

# **ALASKA CLEAN WATER FUND STATE REVOLVING FUND**

**Intended Use Plan for  
State Fiscal Year 2022 and  
Federal Fiscal Year 2021 Grant Allotment**



**Submitted to the U.S. Environmental Protection Agency  
By  
Alaska Department of Environmental Conservation  
Division of Water  
May 2021**

## Contents

PROGRAM OVERVIEW .....	3
PROGRAM UPDATES.....	3
PROGRAM GOALS .....	4
Long Term Goals.....	4
Short Term Goals.....	4
FUNDS AVAILABLE.....	5
Amount of Capitalization Grant .....	5
State Match Requirement.....	5
Administrative Fees .....	5
Cash Draw Proportionality .....	6
Fund Transfer.....	6
Program and Non-Program Income.....	6
Administrative Set-Aside (4%).....	7
Loan Terms and Interest Rates for Eligible Projects .....	7
Estimated Funds Available – SFY22.....	8
CRITERIA AND METHOD FOR FUND DISTRIBUTION.....	8
Project Priority List.....	8
Amendments to the Project Priority List .....	9
Project Readiness Bypass Procedures.....	9
Emergency Procedures .....	10
Removing Projects from the Project Priority List .....	10
Amendments to Existing Loans.....	10
GREEN PROJECT RESERVE AND ADDITIONAL SUBSIDY.....	10
Green Project Reserve (GPR).....	10
Additional Subsidy – Disadvantaged Community Assistance .....	11
Sustainable Infrastructure Planning Projects .....	12
ASSURANCES AND SPECIFIC PROPOSALS .....	13
Expeditious and Timely Expenditure .....	13
Federal Equivalency Requirements .....	13
Architectural and Engineering Services Procurement .....	14
Disadvantaged Business Enterprise (DBE) .....	14
Federal Cross-cutters – Environmental Review .....	14
Signage to Enhance Public Awareness .....	14
Single Audit .....	14
Federal Funding Accountability Transparency Act (FFATA).....	14
ADDITIONAL REQUIREMENTS.....	15
American Iron and Steel .....	15
Cost and Effectiveness Certification.....	15
Davis-Bacon Act Wages.....	15
Environmental Review .....	15
Federal Reporting .....	15
Generally Accepted Accounting Principles.....	15
Fiscal Sustainability Plans .....	16
Sustainability Policy .....	16
PUBLIC REVIEW AND COMMENTS .....	16

## Appendices

Appendix 1. Ranking Criteria: Point Source and Nonpoint Source Projects

Appendix 2. Project Priority List

## 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
AWWU	Anchorage Water and Wastewater Utility
CBR	Clean Water Benefits Reporting
CE	Categorical Exclusion
COVID-19	Coronavirus Disease of 2019
CWA	Clean Water Act
CWSRF	Clean Water State Revolving Fund
DBE	Disadvantaged Business Enterprise
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
MHI	Median Household Income
OASys	Online Application System
PPL	Project Priority List
SERP	State Environmental Review Process
SFY	State Fiscal Year
SRF	State Revolving Fund

## PROGRAM OVERVIEW

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

This Intended Use Plan (IUP) describes how Alaska intends to use available CWSRF funds during State Fiscal Year 2022 (SFY22), July 1, 2021 through June 30, 2022. This IUP will be submitted to the EPA as part of the application for the CWSRF Federal Fiscal Year 2021 (FFY21) capitalization grant. Alaska's allotment for FFY21 is \$9,506,000.

## PROGRAM UPDATES

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

- The SRF Program has implemented a cash flow model for forecasting the financial performance of the ACWF. This tool will be integral in developing a long-term lending strategy. During SFY22, key staff will work to become proficient in the use of the model and begin utilizing the result of modeling to inform programmatic decision.
- During SFY19 and SFY20, the SRF Program developed a framework for providing Micro Loans to rural Alaska communities. The SFY22 Project Priority List (PPL) includes two projects submitted by rural communities for Clean Water infrastructure needs. The Micro Loan Program offers up to \$500,000 per project with terms of up to 20 years and principal forgiveness ranging from 50% to 90%. Each applicant is required to meet a minimum Operations and Maintenance Best Practices score before a loan agreement is offered.
- The SRF Program continues to offer a Programmatic Financing (Pro Fi) option to its largest borrower, Anchorage Water and Wastewater Utility (AWWU), since the issuance of the first Pro Fi loan agreement in SFY20. Pro Fi offers an alternative to project-by-project financing by funding eligible work within the utility's capital improvement project portfolio.
- With implementation of Pro Fi, the SRF Program has modified its approach to equivalency requirements in an effort to reduce the administrative burden on the majority of borrowers. Historically, all projects have been required to meet all federal grant requirements regardless of the source of funds disbursed.
- In SFY20, EPA selected Alaska to receive technical assistance targeted at addressing an important decentralized wastewater program need. The SRF Program has worked with the EPA consultant, Northbridge Environmental, to develop a process to fund privately

owned onsite wastewater system improvements. During SFY22, ADEC anticipates making an investment in at least one partnering lending agency so they may extend loans to private individuals to install or repair onsite wastewater systems, or repair, remove, and remediate leaking fuel storage.

## **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. Establish a process for coordinating funding strategies with other lenders such as USDA Rural Development.
4. Develop program guidelines to improve the pace of loan projects.
5. Expand borrower pool through an established marketing and outreach plan.
6. Pursue methods for encouraging borrowers to pursue Green and 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. Implement a long-term strategy for utilizing the ACWF Fee Account and 4% Administrative Set-Aside for program administration expenses.

### **Short Term Goals**

1. Recruit and hire a dedicated program manager to oversee the day to day implementation of the SRF Program.
2. In response to the economic crisis associated with the COVID-19 pandemic, identify methods to provide support to borrowers that experience unanticipated financial hardships.
3. To promote project readiness and entice new borrowers, initiate a program to provide loan forgiveness of up to \$75,000 for wastewater system planning project and related activities that promote sustainable wastewater infrastructure.
4. Ensure that the SRF Program is meeting capitalization grant requirements for the allocation of additional subsidy.
5. Implement revised subsidy allocation methods to strategically use the CWSRF additional subsidy to achieve affordable compliance, especially for small disadvantaged communities.
6. Identify workflow processes needed to update and utilize FOCUS, including an improved method to track both the allocation and disbursement of additional subsidy.
7. In coordination with completion of a revised Capacity Development Strategy, consider methods for supporting wastewater utilities in their efforts to build and maintain capacity to successfully operator their systems in the long term, as well as encourage borrowers of the ACWF to pursue asset management.

8. Complete revisions to the ACWF Operating Agreement.
9. 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.
10. Pursue revisions to Alaska Statute at AS 46.03, to broaden ACWF eligibility for private wastewater systems and tribally owned utilities.
11. Develop and distribute guidance materials to current and potential borrowers, including Davis-Bacon guidance materials.
12. Develop and distribute marketing materials to improve outreach to potential borrowers.
13. Develop an online resource for borrowers about all potential sources of infrastructure funding.
14. Initiate enhancements to the online payment request and quarterly report system to improve the user experience and data collection.
15. Pursue a deviation from EPA to allow financing of construction or rehabilitation of dams or raw water impoundments, if such a project arises.
16. With technical assistance provided through an EPA pilot program, continue efforts to identify potential partners for conduit lending to provide financing to private homeowners for onsite decentralized wastewater treatment system and underground fuel storage repairs or replacement.
17. In coordination with the Divisions of Air Quality and Spill Prevention and Response and the Division of Water's Non-Point Source Program pursue an avenue for funding conversion of home heating in the Fairbanks area from wood stoves and diesel fired boilers to natural gas in an effort to improve air quality in the PM2.5 Nonattainment Area, as well as reduce nonpoint source pollution in nearby waterbodies.

## **FUNDS AVAILABLE**

### **Amount of Capitalization Grant**

Alaska's allotment from the FFY21 federal appropriation is \$9,506,000.

### **State Match Requirement**

Alaska must deposit into the ACWF an amount equal to at least 20% of the federal capitalization grant. ADEC will provide the required state match of \$1,901,200 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.

### **Administrative Fees**

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

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

As noted in 18 AAC 76.086, ADEC will use administrative fees for direct costs including salaries, supplies, travel, and professional service contracts. For several years, most ADWF administrative expenses have been paid from the ACWF Fee Account because it had a larger balance than the ADWF Fee Account. As shown in Table 1, the accounts are now balanced.

**Table 1. ADWF and ACWF Fee Accounts**

<b>Fee Account Information</b>	<b>ADWF Fee Account</b>	<b>ACWF Fee Account</b>
Fee Account Balance (3/30/2021)	\$6,659,152	\$6,229,558

In SFY22, the SRF Program intends to charge approximately half of ADWF administrative expenses to the ADWF Fee Account. The remaining charges, estimated at approximately \$400,000, will be charged to the ACWF Fee Account. All expenses for administration of the ACWF will be charged the 4% Clean Water Administrative Set-Aside, which the State has not made use of in recent years. In adopting this model, the SRF Program draws relatively equal amounts from each fee account, while slowly increasing the balance in each. If the demand for loans from the ACWF increases such that use of the 4% Administrative Set-Aside limits the Program's ability to meet borrower demand, this strategy will be revisited.

### Cash Draw Proportionality

Draws for loan funding are split between federal funding and the state match following the grant-specific proportionality rate method. The loan funding ratio is currently 83.33% federal and 16.67% state match. Alaska's proposed payment schedule (Table 2) for the FFY21 grant allotment was developed based on projected needs for project construction and execution of loan agreements.

**Table 2. SFY22 Estimated Schedule of Payments for FFY21 Capitalization Grant**

<b>Federal Quarter Beginning</b>	<b>FFY21 Grant Payment</b>
7/1/2021	\$9,506,000
10/1/2021	\$0
1/1/2022	\$0
4/1/2022	\$0
<b>Total</b>	<b>\$9,506,000</b>

### Fund Transfer

Federal regulations allow a transfer of up to 33% of the Drinking Water State Revolving Fund (DWSRF) capitalization grants to the ACWF. ADEC reserves the authority to transfer funds between the ACWF and the Alaska Drinking Water Fund (ADWF), as appropriate, at some time in the future.

### Program and Non-Program Income

In SFY22, program income is estimated to total \$47,530 (0.5% of the capitalization grant award of \$9,506,000). Program income is defined at 40 CFR 31.25(b) as "gross income received by the

grantee or subgrantee directly generated by a grant supported activity or earned only as a result of the grant agreement during the grant period.”

Non-program income is estimated based on the difference between total anticipated deposits to the ACWF Fee Account less the program income. Based on all pending SFY22 repayments, fees collected will total \$659,522 in SFY22. Non-program income is estimated at \$611,992 (ACWF Fees of \$659,522 less the program income of \$47,530).

### Administrative Set-Aside (4%)

The CWA allows each state to use up to 4% of its capitalization grant to fund the administration of the SRF Program. In SFY22, ADEC will be using the 4% Set-Aside to pay for all expenses related to administration of the ACWF. See Table 3 for a summary of the total capitalization grants, administrative allowance used and the remaining banked authority.

**Table 3. Banked Authority for Administrative Uses**

<b>Total federal grants requested through SFY22</b>	<b>\$295,285,962</b>
<b>Allowable administrative funds through SFY22 (4% of total grants)</b>	<b>11,811,438</b>
<b>Total set-aside funds utilized through SFY21</b>	<b>9,788,514</b>
Total set-aside funds reserved through SFY21	2,022,924
Total set-aside funds reserved in SFY22	0
<b>Total set-aside reserved through SFY22</b>	<b>2,022,924</b>
Reserved set-aside planned for use in SFY22	219,760
<b>Estimated set-aside reserve balance end of SFY22</b>	<b>1,803,164</b>

### 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 Table 5. The revised regulations also increase the allowable financing term from 20 years to 30 years.

The finance rate includes the interest rate and an administrative fee.

**Table 5. Finance Rates (effective September 10, 2017)**

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

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



## Estimated Funds Available – SFY22

In SFY22, the amount available for loans is the difference between the funds available and total program commitments, plus two years of projected future loan repayments, for a total of approximately \$114.6 million. Table 4 summarizes funding sources, loan commitments, and expenditures since the inception of the ACWF.

**Table 4. Estimated Available Funding**

<b>Sources of CWSRF Funds</b>	
Federal Grants Received (cumulative through SFY20)	\$85,779,962
FFY 20 Federal Capitalization Grant	9,506,000
FFY 20 Bond Proceeds (State Match)	1,901,200
State Match, prior years	52,830,987
Investment Income	55,069,009
Repayments through SFY21 (principal + interest collected)	281,005,553
Projected Repayments SFY22	13,867,762
Projected Repayments SFY23	13,499,358
Projected Repayments SFY24	12,818,739
<i>Subtotal</i>	<i>\$726,278,571</i>
<b>Uses of CWSRF Funds</b>	
Existing Loan Commitments	\$537,446,992
Transfer from ACWF to ADWF (SFY08)	29,000,000
Administrative Set-Aside	10,168,754
Previous Bonding and Transaction Costs	33,115,615
SFY20 Bonding and Transaction Costs	1,904,745
<i>Subtotal</i>	<i>\$611,636,106</i>
<b>Total Available for CWSRF Loans</b>	<b>\$114,642,465</b>

## CRITERIA AND METHOD FOR FUND DISTRIBUTION

### Project Priority List

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

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

applicants in January 2021 providing information about the schedule and inviting submittal of project questionnaires to be considered for SFY22 funding assistance.

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

Based on the financial data provided in Table 3, approximately \$114.6 million is currently available for new loans. Because the total available funding exceeds the total need identified in the first quarter SFY22 questionnaire submittal, all projects on the first quarter PPL will be eligible to submit applications immediately.

### Amendments to the Project Priority List

ADEC will amend the funding list to include additional projects after each quarterly review and scoring of new project questionnaires. In the second, third and fourth quarters of SFY22, 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 Procedures

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 potential borrowers 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, the 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.

## Emergency Procedures

For purposes of the SRF Program, an emergency refers to a natural disaster or manmade disaster that damages or disrupts normal wastewater 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.

## 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 relist 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 a PPL update before the loan amendment is issued.

## **GREEN PROJECT RESERVE AND ADDITIONAL SUBSIDY**

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

### Green Project Reserve (GPR)

The FFY21 capitalization grant requires ADEC to use at least 10% of the grant for eligible projects as specified by the 2012 EPA Green Project Reserve Guidance. Alaska's required SY22 GPR amount is \$950,600. 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. GPR projects are listed on the PPL by green project type: green infrastructure; water or energy efficiency improvements; or other environmentally innovative activities.

At the time this IUP was drafted, three projects had been initially identified to satisfy the federal grant GPR requirement (see Table 6). These projects will be further reviewed during the loan application process to ensure that each project, in whole or in part, qualifies for the GPR.

Applicants will be required to provide to ADEC a Green Project Assessment form with applicable backup documentation

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

**Table 6. SFY22 GPR Projects**

Applicant - Project Name	Loan Request	Green Component
Anchorage Water and Wastewater Utility	\$11,500,000	\$2,450,000
SFY22 Pro Fi Projects		
Haines Borough	\$640,952	\$330,800
Wastewater Treatment Plant Phase 4 Electrical Upgrade		
Golden Heart Utilities	\$1,450,656	TBD
Wastewater Treatment Facility Water Main Installation		

### Additional Subsidy – Disadvantaged Community Assistance

Under the FFY21 federal capitalization grant, a minimum of 10% of the grant must be offered in the form of additional subsidy for any project or borrower. An additional 30% of the grant may be offered as subsidy for projects that meet specific criteria.

A utility is considered disadvantaged if it meets one or more of the following criteria:

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

Subsidy funding will be awarded to disadvantaged entities proposing traditional projects according to overall project ranking on the PPL, from highest to lowest, until all funding is utilized. ADEC will offer borrowers that meet the disadvantaged community criteria subsidy of 50% of the total project costs, up to a cumulative maximum of \$500,000 per utility.

The PPL prepared for the first quarter of SFY22 shows the proposed allocation of principal forgiveness to projects. Several of these projects will be used to fulfill the subsidy allocation requirement associated with the previous grant year (FFY20). Based on currently listed projects, the minimum subsidy requirement will be met and exceeded with 20.8% of the FFY21 capitalization grant allocated as subsidy for traditional wastewater projects.

Subsidy allocations for Micro Loan projects will range from 50% to 90% of the total project cost. Two Micro Loan projects are included on the PPL (Appendix 2). If additional Micro Loan projects are proposed during subsequent updates to the PPL during the rest of SFY22, principal forgiveness will be offered to each Micro Loan project. 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. The Best Practices criteria is used to assess operations and maintenance capacity of rural water and wastewater utility.

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 Rate Affordability Index (Figure 1) will be used as a factor in determining the amount of subsidy to be allocated to Micro Loan projects.

Projects that are initially identified to receive principal forgiveness must meet the following milestones in order to retain eligibility of 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.

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

**Figure 1. Micro Loan Subsidy Matrix**

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.

### Sustainable Infrastructure Planning Projects

In this IUP, ADEC is introducing a program to assist wastewater systems with loan financing for wastewater system planning and related activities that promote sustainable infrastructure. A maximum of \$75,000 in loan principal for Sustainable Infrastructure Planning Projects may be forgiven. Priority will be given to those systems that are considered disadvantaged communities.

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 wastewater system infrastructure assets.
- Consolidation Studies to evaluate potential for wastewater system consolidation.
- Wastewater Rate Analysis to evaluate wastewater system rate charges, structure and adequacy.
- Infiltration and Inflow Studies to detect inflows and identify potential solutions.
- Wastewater System Master Plan to evaluate the needs of the wastewater system in the long term and make recommendations for future improvements.

Any wastewater system receiving a loan that includes principal forgiveness for a Sustainable Infrastructure Planning Project must enter into a loan agreement within six months of receiving notification that the project has been added to the Project Priority List. The project must be completed within two years after signing the loan agreement. ADEC will allocate \$1,000,000 in subsidy funding for Sustainable Infrastructure Planning Projects during SFY22.

## **ASSURANCES AND SPECIFIC PROPOSALS**

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

### **Expeditious and Timely Expenditure**

ADEC will enter into binding commitments to provide assistance in an amount equal to 120% of the FFY21 federal capitalization grant within one year after receipt of the grant payment. The PPL includes an estimated date for the beginning of construction for each project to indicate a proposed project schedule.

Additionally, to assure expeditious and timely expenditure of funds, ADEC continues to require that applicants initiate the project within one year of execution of the loan agreement and submit the first disbursement request within two years of execution of the loan agreement. If either condition is not met, ADEC may take action to recall the loan; however, an extension may be granted upon an applicant's request, if there is reasonable justification.

### **Federal Equivalency Requirements**

Per EPA's Standard Operating Procedures for the CWSRF, specific requirements, often referred to as federal equivalency requirements, apply only to a subset of loans equal to the amount of the capitalization grant, rather than to all loans funded by the SRF Program. In SFY22, ADEC intends to take full advantage of the flexibility offered by equivalency to reduce the burden of the federal grant conditions, listed above, for most applicants. For SFY22, the Anchorage Water Wastewater Utility (AWWU) Pro Fi loan will be required to meet all federal grant conditions.



For the CWSRF, these specific equivalency requirements are:

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

### Architectural and Engineering Services Procurement

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

### Disadvantaged Business Enterprise (DBE)

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

### Federal Cross-cutters – Environmental Review

At a minimum, CWSRF projects funded to an amount equal to the federal capitalization grant must comply with the federal cross cutter laws including the environmental cross cutters.

### Signage to Enhance Public Awareness

To enhance public awareness of EPA assistance agreements in Alaska, ADEC posts detailed project notices on the following ADEC web site: <https://dec.alaska.gov/water/technical-assistance-and-financing/state-revolving-fund/project-posting-notice>.

### Single Audit

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

### Federal Funding Accountability Transparency Act (FFATA)

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

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

## **ADDITIONAL REQUIREMENTS**

### **American Iron and Steel**

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

### **Cost and Effectiveness Certification**

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

### **Davis-Bacon Act Wages**

ADEC will require borrowers to include specific EPA Davis-Bacon language in bid specifications and contracts for all treatment works projects and will confirm that these contracts include the correct wage determinations. In addition, ADEC will collect certifications of Davis-Bacon compliance via online project quarterly report statements.

### **Environmental Review**

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

### **Federal Reporting**

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

### **Generally Accepted Accounting Principles**

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



### Fiscal Sustainability Plans

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

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

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

### Sustainability Policy

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

## **PUBLIC REVIEW AND COMMENTS**

A notice of the draft IUP was provided to all potential borrowers who submitted a project questionnaire. The notice was also posted on the ADEC Public Notice website. The draft IUP was available on the ADEC SRF Program website throughout the 30 day public comment period from April 15 through May 15, 2021. Interested parties were invited to review the IUP and submit written comments within 30 days. No comments were received.