financial statement reported the total net position of the ADWF as $244,042,827. Based on this net position value, 1/5 percent of this net position value is equal to $488,085.65. Therefore, the banked amount in SFY24 will be $290,565.65 ($488,085.65 minus $197,520 in Administration set-asides used).

Small System Technical Assistance Set-Aside (2%)

In SFY24, ADEC will use two percent of the base grant ($98,760) and two percent of the BIL General Supplemental grant ($359,840) for assistance activities focused on small systems that serve fewer than 10,000 people.

Local Assistance and Other State Programs Set-Aside (15%)

Drinking Water and Source Water Protection Program

The Drinking Water Protection Program, within the DWP, will utilize five percent of the base capitalization grant and the BIL Supplemental grant, $246,900 and $899,600, respectively, for drinking water and source water protection-related activities.

Capacity Development and Operator Certification Programs

During SFY24, ADEC will continue to implement the recently revised Capacity Development Strategy that incorporates asset management as required under AWIA. In addition, the Operator Certification Program will provide direct technical assistance to water system operator and owners. Ten percent of the base capitalization grant and the BIL General Supplemental grant, $493,800 and $1,799,200, respectively, will be utilized for implementation of the Capacity Development and Operator Certification Programs.

During SFY24, the SRF Program will develop a Small Utility Assistance Grant opportunity to provide funds to eligible recipients for specific projects including the completion of a lead service line inventory and the purchase and installation of an emergency generator. During the first year of implementation of this new grant opportunity, it is anticipated that approximately $1.5 million in grant funds will be available through the Local Assistance set-aside.

Program Management Set-Aside (10%)

To supplement Public Water System Supervision (PWSS) program management activities, the DWP will utilize ten percent of the base capitalization grant and the BIL General Supplemental grant, $493,800 and $1,799,200, respectively, for SDWA compliance requirements.

DISADVANTAGED COMMUNITY ASSISTANCE

Several factors are considered in identifying disadvantaged communities including those related to the household burden associated with income and the cost of water and wastewater service, as well as socioeconomic factors including the percentage of households utilizing assistance programs, the percentage of households below the federal poverty level, unemployment rates, and long-term population trends in the community. ADEC also includes several priority project types that impact the economic viability of a water system, such as the presence of emerging contaminants. These factors, considered in total, are used to determine tiers of criticality for disadvantaged status with associated levels of principal forgiveness. More information about the disadvantaged community criteria is provided in Appendix 3.

Based on the points assigned in regard to household burden, socioeconomic factors, and priority project types, each project on the PPL is assigned to a tier. To the extent that additional subsidy funds are available, disadvantaged communities may receive loan forgiveness associated with the base and supplemental capitalization grants as shown in the following table.

Tier	Point Range	Maximum Loan Forgiveness per Borrower
Tier1	0 to 3	n/a
Tier 2	4 to 6	$1,500,000
Tier 3	7 to 10	$2,500,000
Tier 4	10+	$3,500,000

Additional Subsidy – Disadvantaged Community Assistance

There are two distinct and additive additional subsidy authorities in the FFY23 base capitalization grant. Under the Congressional additional subsidy authority, Alaska must use 14% of the FFY23 capitalization grant to provide additional subsidization to any DWSRF-eligible recipient. Under the second authority, the SDWA mandates that states use at least 12%, but no more than 35%, of the capitalization grant amount for additional subsidy for state-defined disadvantaged communities. In combination, the additive additional subsidy authorities for the FFY23 federal capitalization grant require at least 26%, and no more than 49%, of the grant must be offered in the form of additional subsidy.

The BIL requires that 49% of the General Supplemental funding be provided as forgivable loans or grants to communities that meet the state's disadvantaged community definition, consistent with the SDWA. In accordance with State regulations found at 18 AAC 76.230(c), additional subsidy is provided as principal forgiveness.

The amount of principal forgiveness ADEC allocates each year is dependent on the federal capitalization grant requirements and what ADEC forecasts the ADWF can afford while maintaining the Fund's perpetuity. As indicated on the PPL provided in Appendix 2, ADEC

plans to offer approximately 30% of the base capitalization grant as additional subsidy in the form of principal forgiveness to disadvantaged communities.

All projects that are identified for subsidy allocation on the PPL must meet the following milestones in order to retain eligibility for subsidy:

- Submit a loan application within six months of the project being listed on the PPL; otherwise, subsidy funds may be made available to the next highest ranked eligible project.
- Initiate design and/or construction of the project within one year of completion of a loan agreement; otherwise, the loan agreement may be amended to remove principal forgiveness.

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. The SRF Program will aim to allocate required subsidy as quickly as reasonably possible; all required subsidy will be allocated within three years of the grant award to ensure compliance with the federal grant conditions.

Additional Subsidy – Micro Loans

Subsidy allocations in the form of loan forgiveness for Micro Loan projects will range from 50% to 90% of the total project cost. The amount of subsidy offered will be determined based on the community's capacity as demonstrated by the Operation and Maintenance Best Practices score and the affordability of the utility's current user rates. The Operation and Maintenance Best Practices is a criteria developed in 2015 by the ADEC Facilities Programs, in collaboration with the Rural Utility Business Advisor Program and the Alaska Native Tribal Health Consortium, to assess the technical, financial, and managerial capacity of rural water and wastewater utilities.

In 2018, ADEC developed an affordability indicator for use in determining whether a community's users can afford the annual operation, maintenance, repair, equipment and capital replacement costs of their water, wastewater, or solid waste facilities. This Alaska Village Affordability Index will be used as a factor in determining the amount of subsidy to be allocated to Micro Loan projects as shown in the table below.

Loan Forgiveness – Micro Loans

		Best Practices Score	
		50-75 pts	76-100 pts
		Loan Forgiveness %	
Affordability of User Rates	Unaffordable (High Burden)	**70%**	**90%**
	Mid-Affordable (Medium Burden)	**50%**	**70%**

Sustainable Infrastructure Planning Projects

With funding provided through available loan funds, ADEC is continuing a program to assist disadvantaged public water systems with loan financing for water system planning and related activities that promote sustainable infrastructure. For each Sustainable Infrastructure Planning

Project (SIPP) on the PPL, a maximum of $75,000 in loan principal may be forgiven for those borrowers that are considered disadvantaged communities. A maximum of $75,000 in loan forgiveness for SIPP will be allotted per project and per borrower during SFY24. If one borrower submits multiple planning projects for consideration, the $75,000 in potential loan forgiveness will be divided between the SIPPs.

Examples of eligible projects are described below:

- Feasibility Studies to evaluate infrastructure project feasibility. Studies may also include the evaluation of resiliency measures and continuity of operations, including identification of needed infrastructure improvements.
- Asset Management Plans for managing water system infrastructure assets.
- Consolidation Studies to evaluate potential for water system consolidation.
- Water Rate Analysis to evaluate water system rate charges, structure, and adequacy.
- Leak Detection Studies to detect water system leakage and identify potential solutions.
- Water System Master Plan to evaluate the needs of the water system in the long term and make recommendations for future improvements.

Any water system receiving a loan that includes principal forgiveness for a SIPP must enter into a loan agreement within six months of receiving notification that the project has been added to the PPL. The project must be completed within two years after signing the loan agreement. ADEC will allocate $1,000,000 in subsidy funding for SIPP during SFY24.

Small Utility Assistance Grants

With funding provided through the Local Assistance Set-Aside funds, the SRF Program plans to develop and initiate a grant program for small public water systems that serve a population of 3,300 or less. During SFY24, approximately $1.5 million in grant funds are expected to be offered to eligible grant recipients for eligible projects.

Grant recipients must be municipally owned or privately owned not-for-profit community water systems or non-profit non-transient, non-community systems.

Eligible projects for use of these grants include the following:

- Emergency backup power generator. Due to the potential for widespread and prolonged power outages caused by severe weather, earthquake, or other incidents which would impair a public water system's ability to provide safe and adequate drinking water, grant funds will be provided to allow for the purchase and installation of a generator to be used in the event of power outages.
- Lead service line inventory. Due to the upcoming October 2024 deadline for completion of a lead service line inventory, grant funds will be provided to complete a lead service line inventory.

Green Project Reserve (GPR)

The FFY23 capitalization grant encourages, but does not require, the use of funds to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. To incentivize borrowers to include such aspects in their projects, ADEC awards 25 additional points in the project questionnaire scoring process for eligible GPR work. Green projects are identified in the funding list by green project category type.

At the time this IUP was drafted, 12 projects had been initially identified with green components (see the PPL in Appendix 2). These projects will be further reviewed during the loan application process to ensure that each project, in whole or in part, qualifies for GPR. Borrowers will be required to provide a Green Project Assessment form with applicable backup documentation.

Small System Assistance

Of the total amount available for assistance from the ADWF each year, ADEC must make at least 15% available solely for providing loan assistance to small systems, those serving populations less than 10,000, to the extent such funds can be obligated for eligible projects.

FEDERAL REQUIREMENTS

Loan agreements will include all applicable federal requirements. All funding recipients must comply with the following:

American Iron and Steel

The American Iron and Steel (AIS) provision requires SRF assistance recipients to use iron and steel products that are produced in the United States. This requirement applies to projects for the construction, alteration, maintenance or repair of a public water system. Compliance with Build America, Buy America (BABA) iron and steel provisions will satisfy the AIS requirements.

Davis-Bacon Act Wage Requirements

ADEC requires the inclusion of specific Davis-Bacon contract language in bid specifications and/or contracts and confirms that the correct wage determinations are being utilized. In addition, ADEC collects certifications of Davis-Bacon compliance from online project quarterly report statements.

Environmental Review

All proposed construction activities funded by the SRF Program undergo an environmental review in conformance with the EPA-approved State Environmental Review Process.

Certain projects, identified as equivalency projects, will be identified to meet additional requirements in an amount equal to the current capitalization grants. Equivalency projects must comply with all of the following:

Build America, Buy America Act

The BABA provision that was included in the BIL requires domestic preference procurement for iron and steel products, manufactured products, and construction materials.

Disadvantaged Business Enterprise

Loan recipients and their contractors must comply with the federal Disadvantaged Business Enterprise requirements.

Signage to Enhance Public Awareness

For construction projects funded in whole or in part through the BIL General Supplemental grant, recipients must place a physical sign at construction sites that displays specific information. The EPA Investing in America Signage website provides more information about how to comply with the signage requirement.

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.

Prohibition of Certain Telecommunication and Video Surveillance Services

In compliance with Section 889 of Public Law 115-232, restrictions are placed on the use of some telecommunication and surveillance equipment

ASSURANCES AND CERTIFICATIONS

The Operating Agreement, as well as each capitalization grant, contain conditions that must be met. ADEC is committed to complying with all conditions in both the Operating Agreement and each capitalization grant.

Expeditious and Timely Expenditure

The State will commit and spend the capitalization grant and state matching funds in a timely and expeditious manner. Within one year of the grant award, the State will enter binding commitments with the recipients equal to the amount of the grant award and proportional state match.

The funds may be used for activities during more than one state fiscal year. To keep unliquidated obligations at a minimum, the State will fully expend the capitalization grant within a two-year period. The EPA may allow additional time to expend awarded set-aside funds.

Fund Accounting Separation

The ADWF was established by statute as an enterprise fund of the State to serve as a revolving fund for financing drinking water system improvement projects. Funds allocated for set-aside activities authorized in Section 1452(k) of the SDWA are held in separate accounts; therefore, loan fund activities and set-aside activities are distinct and separate.

Financial Planning and Long-Term Financial Health

The SRF Program periodically evaluates the financial status and health of the ADWF by reviewing repayments, disbursements and pending loan actions in order to assess the available funding for loans. This evaluation occurs when the PPL is updated three times per year. The SRF Program is also subject to an annual audit that in addition to providing the net position of the fund, also ensures that financial statements are presented accurately and in conformity with generally accepted accounting practices. The SRF Program has incorporated FOCUS, a cash flow modeling component into LGTS, and as indicated in Long Term Goal 7 and Short Term Goal 5 is working through the process to fully implement and integrate this tool into the existing financial planning process to support fiscal sustainability in accordance with 40 CFR 35.355(c)(3)(v).

Federal Reporting

EPA's SRF Data System (previously identified as the Project Benefits Reporting (PBR) database) collects project level information and anticipated environmental benefits associated with DWSRF projects. This system is also used to collect annual financial information which was formerly collected through the National Information Management System (NIMS). This annual information submittal is used to produce annual reports that provide a record of progress and accountability for the Program. EPA uses the information provided to oversee the DWSRF state programs and develop reports to the US Congress concerning activities funded by the DWSRF Program. ADEC commits to entering benefits information on all projects into the SRF Data System by the end of the quarter in which the assistance agreement is signed. ADEC also

commits to entering all program information into the SRF Data System on an annual basis as EPA requests.

Federal Funding Accountability Transparency Act

ADEC will use the FFATA Subaward Reporting System to report all SRF equivalency projects, i.e. projects meeting all the federal cross-cutting requirements whose sum is at least equal to or greater than the capitalization grant amount less any requested set-aside funds. In SFY24, the minimum amount reported in FFATA for the base grant and supplemental grants will be:

- Base grant FFATA reporting, $3,407,220 ($4,938,000 capitalization grant minus the set-asides requested, $1,530,780).
- BIL General Supplemental grant FFATA reporting, $12,414,480 ($17,992,000 grant minus set-asides requested, $5,577,520)

Two proposed loans to the Anchorage Water and Wastewater Utility (AWWU) listed on the PPL and totaling to approximately $23.4 million are intended to be reported for meeting equivalency requirements. Information will be reported no later than the end of the month following the date of an equivalency project finalized loan agreement.

As necessary, additional loans may be identified to include all federal requirements (including those associated with equivalency) to ensure that ADEC has sufficient projects to report for FFATA in case any projects fail to fully disburse the loan amount as initially planned.

PUBLIC REVIEW AND COMMENTS

A notice of availability of the draft IUP was emailed directly to past, present and potential SRF borrowers throughout the state. In addition, the notification was distributed to 165 local governments through the Alaska Municipal League. The notice of public comment was also posted on the ADEC Public Notice website. The draft IUP was also available on the ADEC SRF Program website throughout the 30-day public comment period.

In addition, the SRF Program made three public presentations regarding the SFY24 IUPs and the revised disadvantaged community criteria. Those presentations were provided:

- in-person at the Alaska Municipal Water and Wastewater Association conference in Anchorage on May 9, 2023;
- via a webinar hosted by the Alaska Municipal League on June 6, 2023; and
- via a DEC-hosted webinar, also on June 6, 2023.

Comments were posted in an online application through the DEC Public Notice website. Appendix 4 includes the public comments received as well as responses for each comment.

Appendix 1.

Priority Criteria for SFY24 DWSRF Projects

Division of Water
State Revolving Fund Program

Alaska Drinking Water State Revolving Fund

Priority Criteria for Drinking Water Projects – Reference Sheet

PUBLIC HEALTH CONSIDERATIONS *(Select only one)*	POINTS
This project will correct the cause of a human disease event documented by Alaska Department of Environmental Conservation (ADEC) or a recognized public health organization. Documentation required. *Examples:* • *Outbreaks of Hepatitis, Giardiasis or Cryptosporidiosis.* • *Installation of new water mains in an area where there is a documented well contamination by a regulated contaminant that exceed safe standards, or a contaminant that is not regulated by EPA and/or the State but has an established health advisory level.*	100
This project will eliminate acute risks to public health. Documentation required. *Examples:* • *Provides potable water to a community or area currently not served by piped service but has existing water points or other haul systems.* • *Will resolve microbial risk from inadequately treated surface water or groundwater with long term deadlines.* • *Treatment for exceedances of acute contaminants such as nitrate, or treatment for long term (> 2 years) Maximum Contaminant Level (MCL) or Action Level exceedances for a chronic contaminant such as Disinfection By-products (DBPs), lead, arsenic, etc.* • *Increase capacity where it is insufficient to meet public health needs. Examples include source quantity, raw or treated water storage capacity to meet demand, well intake, or distribution system pumps.*	75
This project will correct potential long-term, chronic health threats or resolve serious distribution system problems or leaks. Documentation required. *Examples:* • *Correction of documented issues with a high potential to violate a wastewater permit condition or ADEC design criteria.* • *VOC removal, pH adjustment, action level or primary MCL exceedances due to source water quality or contamination.* • *Replacement of documented pipes or facilities that are leaking or constructed of inferior materials (example – asbestos cement pipe, structurally impaired water tank/reservoir).* • *Correction of documented distribution system freeze-up problems.* • *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.*	50
This project will eliminate potential hazards, provide treatment of secondary contaminants such as iron or manganese, or enhance system operations. *Examples:* • *Periodic exceedances of action level or primary MCLs due to mechanical or structural problems, undersized or inadequate components or fixtures, or low-pressure issues.* • *Replacement of pipe or facilities that are suspected to leak or constructed of inferior materials. Documentation of leaks Is not required.* • *Extension of water service for existing customers and/or water main looping to remove dead-end mains* • *SCADA and other process instrumentation installations.*	30
This project has no significant health hazard related issues.	0
COMPLIANCE WITH SAFE DRINKING WATER ACT *(Select only one)*	
This project will allow a system to come into compliance with an executed Compliance-Order-By-Consent, Administrative Order, Judicial Decision or Consent Decree. Documentation required. *Points will be awarded only for agreements executed between the appropriate primary health agency (US Environmental Protection Agency or ADEC) and the system owner or for a judicial decree.*	35
This project will resolve a significant compliance issue. *Enforcement Targeting Tool violations, Notices of Violation, repeated or long-term boil water notices, one or more Revised Total Coliform Rule Level 2 Assessments*	25
This project has no significant compliance related issues. *Examples include relatively minor compliance issues documented by an agency notification letter.*	10
This project has minimal impact on future pollution events.	0
SOURCE WATER PROTECTION *(Select only one)*	
This project specifically addresses system vulnerabilities or potential sources of contamination that are identified in the Drinking Water Protection Plan. Documentation must be provided and will be verified by ADEC.	10
The system's Drinking Water Protection Plan is current (within 3 years) and on file with ADEC Drinking Water Program. No documentation is required.	5
The system's Drinking Water Protection Plan is not current and/or the project does not address any vulnerabilities or potential sources of contamination.	0

READINESS TO PROCEED *(Up to 80 points)*	
Construction documents have been prepared (under 18 AAC 80) and submitted to the appropriate ADEC Drinking Water program office.	50
A detailed engineering feasibility study, including detailed cost estimates, has been prepared and submitted to the ADEC SRF Program.	30
ASSET MANAGEMENT *(Select only one)*	
An asset management plan that incorporates an inventory of all assets, an assessment of the criticality and condition of the assets, a prioritization of capital projects needed, and a budget, has been adopted and implemented within the past 5 years. Documentation is required.	30
An asset inventory has been prepared and are attached. The asset inventory must meet the requirements as outlined in the SRF Asset Inventory Guidance (https://dec.alaska.gov/media/ntcj1ess/srf-asset-inventory-guidance.pdf). Documentation is required.	20
An asset management plan will be prepared or updated as part of the proposed project. Completed plan to be provided to SRF.	15
An asset inventory will be prepared as part of the proposed project. Completed inventory to be provided to SRF.	10
Employees have attended an asset management training, approved by ADEC Operator Training and Certification Program for Continuing Education Units (CEUs), within the last year. Documentation is required.	5
The system has not planned, developed, or implemented an asset management plan or inventory, and staff have not attended asset management training.	0
SUSTAINABILITY PROJECTS *(Select only one)*	
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
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
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
Not applicable.	0
OPERATOR CERTIFICATION (Select only one)	
The system employs, or has on contract, an operator certified to the level of the system.	5
The system does not employ, or have on contract, an operator certified to the level of the system	0

AFFORDABILITY *(Select only one)*			**POINTS**
Points will only be given if a water system provides recent income data, population figures, and a fee structure or ordinance. The average monthly household cost for water service, after project completion, will be divided by the monthly mean household income. The monthly mean household income will be documented by a current survey or census data. The web page link for the data is located at the Department of Labor and Workforce Development Research & Analysis Section: http://laborstats.alaska.gov		**Monthly Water Cost/ Monthly Income**	
	High	>2%	15
	Medium	1.0% - 1.9%	10
	Low	<1.0%	5

To Be Completed by ADEC

EQUIVALENCY	
This project will be used as an equivalency project.	50
CONSOLIDATION	
This project will result in the regionalization and/or consolidation of two or more existing public water systems.	25
GREEN PROJECT	
The applicant has sufficiently demonstrated eligible Green components under the project.	25

Appendix 2.

Project Priority List

Alaska Drinking Water Fund - State Fiscal Year 2024 (SFY24) Project Priority List - Base and BIL General Supplemental Funding

Available Funding: The total available funding for SRF Base Program is $84.4 million.

Available Funding: The total funding available through BIL General Supplemental = $14,213,680

(1) Within Funding Limits column indicates that the project is within the current fundable limit of the Alaska Drinking Water Fund. Large projects (over $5 million) may be phased based on projected funding needs during the next year. Loan applications may be submitted for any project within the funding limits that is ready to proceed.

(2) Loan forgiveness is subject to change depending on the readiness of projects to proceed.
Maximum loan forgiveness to be awarded from Base Funds is approximately $17.2 million ($1.4 million from FFY23 Base grant, $8.8 million from FFY22 BIL grant, and $7.0 million from past base grants).

(3) Loan repayment 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).

(4) Individual Pro Fi projects are reviewed and assigned a weighted scored based on the total project cost. The overall score for the Pro Fi questionnaire is the sum of weighted scores for all of the Pro Fi projects.

Rank	Score	Within Funding Limits (1)	Public Water System ID# (Population Served)	Applicant	Project Name and Description	Requested Loan Amount	Disadvantaged Community	SUBSIDY (2) Loan Forgiveness	Loan Repayment Term (3) (years)	Green Project Amount (Type)	Sustain-ability Policy	Anticipated Project Start Date	Added to PPL
DRINKING WATER PROJECT QUESTIONNAIRES													
1	156	X	AK2121510 (5,400)	Ketchikan Gateway Borough	**Fawn Mountain Tank Resealing** - In order to address existing leaks in the tank, sandblast interior surface of 825,000-gallon bolted epoxy-coated steel tank, remove all existing joint and bolt sealants, replace corroded bolts, and install new chevron industrial membrane.	$750,000	Tier 3	$750,000	20 to 30	TBD (Water)	Fix It First		SFY24-1
2	146	X	AK2121510 (5,400)	Ketchikan Gateway Borough	**Roosevelt & Romine Drive Water Main Replacement** - Replace water distribution mains running through Roosevelt Drive and Romine Drive, install new arctic pipe water mains from Romine up to Ravenwood, and install a new pressure reducing vault atop Romine Drive. Existing ductile iron mains are 30 years old and have failed on multiple occasions due to electrolytic corrosion.	$709,000	Tier 3	$709,000	20 to 30	TBD (Water)	Fix It First		
3	150	X	AK2310675 (2,969)	North Pole	**Water Main Replacement -** Replace end-of-life water mains in the downtown area with new piping constructed in accordance with current standards and best practices. Utility analysis has shown significant water loss in the downtown area.	$6,600,000	Tier 1		20 to 30	TBD (Water)	Fix It First		SFY24-1
4	150	X	AK2225032 (375)	Matanuska Susitna Borough	**Talkeetna Water System Upgrades** - Address known deficiencies in the water system including the following: design and construction of a new treated water storage reservoir, alternative well site, installation of Supervisory Control and Data Acquisition (SCADA) alarm system in water treatment plant.	$1,500,000	Tier 3	$1,500,000	20 to 30		Fix It First	9/18/2023	SFY24-1
5	145	X	AK2240456 (5,003)	Homer	**Ohlson & Bunnell Water Main Replacement** - This project will replace aging cast iron water main at the end of its useful life.	$491,400	Tier 2	$491,400	20 to 30	$491,400 (Water)	Fix It First	7/23/2023	SFY23-Q4
6	141	X	AK2310926 (950)	Valley Water Company	**Valley Water System Upgrade and Rehabilitation** - Prepare a Water System Master Plan that will help to identify improvements needed to ensure that the system operates in compliance and enhance sustainability of the system. Improvements identified in the Master Plan may be implemented in a phased approach. Proposed improvements may include a water treatment system necessary to address high copper concentration in drinking water; rehabilitation or replacement of 50-year-old distribution system infrastructure including pumps, pipe, valves, and hydrants; installation of leak detection system; and installation of new backup generator.	$825,000	Tier 3	$825,000	5 to 20	$350,000 (Energy)	Fix It First	5/1/2021	SFY21-Q4

Rank	Score	Within Funding Limits [1]	Public Water System ID# (Population Served)	Applicant	Project Name and Description	Requested Loan Amount	Disadvantaged Community	SUBSIDY (2) Loan Forgiveness	Loan Repayment Term [3] (years)	Green Project Amount (Type)	Sustain-ability Policy	Anticipated Project Start Date	Added to PPL
7	138	X	AK2111566 (1,713)	Haines Borough	**Lily Lake Water Treatment Plant Upgrade** - Replace old and deteriorating infrastructure in the treatment plant to reduce leaks and ensure a safe work environment. Work will also include control system installation and upgrades including a Programmable Logic Controller (PLC) and a Supervisory Control and Data Acquisition (SCADA) system for the entire water system.	$1,300,000	Tier 3	$1,300,000	20 to 30	$500,000 (Water)	Fix It First	8/1/2022	SFY23-Q1
8	130	X	AK2120232 (8,050)	Ketchikan	**Park Avenue Harris Street Revitalization -** Replace approximately 2200 lineal feet of water distribution lines made from cast iron or ductile iron (diameter varies from 6 to 12 inches) with corrosion resistant high density polyethylene (HDPE) pipe. A separate loan questionnaire has been submitted to the Alaska Clean Water Fund for financial assistance to replace aging sewer mains in this project area.	$2,000,000	Tier 3	$2,000,000	5 to 20	---	Fix It First	7/1/2021	SFY24-1
9	130	X	AK2240456 (5,003)	Homer	**Mission Road Water Main Extension** - This project will extend the water distribution system to provide piped public water to 28 residential properties and a private school with dormitories. The residential properties are currently served by private wells with poor quality water.	$2,103,806	Tier 2		20 to 30	$10,000 (Water Conservation - meters)	Effective Utility Mgmt	9/30/2021	SFY22-Q2
10	129[4]	X	AK2210906 (291,826)	Anchorage AWWU	**SFY24 Pro Fi Loan** - The applicant has provided a list of eligible projects including planning, design, engineering, and construction activities for water infrastructure projects. A list of projects is attached.	$13,062,400	Tier 1		20		Fix It First	9/1/2022	SFY23-Q1
11	124[4]	X	AK2210906 (291,826)	Anchorage AWWU	**SFY23 Pro Fi Loan** - The applicant has provided a list of eligible projects including planning, design, engineering, and construction activities for water infrastructure projects. A list of projects is attached.	$10,304,964	Tier 1		20		Fix It First	9/1/2022	SFY23-Q1
12	125	X	AK2260197 (4,916)	Dillingham	**Water System Improvements Phase II** - Upgrade and rehabilitate the water distribution system including replacement of asbestos cement pipe with ductile iron pipe, elimination of dead ends, installation of additional hydrants, and rehabilitation or replacement of main valve boxes.	$1,575,939	Tier 2	$1,500,000	20 to 30	na	Fix It First	5/1/2021	SFY22-Q1
13	125	X	AK2260197 (4,916)	Dillingham	**Water System Improvements Phase III** - Upgrade and rehabilitate the water distribution system including replacement of asbestos cement pipe with ductile iron pipe, elimination of dead ends, installation of additional hydrants, and rehabilitation or replacement of main valve boxes.	$1,383,600	Tier 2		20 to 30	na	Fix It First	5/1/2021	SFY22-Q1
14	121	X	AK2240757 (2,693)	Seward	**Lowell Canyon Water Storage Tank Replacement** - Design and construct a 500,000 gallon water tank. Demolish and remove existing tank that is in poor condition.	$1,905,000	Tier 2	$1,500,000	5 to 20	$1,300,000 (Energy)	Fix It First	8/10/2022	SFY23-Q1
15	120	X	AK2240448 (5,200)	Kenai	**Water Treatment Plant Pumphouse** - Replace the existing pumphouse building with an insulated metal-panel structure and replace the existing distribution pumps with larger Variable Frequency Drive (VFD) driven pumps to improve reliability and reduce energy consumption.	$1,200,000	Tier 3	$1,200,000	5 to 20	$600,000 (Energy)	Fix It First	5/1/2024	SFY24-1
16	120	X	AK2240456 (5,003)	Homer	**Water Treatment Plant Membrane Filtration Train Replacement -** Purchase and install a new membrane filtration train to replace the existing end-of-life filtration system. The warranty period for the membrane filtration train is 10 years; Homer's existing system has been in operation for 14 years.	$2,900,000	Tier 2		10		Fix It First		SFY24-1
17	111	X	AK2340060 (3,004)	Kotzebue	**Lagoon Water Service Loop Replacement** - Design and construct replacement water distribution service loop at the end of its useful life. Freeze protection and essential upgrades are needed for the 1980-1990s era infrastructure.	$10,244,000	Tier 3	$2,500,000	5 to 20	na	Fix It First	9/1/2022	SFY23-Q2

Rank	Score	Within Funding Limits [1]	Public Water System ID# (Population Served)	Applicant	Project Name and Description	Requested Loan Amount	Disadvantaged Community	SUBSIDY (2) Loan Forgiveness	Loan Repayment Term [3] (years)	Green Project Amount (Type)	Sustain-ability Policy	Anticipated Project Start Date	Added to PPL
18	111	X	AK2340060 (3,004)	Kotzebue	**Swan Lake Water Service Loop Replacement** - Design and construct replacement water distribution service loop at the end of its useful life. Freeze protection and essential upgrades are needed for the 1980-1990s era infrastructure.	$5,482,000	Tier 3		5 to 20	na	Fix It First	9/1/2022	SFY23-Q2
19	106	X	AK2120193 (1,201)	Craig	**Supervisory Control and Data Acquisition (SCADA) System Upgrade** - Install master Programmable Logic Controller (PLC) and update the SCADA system at the Water Treatment Plant to monitor water treatment functions.	$125,000	Tier 3	$125,000	5 to 20	na	Effective Utility Mgmt	7/29/2021	SFY23-Q1
20	106	X	AK2120193 (1,201)	Craig	**Replace 5.5 miles of Raw Water Main** - Inspect and replace approximately 5.5 miles of aging ductile iron raw water main that transmits raw water from North Fork Lake to the Craig water treatment plant.	$2,900,000	Tier 3	$1,125,000	5 to 20	na	Fix It First	7/15/2021	SFY22-Q1
21	105	X	AK2310675 (2,969)	North Pole	**Water Meter Replacement** - Replace failing meters within the distribution system.	$785,000	Tier 1		20 to 30	TBD (Water)	Fix It First	12/1/2022	SFY23-Q3
22	96	X	AK2240757 (2,693)	Seward	**SMIC Water Pumphouse Addition, Hypochlorite Generator System Upgrade** - This project will include an addition to a pumphouse and upgrade the hypochlorite generator system to eliminate the use of chlorine gas.	$476,000	Tier 2		20 to 30	na	Effective Utility Mgmt	6/10/2021	SFY22-Q1
23	96	X	AK2111566 (1,713)	Haines Borough	**Soap Suds Alley Water Main Upgrade -** Replace a 1-inch dead end service line with a standard water main and connect to existing main to create a looped system. Remove a failing pressure reducing valve which cannot be used to maintain minimum service pressures and risks causing line blockages.	$140,000	Tier 3		20 to 30	na	Fix It First	4/3/2023	SFY23-Q1
24	96	X	AK2111566 (1,713)	Haines Borough	**Young Road Waterline Relocation -** Replace and relocate existing waterline to a location within public right-of-way to allow for future repair and maintenance.	$300,000	Tier 3		20 to 30	na	Fix It First	6/1/2022	SFY23-Q1
25	93	X	AK2240456 (5,003)	Homer	**A Frame Transmission Line Replacement -** Existing line is on a steep slope subject to potential slumping. To avoid waterline failure, relocate and replace approximately 1,200 linear feet of existing 8-inch cast iron line with 10-inch high density polyethylene transmission main.	$771,253	Tier 2	$771,253	20 to 30	na	Fix It First	5/31/2023	SFY23-Q1
26	91	X	AK2111566 (1,713)	Haines Borough	**Small Tracts Water Main Extension -** Design and construct approximately 4200 feet of new water main to provide a continuous loop to the Small Tracts Road area to eliminate a dead end water main, improve water quality served in the area, and allow for service connections to about 44 parcels currently served by private wells or rain catchment systems.	$2,750,000	Tier 3		20 to 30	na	----	4/3/2023	SFY23-Q1
27	81	X	AK2120143 (2,369)	Wrangell	**Water Treatment Plant** - Construct a dissolved air filtration with multimedia water treatment system and complete other related improvements including, but not limited to, electrical improvements, controls for fully automatic operation, pumps, standby generator, and fuel system. This loan would serve as required interim financing for a U.S. Department of Agriculture Rural Utilities Service loan/grant; therefore this loan is not eligible for principal forgiveness.	$3,821,000	Tier 3		< 5	$1,428,000 (Water)	Effective Utility Mgmt	8/2/2021	SFY23-Q2
28	85	X	AK2240456 (5,003)	Homer	**Bunnell-Charles Way Water Main Extension** - Extend the water distribution system to provide piped public water to 27 central business district zoned properties, all of which currently are served by hauled water from City watering points.	$509,167	Tier 2	$225,690	20 to 30	na	Effective Utility Mgmt	8/1/2021	SFY22-Q1
29	80	X	AK2260197 (2,329)	Dillingham	**Waterfront Water System Upgrades (Design)** - Complete design for the extension and rehabilitation of the existing water distribution system in the Dillingham waterfront area.	$44,125	Tier 2		20 to 30	na	Effective Utility Mgmt	6/1/2021	SFY22-Q1

Rank	Score	Within Funding Limits [1]	Public Water System ID# (Population Served)	Applicant	Project Name and Description	Requested Loan Amount	Disadvantaged Community	SUBSIDY (2) Loan Forgiveness	Loan Repayment Term [3] (years)	Green Project Amount (Type)	Sustain-ability Policy	Anticipated Project Start Date	Added to PPL
30	80	X	AK2260197 (2,329)	Dillingham	**Waterfront Water System Upgrades (Construction)** - Based on the proposed design plan for the waterfront area, construct improvements including the extension of the water system as well as rehabilitation of the existing distribution system.	$560,050	Tier 2		20 to 30	na	Effective Utility Mgmt	7/1/2021	SFY22-Q1
31	78	X	AK2340010 (3,598)	Nome Joint Utility System	**Equipment Response / Storage / Office Facility -** Construct a building to support the drinking water utility, amalgamate ancillary facilities, reduce operating costs, protect equipment, and improve health and safety of the work environment. The facility will also support the sewer utility. The cost of construction would be split between the Alaska Clean Water Fund and the Alaska Drinking Water Fund.	$5,025,000	Tier 2		20 to 30	$1,000,000 (Energy)	Effective Utility Mgmt	1/17/2022	SFY22-Q2
32	76	X	AK2110342 (33,026)	Juneau	**Salmon Creek Filter Plant Upgrades** - Purchase and replace filter media that is at the end of its useful life at the Salmon Creek Water Treatment Plant.	$2,500,000	Tier 1				Effective Utility Mgmt	10/2/2023	SFY23-Q4
33	76	X	AK2110342 (33,026)	Juneau	**Potable Water Supervisory Control and Data Acquistion (SCADA) and Capacity Improvements** - This project will involve design and upgrades to SDADA system. In addition, a new filter rack and media will be installed to establish addition water supply production capacity.	$3,500,000	Tier 1			$500,000 (Energy)	Effective Utility Mgmt	6/3/2024	SFY23-Q4
34	66	X	AK2240757 (2,693)	Seward	**New Water Meter Installation** - Purchase and install 200 water meters with remote reader reporting capabilities to promote water conservation and simplify billing rates.	$432,000	Tier 2			$400,000 Water Conservation	Effective Utility Mgmt	8/1/2022	SFY23-Q1
35	63	X	AK2240456 (5,003)	Homer	**A Frame Water Tank** - Design and construct a 250,000 gallon water storage tank on the north side of Dehel Avenue to provide a backup supply in the event of a waterline failure.	$2,081,000	Tier 2		20 to 30	na	na	6/30/2022	SFY23-Q1
36	50	X	AK2340010 (3,598)	Nome Joint Utility System	**Tank Farm Relocation** - Relocate the existing tank farm to a more stable location. Due to permafrost and climate change, the existing tank farm location is subject to differential settling that requires ongoing leveling and maintenance to avoid tank failure. The bulk fuel tank farm supports community electric power generation needs which in turn provides essential support to the community water system (freeze protection through use of waste heat from electric generation activities and power for water circulation pumps).	$5,940,000	Tier 2		5 to 20	na	Effective Utility Mgmt	5/15/2023	SFY23-Q2
37	48		AK2240456 (5,003)	Homer	**Shellfish Avenue Water Tank** - Design and construct a 750,000-gallon steel water storage tank on the north side of Shellfish Avenue. Install pipe necessary to connect the new storage tank to the water main on Tasmania Court.	$7,280,000	Tier 2		20 to 30	na	na	6/30/2022	SFY23-Q1
38	46		AK2120193 (1,201)	Craig	**Water Plant Contact Chamber Baffles** - Install baffles in the existing 35,000-gallon chlorine contact chamber and the 165,000-gallon water storage tanks to achieve chlorine contact time more efficiently. Construct an additional 30,000-gallon baffled storage tank.	$588,200	Tier 3		5 to 20	na	Effective Utility Mgmt	5/19/2023	SFY23-Q1
39	40		AK2120193 (1,201)	Craig	**Water Treatment Plant Capacity Upgrade Design** - Produce an engineered design to increase treated water volume to meet current and future demands.	$300,000	Tier 3		20 to 30	na	Planning	7/1/2025	SFY24-1
					SUBTOTAL	***$105,164,904***		***$16,522,343***		***$6,579,400***			
AMENDMENTS TO EXISTING LOANS													

Rank	Score	Within Funding Limits [1]	Public Water System ID# (Population Served)	Applicant	Project Name and Description	Requested Loan Amount	Disadvantaged Community	SUBSIDY (2) Loan Forgiveness	Loan Repayment Term [3] (years)	Green Project Amount (Type)	Sustain-ability Policy	Anticipated Project Start Date	Added to PPL
	160		AK2211431 (852)	Unified Alaskan Utilities (Chugiak)	**Homestead Well Facility and Transmission Main** - This amendment increases the loan amount (Loan #125001-S) by $189,90 for a total loan request of $1,126,895. The scope of the project to construct a well, well house, and transmission main is unchanged. The increased loan amount is needed due to cost increases since the original 2016 cost estimate as well as unanticipated construction issues.	$189,900			20				SFY23-Q4
	175		AK2340010 (3,598)	Nome Joint Utility System	**Bering Street Water Main Replacement** - This amendment increases the loan amount (Loan #627241-SG) by $1,051,012 for a total loan request of $3,485,000. The project scope is also amended to include replacement of water mains in Seppala Drive due to a high rate of failure/leakage due to settlement from melting permafrost under the road. Replacement of the water mains will be completed in coordination with a roadway improvement project sponsored by the Alaska Department of Transportation and Public Facilities.	$1,051,012			20		Fix It First		SFY22-Q1
					LOAN AMENDMENT SUBTOTAL	***$1,240,912***							
SUSTAINABLE INFRASTRUCTURE PLANNING PROJECTS													
1	51	X	AK2120193 (1,201)	Craig	**New Water Source Study** - Review potential new sources of drinking water to serve as a backup source. The City currently has no backup water supply should some interruption occur in the main treatment and distribution facilities. This project will look for other local water sources, including incorporating water from the City's prior water source as a supplement to the existing water source.	$100,000	Tier 3	$75,000	5	na	Planning	7/15/2021	SFY22-Q1
2	50	X	AK2240456 (5,810)	Homer	**Water System Model Upgrade** - Recalibrate Homer's water system model with current hydrant flow data using an updated water system modeling platform, and adjust the Water Master Plan for future water system infrastructure needs.	$93,150	Tier 2	$37,500	5	na	Planning	10/18/2021	SFY22-Q3
3	50	X	AK2240456 (5,810)	Homer	**Water Master Plan** - Update the water system portion of the 2006 Water and Sewer Master Plan.	$78,303	Tier 2	$37,500	5	na	Planning	4/30/2023	SFY23-Q3
4	45	X	AK2260197 (4,916)	Dillingham	**Dillingham Utility Rate Study** - Update the 2014 Rate Study to reflect current conditions and future planning considerations. The Rate Study will include both water and wastewater utility rates with the cost of the study split between an Alaska Drinking Water Fund loan and an Alaska Clean Water Fund loan.	$30,000	Tier 3	$30,000	5	na	Planning	6/1/2021	SFY22-Q1
5	45	X	AK2221834 (2,375)	Unified Alaskan Utilities	**Mile 8 Water Main Leak Detection and Condition Assessment** - Perform leak detection study in areas of the distribution system that showed evidence of leakage during a 2021 leak survey. Perform condition assessment on 6000 linear feet of critical transmission mains to determine remaining useful life.	$93,187	Tier 3	$75,000	5	na	Planning	7/31/2022	SFY23-Q2
6	41	X	AK2111566 (1,713)	Haines Borough	**Water System Modeling** - Model water system function and integrate with Geographic Information System.	$100,000	Tier 3	$75,000	5	na	Planning	4/3/2023	SFY23-Q1
7	40		AK220135 (135)	Unified Alaska Utilities Oasis Field of View	**Corrosion Control Study** - Due to high copper levels, this project will analyze the source water and treated water chemistry to determine the viability of treatment alternatives for adjusting the water chemistry to reduce corrosivity.	$35,000	Tier 3	$35,000	5	na	Planning	4/30/2023	SFY24-1
					SUSTAINABLE INFRASTRUCTURE PLANNING LOAN SUBTOTAL	***$529,640***		***$365,000***					
					TOTAL FUNDING REQUESTED (ALL CATEGORIES)	***$106,935,456***		***$16,887,343***					

Appendix 3.
Disadvantaged Community Criteria

Defining Disadvantaged Communities

Providing resources for water and wastewater infrastructure projects

Alaska State Revolving Fund

Introduction

The Safe Drinking Water Act (SDWA) and the Clean Water Act (CWA) allow states to define communities most in need of financial assistance through affordability criteria. State Revolving Funds (SRFs) are required to provide subsidy to disadvantaged communities based on conditions established in the annual Clean Water and Drinking Water SRF capitalization grants. The Alaska SRF Program provides this subsidy in the form of principal forgiveness of low interest loans.

In 2023, the Alaska SRF Program reviewed current criteria used to identify disadvantaged communities and proposed a revised method. The SRF Program has historically focused on metrics such as income, unemployment and population to identify borrowers that would experience a significant hardship raising the revenue necessary to finance a project. In an effort to develop a more comprehensive definition of what it means to be a disadvantaged community, the Alaska SRF Program proposed a range of metrics by which SRF applicants will be evaluated to include other social, economic, and demographic information.

This summary describes the federal and state requirements associated with defining disadvantaged communities, the objectives identified for the Alaska SRF Program's analysis of this issue and summarizes the changes to the criteria. The revised definition of disadvantaged communities is presented in the State Fiscal Year 2024 (SFY24) Intended Use Plans for the Alaska Clean Water Fund and the Alaska Drinking Water Fund. Public review and comments are welcomed through the public notice and comment process.

Disadvantaged Community Criteria - Federal and State Requirements

Under the Drinking Water State Revolving Fund (DWSRF) program, states may establish separate eligibility criteria and special funding options for economically disadvantaged communities. Section 1452 of the SDWA defines a disadvantaged community as "the service area of a public water system that meets affordability criteria established after public review and comment by the State in which the public water system is located." Under this section, states may provide additional subsidies (including forgiveness of principal) to communities that meet the established criteria, or that are expected to meet these criteria as a result of a proposed project.

In 2014, the Water Resources Reform and Development Act (WRRDA) revised the CWA to require all CWSRF programs to develop affordability criteria to be used by the state when

determining which CWSRF borrowers are economically disadvantaged and eligible for additional subsidy. Pursuant to WRRDA, the affordability criteria must be based on the income data, unemployment rates, and population trends, as well as any other components deemed relevant by the state.

In Alaska, state regulations limit the distribution of subsidy through the SRF Program to borrowers who meet the state definition of a disadvantaged community. As noted in regulations for the Alaska Clean Water Fund (Alaska Administrative Code, Title 18, Chapter 76.035 (18 AAC 76.035)), "the department may provide a subsidy to an applicant in the form of principal forgiveness…if the applicant demonstrates that it meets affordability criteria." Similarly, the Alaska Drinking Water Fund regulations indicate that "the department may provide a subsidy to a disadvantaged system in the form of principal forgiveness."

Additional Subsidy

The SDWA mandates that states use at least 12% but no more than 35% of the annual base capitalization grant to provide additional subsidization for state defined disadvantaged communities.

Additionally, in recent years, Congress has included further additional subsidization requirements through the annual appropriation language. For Federal Fiscal Year 2022 (FFY22), the Congressionally mandated subsidy requirement is 14% of the capitalization grant with no specific eligibility requirements. The two required groups of subsidy are additive, meaning that the state is obligated to offer 26 to 49% of the FFY22 grant funds as additional subsidy. As noted previously, Alaska regulations restrict subsidy eligibility to disadvantaged communities.

The CWA mandates that states use at least 10% but no more than 30% of the annual base capitalization grant to provide additional subsidization for:

- any municipalities that meet the state's affordability criteria;
- municipalities that do not meet the state's affordability criteria but seek additional subsidization to benefit individual ratepayers in the residential user rate class; or
- entities that implement a process, material, technique, or technology that addresses water or energy efficiency goals; mitigates stormwater runoff; or encourages sustainable project planning, design, and construction.

For SFY23, the Congressionally mandated subsidy requirement is 10% of the capitalization grant with no specific eligibility requirements. As with the DWSRF, the two groups of subsidy are additive.

Bipartisan Infrastructure Law (BIL)

A key priority of the BIL is to ensure that disadvantaged communities benefit equitably from this investment in water infrastructure. Disadvantaged communities can include those with environmental justice concerns that often are low-income. Disadvantaged communities

experience, or are at risk of experiencing, disproportionately high exposure to pollution—whether in air, land, or water.

The BIL mandates that 49% of funds provided through the DWSRF General Supplemental Funding and the DWSRF Lead Service Line Replacement Funding be provided as grants and forgivable loans to disadvantaged communities. The BIL also requires that at least 25% of funds provided through the DWSRF Emerging Contaminants Funding be provided as grants and forgivable loans to disadvantaged communities or public water systems serving fewer than 25,000 people.

For the CWSRF, the law mandates that 49% of funds provided through the CWSRF General Supplemental Funding be provided as grants and forgivable loans to communities that meet the state's affordability criteria or certain project types, consistent with the CWA.

To accomplish this, the Environmental Protection Agency (EPA) recommends that states may need to:

- Evaluate and revise, as needed, the DWSRF disadvantaged community definition and CWSRF affordability criteria.
- Evaluate the SRF priority point system for project ranking commensurate with need.
- Use technical assistance funding to help disadvantaged communities identify needs and access funding.
- Engage residents and community stakeholders in disadvantaged communities.

Objectives in Analysis of Disadvantaged Community Criteria

As suggested by EPA, the Alaska SRF Program evaluated the current criteria used to define disadvantaged communities and affordability for both the DWSRF and CWSRF with the goal of determining their effectiveness in reflecting the current affordability issues within Alaska.

In considering potential criteria revisions, the SRF seeks to ensure:

- Any changes are relevant and applicable to SRF Program objectives, and compliant with rules, regulations, and intent of the disadvantaged community criteria.
- Data sources are accessible, reliable, and regularly updated.
- Data is available at the necessary granular geographic level as applicable, e.g. community, borough, or census area.
- The methodology for determining status of communities is straightforward, simple, and easy to implement.
- The criteria selected is common between the two loan funds.
- The data must represent Alaskan communities.

Previous Criteria for Defining Disadvantaged Communities

Prior to SFY24, the disadvantaged community criteria used by the Alaska SRF Program categorized communities as either disadvantaged or not disadvantaged. For example, the Alaska Drinking Water Fund relied primarily on two characteristics of the community: median household income (MHI) and unemployment rate. The Alaska Clean Water Fund also relied on MHI and unemployment rate information and, in addition, also included a measure of population trend in compliance with CWSRF requirements. For both loan funds, communities with income below the statewide average or an unemployment rate for the borough or census area above the statewide average qualified as disadvantaged. Those communities that had a higher MHI than the statewide average or lower unemployment rates than statewide automatically did not qualify as disadvantaged.

Among the communities that qualified as disadvantaged, all had the same status. There was no ranking to indicate which communities were most in need; therefore, a community with a household income far below the statewide median was eligible for the same level of assistance as one just below the cutoff. This method of identifying disadvantaged communities was easy to administer but not necessarily effective.

Revised Criteria for Defining Disadvantaged Communities

The revised disadvantaged community status is determined by considering four factors: household burden, socioeconomic indicators, rural community status and priority projects. Points are assigned for each factor as noted below.

Household Burden

The Household Burden indicator focuses on household income and the affordability impacts on those households most effected by the cost of utility service. Income quintiles are a socio-economic measure that groups a community's household income data into five equal parts. Each quintile represents 20% of the population.

Upper limit of lowest quintile income (LQI) – Income quintiles group a community's household income data into five equal parts. Each quintile represents 20% of the population.

If the LQI is greater than the statewide LQI	No points
If the LQI is less than the statewide LQI	1 point
If the LQI is less than 80% of the statewide LQI	2 points

Cost of service as a percentage of LQI – The annual cost of service for both water and wastewater service (user fees) for residential connections is divided by the upper limit of the LQI to provide an indicator of the burden on lowest income earners in the community.

If the Cost of Service/LQI is less than 4%	No points
If the Cost of Service/LQI is greater than 4%	1 point
If the Cost of Service/LQI is greater than 6%	2 points

Socioeconomic Factors

Socioeconomic factors are used to consider a variety of indicators that may demonstrate economic stress in a community including the percentage of household receiving public assistance, the percentage of households below the poverty level, unemployment rates, and population trends.

Percentage of households receiving Supplemental Nutrition Assistance Program (SNAP) benefits relative to the statewide average.

If the % of households receiving SNAP is less than statewide average	No points
If the % of households receiving SNAP is greater than statewide average	1 point
If the % of households receiving SNAP is 150% of statewide average	2 points

Percentage of households below poverty level relative to the statewide average. The poverty level is determined by the U.S. Census Bureau.

If the % of households below poverty level is less than statewide	No points
If the % of households below poverty level is greater than statewide	1 point
If the % of households below poverty level is 150% of statewide or greater	2 points

Unemployment Rate – The monthly unemployment rates posted by the Alaska Department of Labor for the borough or census area where the community is located for the previous calendar year are averaged and compared to the statewide unemployment rates.

If the unemployment rate is less than statewide rate	No points
If the unemployment rate is greater than statewide rate	1 point
If the unemployment is 150% of statewide rate or greater	2 points

Population Trend – The 2010 population from the decennial Census data compared to the 2020 population.

If the community population increases or decreases by less than 10%	No points
If the community population changes by 10-20%	1 point
If the community population change exceeds 20%	2 points

Rural Communities

Rural communities will receive two additional points in the scoring process. The following definition is used for a rural community:

(1) A community that is eligible for assistance under the Village Safe Water Act, or

(2) A community that meets each of the following criteria:

(a) is not located in an area that is identified as a Metropolitan or Micropolitan according to the U.S. Office of Management and Budget **and**

(b) is at least 300 road miles from a Metropolitan or Micropolitan area **and**

(c) has a population that exceeds 25 but is less than 4,500.

Rural community status	2 points

Priority Projects

Eligibility for loan forgiveness will also be assessed based on the project type. If the project aligns with one of the priority types listed below, points will be added to the project's score as noted.

Priority Project Type	Points
Project will result in completion of a Lead Service Line Inventory or replace known lead service lines.	6
Project will provide treatment to address an emerging contaminant.	6
Project will resolve a health-based violation of the SDWA.	6
Project will install domestic wastewater treatment to meet the minimum treatment requirements of 18 AAC 72.050	6
Project will result in consolidation of two or more public water systems or wastewater systems to address violations	6
A water distribution system will be expanded to provide service to replace private sources that exceed the MCL for a primary drinking water contaminant.	6
A wastewater collection system will be expanded to provide service to individual services that use on-site wastewater	6
Project will improve the water quality of an impaired water body.	5
Project will result in development of an Asset Management Plan.	4

Data Sources

Data sources for the information included in the Household Burden and Socioeconomic indicators are listed below:

Category / Metric	Source
Income and Poverty	
Lowest quintile income	American Community Survey
% below poverty level	American Community Survey
% Public Assistance/SNAP	American Community Survey
Labor Force	
Unemployment rate of borough/census area	Alaska Department of Labor
Demographics	
Population Trend	Decennial Census

Disadvantaged Community - Tiers

Each loan applicant will be assessed based on household burden and socioeconomic factors to represent a base score for the community. Depending on the type of project proposed, additional points may be assigned to specific priority projects based on the criteria in the preceding section. Based on the points allotted, each project will be assigned to a tier with an associated percentage of loan forgiveness. To the extent that additional subsidy funds are available, disadvantaged communities may receive principal forgiveness associated with the base and supplemental capitalization grants as shown in the table below.

Tier	Point Range	Maximum Loan Forgiveness per Community/System	
		Clean Water Projects	Drinking Water Projects
Tier 1	0 to 3	Not applicable	Not applicable
Tier 2	4 to 6	$500,000	$1,500,000
Tier 3	7 to 10	$1,000,000	$2,500,000
Tier 4	10+	$2,000,000	$3,500,000

Disadvantaged Communities – Base Scores and Tiers

The table below shows the Household Burden and Socioeconomic Factors scores for several communities throughout the state. The communities represented in this table are either past or present SRF borrowers or have expressed an interest in pursuing financing through the SRF Program.

The base score in this table combines the Household Burden and Socioeconomic Scores. The disadvantaged community tier in this table reflects only the base score for the community. If a

community proposes a “priority project” as defined by the SRF Program, then additional points may be added to a particular project.

Community	Household Burden Score (1)	Socioeconomic Factors Score (2)	Rural Community (3)	Base Score (1)+(2)+(3)	Base Score Tier
Anchorage	0	2	0	2	Tier 1
Bethel	2	5	2	9	Tier 3
Cordova	0	3	2	5	Tier 2
Craig	1	5	2	8	Tier 3
Dillingham	1	3	2	6	Tier 2
Fairbanks	0	3	0	3	Tier 1
Gustavus	0	6	2	8	Tier 3
Haines	1	6	2	9	Tier 3
Homer	1	5	0	6	Tier 2
Hoonah	0	8	2	10	Tier 4
Juneau	0	2	0	2	Tier 1
Kenai	1	6	0	7	Tier 3
Ketchikan	1	6	0	7	Tier 3
King Cove	0	6	2	9	Tier 3
King Salmon	0	4	2	6	Tier 2
Kodiak	2	4	0	6	Tier 2
Kotzebue	2	5	2	9	Tier 3
Nome	0	3	2	5	Tier 2
North Pole	1	2	0	3	Tier 1
Palmer	0	5	0	5	Tier 2
Petersburg	0	4	2	7	Tier 3
Sand Point	0	6	2	9	Tier 3
Seldovia	0	5	2	7	Tier 2
Seward	1	5	0	6	Tier 2
Sitka	1	3	0	4	Tier 2
Skagway	1	7	2	10	Tier 4
Soldotna	0	4	0	4	Tier 2
Talkeetna	1	7	0	8	Tier 3
Togiak	1	7	2	10	Tier 4
Unalakleet	1	8	1	11	Tier 4
Unalaska	0	2	1	3	Tier 1
Valdez	0	3	0	3	Tier 1
Wasilla	1	8	0	9	Tier 3
Whittier	1	6	0	7	Tier 3
Wrangell	0	6	2	8	Tier 3
Yakutat	0	4	2	6	Tier 2

Appendix 4

Comments and Responses

Appendix 4
State Fiscal Year 2024 (SFY24) Intended Use Plans
Comment and Response Document

A 30-day comment period was provided for the State Fiscal Year 2024 (SFY24) Intended Use Plans. Interested parties were asked to submit comments by June 12, 2023. The purpose of this document is to present the comments received, the SRF Program's responses to the comments, and explain how the comments were considered in finalizing the IUPs.

Name: Janette Keiser
City: Homer, Alaska
Submitted By: City of Homer

Comment: The City of Homer supports the ADEC's proposed Intended Use Plans and is grateful for the support for our water, sewer and storm water projects. We appreciate the ADEC staff's thoughtful deliberations regarding the health and environmental benefits of each project. We particularly appreciate addition of non-point source storm water projects. It is very difficult to get funding for such projects elsewhere; for example such projects cannot be funded through our water/sewer rate structure. We also appreciate the ADEC's support for planning projects, which are also difficult to fund, but totally necessary for proper utility planning. Thank you again, Janette Keiser, PE, Public Works Director/City Engineer

Response: Comment noted.

Name: Wayne Flint
City: Anchor Point, Alaska
Submitted By: Anchor Point Safe Water Corporation

Comment: Anchor Point Safe Water appreciates the opportunity to be able to submit a comment concerning ACWF and ADWF. Just one point concerns me as a former Alaska Department of Fish and Game employee developing King Salmon Enhancement. Communities along essential king salmon spawning grounds are growing. With king salmon populations dwindling, habitat protection is essential. So the dilemma is we want fiscal growth for utilities but protecting essential king salmon spawning grounds. While communities may be small and not qualify for grants and funding for wastewater disposal- an insidious ground water pollution continues degrading water runoff quality. If we want to preserve this amazing fish heritage, grant standards and funding really should be available to preemptively address sewage control and run-off in critical river and stream management areas. As it stands now, the Anchor Point Community is too small for normal grant and funding for wastewater treatment. This issue will only be realized when it's too late for salmon habitat such as the greater Seattle area. A wastewater package plant "facultative bioreactor" would take septic wastewater and purify it so the discharge would actually be cleaner than the Anchor River itself. After more than 5 years experience installing and maintaining "Biocycle" aerobic package plants and UAA advanced studies, I sincerely believe this is an issue that I hope these funding measures would take into consideration.

Otherwise, it just falls through the cracks and isn't recognized until its too late. A "small turn of the ecological rudder" now can have an amazing ecological impact for the good in the immediate future. Thank you, Wayne Flint- level 2 Operator Anchor Point Safe Water Corporation

Response: Projects that address water quality issues are eligible for financing through the Alaska Clean Water Fund. The Alaska Clean Water Fund primarily uses low-interest loans as the mechanism to finance eligible projects. Because Anchor Point is unincorporated, the community itself is not an eligible borrower. However, if another eligible entity is willing to sponsor the project, and a funding source for repayment of a loan can be identified, then a project of this nature to protect water quality would be eligible for financing through the State Revolving Fund Program.

Name: Melissa Haley
City: Sitka, Alaska
Submitted By: City and Borough of Sitka

Comment: I have a concern about the use of some of the proposed criteria for the household and socioeconomic burden. Specifically, for the % household below poverty level using the poverty level set by census bureau does not address the extremely high cost of living in some areas of Alaska. A family in Sitka may well be living in poverty with a household income higher than what is set by the census bureau. Similarly, comparing the lowest income quintile to the state as a whole may disadvantage communities with a higher cost of living, where income is often higher to compensate. I would propose that there be some way to adjust/account for cost of living for these areas.

Response: The disadvantaged community criteria proposed by the SRF Program uses several factors, one of which is the percentage of households below the poverty level, to identify economic stress in communities. By using multiple factors rather than relying on one or two factors, the intent is to capture information indicative of those communities that are most in need of financial assistance.

One way that the Disadvantaged Community Criteria considers the high cost of living in rural communities is by calculating the percentage of the lowest income quintile being used to pay the water and sewer utility bill. Those rural communities that need to charge higher user fees in order to operate and maintain their water and wastewater systems are recognized in this factor.

In recognition of the comments about the economic burden faced by rural communities, an additional Rural Community factor was added to the Disadvantaged Community Criteria. As explained in the revised Appendix, rural communities will receive two additional points in the scoring process. The following definition is used for a rural community:

(1) A community that is eligible for assistance under the Village Safe Water Act, or

(2) A community that meets each of the following criteria:

   (a) is not located in an area that is identified as a Metropolitan or Micropolitan according to the U.S. Office of Management and Budget **and**
   (b) is at least 300 road miles from a Metropolitan or Micropolitan area **and**
   (c) has a population that exceeds 25 but is less than 4,500.

Name: Sarah E. McClellan
City: McGrath, Alaska
Submitted By: City of McGrath

Comment: Keep in mind that most remote communities in Alaska have very limited revenue and no guarantee of future income. Population in Alaska is dwindling and this hits small remote villages hard. Out-migration cuts user fees supporting services in remote communities, like water & sewer. State fees for services (especially those hidden fees we get hit with and don't even know it! Grrr...) and interest rates on loans are intolerable for our stressed operating budgets.

Response: In recognition of the comments about the economic burden faced by rural communities, an additional Rural Community factor was added to the Disadvantaged Community Criteria. As explained in the revised Appendix, Rural communities will receive two additional points in the scoring process. The following definition is used for a rural community:

(3) A community that is eligible for assistance under the Village Safe Water Act, or

(4) A community that meets each of the following criteria:

(a) is not located in an area that is identified as a Metropolitan or Micropolitan according to the U.S. Office of Management and Budget **and**
(b) is at least 300 road miles from a Metropolitan or Micropolitan area **and**
(c) has a population that exceeds 25 but is less than 4,500.

Name: Jill Weitz
City: Juneau, Alaska
Submitted By: Central Council of Tlingit and Haida Indian Tribes of Alaska

Central Council of Tlingit & Haida Indian Tribes of Alaska (Tlingit & Haida) is the largest federal and state recognized Tribe in Alaska, representing over 35,000 Tribal citizens.

In rural communities, it is hard to fund and train state certified water system operators. Those who do hold water operator certifications tend to take jobs in larger communities that can pay more. This often leads to small community water systems hiring personnel who are inadequately trained for the job. This lack of experience and training becomes apparent as we see frequent boil water notices, main line failures, and pump or purification system malfunctions.

To help prepare for these expected failures, Tlingit & Haida's Tribal Emergency Operations Center (TEOC) has purchased numerous water purification units that can be loaned out to communities in need. These units are limited in the quantity of water that can be purified before servicing. This leads to these units only being used to supply the most vulnerable populations with clean drinking water. Other community members must often gather and boil water on their own.

In the last two years alone, Tlingit & Haida's TEOC has responded with assistance to Saxman, Craig, Angoon, and Hydaburg related to water systems being out of commission. We have provided water purification systems and pallets of bottled water during emergencies. Additionally, the community of Kake had over a 6-month long boil water notice in 2021.

In the face of a rapidly changing climate and on the heels of the Covid-19 pandemic, rural communities in Alaska should be prioritized to receive the federal funds made available to the State of Alaska for the issuance of low-interest loans for planning, designing, and constructing sanitation and drinking water facilities. Investment should also be made in training local operators. The State of Alaska's existing criterion to determine need has not been updated since 2015 and does not consider the above challenges, including the inflated costs of living.

Luckily, the 2021 bipartisan Infrastructure Investment and Jobs Act has set aside significant hundreds of millions of dollars for the development of sanitation infrastructure in rural Alaska. Tlingit & Haida urges the State of Alaska to prioritize our rural areas, especially those communities off the road system and lacking basic sanitation infrastructure. 95 of 196 communities in Alaska do not meet the minimum threshold for funding through the Village Safe Water Program, and if the state continues to use the "best practices" score to determine eligibility and priority, then it will run the risk of having federal infrastructure (IIJA/BIL) funds expire or be reallocated elsewhere before they can be used to help these communities. How can we expect best practices from a community if their basic need for water is not being met? The State of Alaska must prioritize communities in greatest need.

Response:
The Alaska Clean Water Fund and the Alaska Drinking Water Fund are available, as low-interest loans to eligible borrowers as defined in Alaska Statutes 46.03.032 and 46.03.036, for water and wastewater infrastructure improvement projects, as well as activities to protect public health and achieve or maintain compliance with the Clean Water and Safe Drinking Water Acts. All proposed projects are evaluated and scored based on established criteria that prioritize the public health impact the project will provide, with the highest scoring projects prioritized for funding.

Historically, most rural Alaskan communities have sought sanitation infrastructure improvement funding through the State of Alaska's Village Safe Water Program and the Indian Health Service as these programs provide grant funding with no financial contribution required from the community. Despite the loan finance rates and extended financing terms, many rural Alaskan communities are not financially positioned to take on debt to fund their sanitation improvements and, therefore, have not generally sought funding through the SRF Program. Recently, in an effort to make SRF funding more accessible and to assist rural communities in addressing system deficiencies, the Alaska SRF created a microloan program offering substantial loan forgiveness targeted specifically at rural communities that have not been tradition borrowers.

As noted in the comment, the Infrastructure Investments and Job Act, also known as the Bipartisan Infrastructure Law, has created a unique opportunity to address a greater volume of need by allocating substantially larger amounts of funding to the SRF over the course of five years, as well as increasing the amount of those funds that must be offered as loan forgiveness to disadvantaged communities, making SRF funding a more viable option for some communities than in the past.

Based on comments received during the public comment period, and in recognition of economic burden faced by rural communities, an additional Rural Community factor was added to the Disadvantaged Community Criteria. As explained in the revised Appendix, Rural communities will receive two additional points in the scoring process. The following definition is used for a rural community:

(1) A community that is eligible for assistance under the Village Safe Water Act, or

(2) A community that meets each of the following criteria:

(a) is not located in an area that is identified as a Metropolitan or Micropolitan according to the U.S. Office of Management and Budget **and**
(b) is at least 300 road miles from a Metropolitan or Micropolitan area **and**
(c) has a population that exceeds 25 but is less than 4,500.

Name: Kathy Leary
City: Gustavus, Alaska
Submitted By: City of Gustavus

The scope of the current and proposed criteria for identifying disadvantaged communities would benefit from consideration of a segment of rural communities whose unique financial circumstances pose a significant hardship in raising the revenue necessary to finance water and wastewater projects.

HOUSEHOLD BURDEN

Household income: Lowest Quintile Income (LQI)

As the gateway community to Glacier Bay National Park, the economy of Gustavus is primarily based on its largest employer, the National Park Service, including an influx of seasonal workers, and a seasonal tourism industry of lodges and charter fishing from end May (Memorial Day) to September (Labor Day). Another large segment of the population consists of retirees living on a fixed income. Aside from fixed income population, this retiree population would not be included in the unemployment calculation when comparing the percentage of state totals and for which points are given. Additionally, those who are chronically unemployed or who choose not to apply for work, do not show up in unemployment data. Year-round residents other than NPS and a few school employees, mostly rely on seasonal construction and fishing employment with a few scattered service industry employees. There is a dwindling number of commercial fishing boats, resulting from a reduction in fishing quotas and declines in fisheries populations. The decline in fishery resources is also affecting the charter fishing industry, which has to travel longer distances at greater expense to reach viable fishing grounds, reducing the number of businesses and visitors to the area.

The determination of the community's mean/average income is skewed by several management salaries paid by the NPS to its year-round staff (up to $183,500 for the Park Superintendent). The community has a bimodal income distribution between the haves and the have nots. In addition, unemployment and food stamps are faulty metrics to apply to a community whose employment resources are largely seasonal and whose residents live subsistence lifestyles. Community members most in need often are unable to secure social benefits due to our location and challenges with communications to offices with services. Half of the community lacks cellular coverage, not all areas have access to internet, and our land line phone system has seen degradations from poor maintenance.

Proposed household burden indicator: water and sewer bills

The proposed indicator for determining household and socioeconomic burden: monthly and annual water and sewer bills, does not take into consideration the financial burden on a small, rural community without municipal water and dependent on septic systems. The expenses of living without a municipal system should be considered, such as:

- Reliance on sewage pumping trucks transported from Juneau by barge or ferry to pump septic tanks, (approx. $1500).
- Reliance on shallow water table wells (most are less than 20' in well-drained sandy soil, so surface/ground water interactions are prevalent), which require water softeners and filtration systems for minerals, contaminants, and sediment, not including the electrical costs of the water pump, or alternative construction of rainwater catchment cisterns, with costs of treatment and

maintenance. A significant portion of our community has non-potable water from PFAS contaminants from the use of AFFF at our airport that has yet to find meaningful resolution.

- Without platting, zoning, or building permit authority, Gustavus has several subdivisions with 1-acre parcels. The shallow wells and proximity to leach fields on the property or adjacent properties leads to interactions, including drinking water with fecal coliform.

SOCIOECONOMIC FACTORS

Our second-class city supports a small clinic, a school, city staff of 8 with only 2 being full time (FTE), and a handful of small businesses and nonprofits. Gustavus has one of the highest effective per kw residential electrical rates in the state. (Due to PCE being a lower rate for this utility) Additionally, the residential community doesn't have the financial capacity to form an organized borough in order to impose property taxes, and the seasonal boost in sales, bed, and fish tax receipts is limited to a 3–4-month window.

Affordability impacts

Gustavus is not on the road system and is dependent on a variable ferry system schedule, fuel barges, landing craft, and expensive air transportation and cargo for food, heating and motor fuel, supplies, and building materials. There is only a small clinic, and residents have to pay to travel out of town for medical and dental appointments, including lodging and transportation costs. Costs of transportation for the provision of basic goods and services, as well as the increased cost of goods and services should be considered as an indicator of the socio-economic burden of a rural community.

Changing demographics

The population of Gustavus is growing (48% between 2020 and 2010 with a 2020 population of 655), with an increase in building construction, reliance for drinking water on a shallow water table, and increased expansion of septic systems. Gustavus's small population does not include large revenue streams. It has a small government, whose size and capacity to design projects and find funding resources is limited. Without qualifying as a disadvantaged community, and without community financial resources to develop municipal water services, the fragility of the community's health may be at a tipping point. In 2022, there were a cluster of giardia cases that were not connected to at risk water consumption patterns.

We would encourage you to include additional scoring points for 1- Economies of scale for small populations, irrespective of disadvantaged status, where building infrastructure (including a large match requirement) is unattainable by virtue of population size and therefore limits local tax and per capita governmental revenues. 2 - geographically isolated locations where transport of goods and services are both limited and expensive, 3 - the costs of maintaining well water and septic systems, 4- high electrical and other utility costs as indicators in defining a disadvantaged community or at least otherwise included in the scoring rubric.

Response:

Income: With regard to comments about income, it is agreed that measures of income for a community may be skewed by a small number of high-income households. By using the Lowest Income Quintile in the analysis, focus is placed on 20% of the households with the lowest incomes in the community. The Disadvantaged Community Criteria does not use average or median income as a factor.

Communities without municipal water or sewer systems: The SRF Program is limited to providing financing for public water systems, publicly owned treatment works for sewage, and certain types of decentralized sewage treatment systems. By including a factor that identifies the cost of utility service, the Disadvantaged Community Criteria recognizes rate affordability.

Rural community impacts – In recognition of the comments about the economic burden faced by rural communities, an additional Rural Community factor was added to the Disadvantaged Community Criteria. As explained in the revised Appendix

Rural communities will receive two additional points in the scoring process. The following definition is used for a rural community:

(3) A community that is eligible for assistance under the Village Safe Water Act, or

(4) A community that meets each of the following criteria:

(a) is not located in an area that is identified as a Metropolitan or Micropolitan according to the U.S. Office of Management and Budget **and**
(b) is at least 300 road miles from a Metropolitan or Micropolitan area **and**
(c) has a population that exceeds 25 but is less than 4,500.