



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 6
1201 ELM STREET, SUITE 500
DALLAS, TEXAS 75270

July 20, 2020

Julie Cunningham
Executive Director
Oklahoma Water Resources Board
3800 N. Classen Boulevard
Oklahoma City, OK 73118

Dear Ms. Cunningham:

Enclosed is the Final State Fiscal Year (SFY) 2019 Clean Water State Revolving Fund (CWSRF) annual Program Evaluation Report (PER). The report is based on the SFY 2019 CWSRF Annual Report, programmatic and financial reviews conducted remotely December 12 – 13, 2009, an on-site review conducted on December 17, 2019, and the completion of the United States Environmental Protection Agency's (EPA) nationally standardized program evaluation checklists. We appreciate your assistance, as well as that of your staff, in this review process. The EPA's review finds that the Oklahoma Water Resources Board (OWRB) CWSRF Program was in compliance in SFY2019.

The EPA commends the OWRB for funding approximately 53% of its binding commitments (nine of seventeen) for long-term, low-interest loans to communities with populations under 10,000. This exceeded the goal to fund 25% of the binding commitments to these smaller communities. The awarded total was approximately \$8.4 million.

If you have any questions regarding the report, please feel free to contact me at (214) 665-7100, or have your staff contact Claudia Hosch, Branch Chief of the Assistance Programs Branch, at (214) 665-7110.

Sincerely,

Charles Maguire

Charles W. Maguire
Director
Water Division

Enclosure

ecc: Joe Freeman, OWRB
Lori Johnson, OWRB

U.S. Environmental Protection Agency
Region 6



FINAL
Oklahoma
Program Evaluation Report

State Fiscal Year 7/01/2018 - 6/30/2019
Prepared by EPA Region 6
Assistance Programs Branch
July 2020

Oklahoma CWSRF SFY 2019 Program Evaluation Report

I. Executive Summary

The State of Oklahoma through the Oklahoma Water Resources Board (OWRB) administers the Clean Water State Revolving Fund (CWSRF). The Federal Fiscal Year (FFY) 2018 Appropriations authorized a \$12,967,000 federal capitalization grant to be used for the State Fiscal Year (SFY) 2019 Intended Use Plan (IUP). The State Fiscal Year is from July 1, 2018 through June 30, 2019. Since 1990, the OWRB's CWSRF Program has approved over \$1.7 billion in wastewater and water quality infrastructure projects throughout the state, historically providing over 60% of Oklahoma's wastewater financing needs.

In SFY 2019, OWRB entered into binding commitments for seventeen projects that totaled \$90.1 million and exceeded the 120% binding commitment target. There were fifteen Clean Water Act (CWA) §212 sewer construction projects and two CWA §319 nonpoint source management projects.

The OWRB closed eight loans for disadvantaged projects with additional subsidy totaling 10% of the capitalization grant for a total of \$1,296,700. There were four loans on green project reserve projects totaling \$10,330,520 that met the 10% minimum Green Project Reserve (GPR) requirement of \$1,296,700, exceeding the GPR funding requirement.

The OWRB funded approximately fifty-three percent (53%) of its binding commitments (nine of seventeen) for long-term, low-interest loans to Oklahoma's communities with populations under 10,000. This exceeded the goal to fund 25% of the binding commitments to these smaller communities. The awarded total was approximately \$8.4 million.

Based on the Environmental Protection Agency's (EPA's) Uncommitted Fund Report extracted from the EPA National Information Management System (NIMS) data, the OWRB is ranked 6th in the country for its pace of funding projects. Utilization rate is 108% with zero (0) uncommitted funds. OWRB's project funding pace reflects a positive trend over the past three years.

The OWRB developed a strategic alliance with the Oklahoma Department of Environmental Quality (ODEQ) and the Oklahoma Rural Water Association (OWRA) to ensure the long-term fiscal sustainability of water utilities and provide more effective assistance to rural water systems developing long range plans and effective utility management. This strategic alliance was formally recognized by the Oklahoma Cabinet Secretary of Energy and Environment in April 2019 and the Governor in September 2019.

The OWRB is successfully marketing its CWSRF program and has collaborated with Northbridge Environmental Management Consultants to develop a "State Model Marketing Plan." This plan will strategically target specific funding topics throughout the year to educate borrowers, as well as OWRB staff, on SRF funding considerations. This plan was initiated in January 2020.

The OWRB has plans to leverage the program through a bond issuance of \$95M in September 2020. The EPA program review found that the OWRB is meeting the regulatory requirements in implementing the various CWSRF requirements.

II. Purpose and Scope

The purpose of this Program Evaluation Report (PER) is to present findings, conclusions, and recommendations based on SFY19 operation of the CWSRF Program, and to document the State's efforts to comply with the requirements of Title VI of the Clean Water Act (CWA).

CWA Title VI, Section 606(e), and 40 CFR 35.3165(c) requires the EPA to conduct an annual review of each State's SRF program in terms of the Annual Report and other such materials considered necessary and appropriate in carrying out the purposes of Title VI of the CWA.

The purposes of the annual review are to:

- evaluate the success of the State's performance in achieving goals and objectives identified in the IUP, and the State's Annual Report;
- evaluate the State's compliance with regulations, operating agreement, and grant agreement CS-40000218-0
- assess the financial status and performance of the fund;
- review the program in accordance with EPA's SRF Annual Review Guidance; review the status of resolution of prior year Program Evaluation Report (PER) findings; and
- examine and follow up on any open audit findings and recommendations.

The Oklahoma CWSRF programmatic and financial reviews were conducted remotely December 12 and 13 and on-site December 17, 2019 at the OWRB office in Oklahoma City, Oklahoma. The following OWRB and EPA staff participated in the review:

OWRB: Joe Freeman, Lori Johnson, Jerri Hargis, Kate Burum, Laura Oak and Lindy Clay.

EPA: Denise Hamilton and Adrian Chavarria on-site, Claudia Hosch and David Reazin remotely.

III. Grant Compliance and Other Review Requirements

Upon review, it was determined that the State of Oklahoma met all compliance requirements as stated in regulations 40 CFR Part 35; EPA/OWRB operating agreement; and any open grant agreements (CS-40000217-0 and CS-40000218-0). The CS-40000217 expended all funds and the CS-40000218 has a balance of \$579,550.33 as of 1/21/2020. OWRB has also satisfied all the required elements of the SFY19 annual review.

IV. Review Results

A. Programmatic/Technical Review

A review of the project files found that the OWRB is meeting the regulatory requirements in implementing the various CWSRF requirements.

1. Project File Review

Grant/Loan Reviewed	Date Loan Closed	Loan Amount	Loan Forgiveness
Muskogee Municipal Authority ORF-17-0019-CW	4/26/2017	\$27,360,000	0
Shawnee Municipal Authority ORF-19-0020-CW	5/28/2019	\$5,380,000	0

Table 1. Summary of loans reviewed

Muskogee Municipal Authority

The Muskogee Municipal Authority (MA) currently serves approximately 12,224 sewer customers with a population of approximately 38,776 residents. Muskogee's Wastewater Treatment Plant (WWTP) utilizes a trickling filter process and is designed to treat 13.74 million gallons per day (mgd). The effluent is discharged into a segment of the Arkansas River not currently listed as an impaired waterbody. The facility is under a Consent Order for discharging without a permit and failing to report violations. Muskogee is currently authorized to discharge their stormwater under the Municipal Separate Storm Sewer System (MS4) Phase II General Permit.

The CWSRF loan was used to conduct a stormwater basin study of the Civitan Drainage Basin, which has experienced flooding events in the past that have covered roads and inundated homes due to undersized stormwater infrastructure in need of rehabilitation. A hydraulics analysis of the basin and a physical inspection of the infrastructure are being conducted to evaluate alternatives, develop cost estimates, and prioritize improvements in the drainage basis to reduce the risk of future stormwater flooding.

The CWSRF loan will repair several wastewater lift stations, upgrade sewer collection lines, improve the Wastewater Treatment Plant, address the Civitan Basin's stormwater drainage issues, and acquire key equipment. The recommended improvements will help address the Consent Order, improve capabilities of the system to treat wastewater at the plant, and allow the City to better manage high volume storm events, decreasing the amount of runoff and erosion, thus decreasing the potential amount of bacteria, nutrients, and sediment being conveyed to the Arkansas River.

Shawnee Municipal Authority

The Shawnee MA located in Pottawatomie County currently serves 11,101 customers. The City's population was 29,857 according to the 2010 US Census.

The wastewater collection system consists of 852,738 linear feet of gravity sewer mains that range from 6-inches to 27-inches. Gravity sewer pipe materials consist of cast iron, clay, ductile iron, PVC and steel. The materials for the manhole walls are clay brick, concrete brick, cast-in-place concrete and precast concrete. The average manhole diameter is 4 feet. The system discharges at two locations along the North Canadian River which is an impaired water body. Collectively, the river is impaired at the two locations by the following: fishes bio assessments, total dissolved solids, lead, cadmium, chromium, copper, enterococcus, and turbidity.

The CWSRF funds were utilized to install advanced metering infrastructure with a fixed base system and other appurtenances to improve the accuracy of water usage measurements thereby reducing the unintended flows to the WWTP.

2. Program Management and Staffing

The OWRB has adequate staffing levels to effectively and efficiently manage its CWSRF program. This includes the hiring of an engineer and a financial analyst to fill previous staff vacancies.

3. SRF Program Coordination

In SFY 2019, OWRB improved the efficiency of implementing its CWSRF program with external partners through the Oklahoma Advantages Assessment & Scoring for Infrastructure Solutions (OASIS) program. The OASIS program allows borrowers to submit their applications on-line and encouraged applicants to consider the use sustainable practices in new construction projects. The OASIS program also improved staff efficiency by reducing the time to rank projects on the Project Priority List (PPL).

The CWSRF Program also coordinated with other Sections within OWRB to more efficiently assist water systems. One example is the effort that provides a free service to current and previous borrowers that includes:

- infrastructure mapping;
- planning group for water rights;
- water quality for mapping; and
- water quality standards for beneficial uses.

An example of an outcome is assistance to systems by mapping their distribution system from a paper format to a GIS System. This allowed accurate information to be utilized when repairing a line break, saving time and resources to the utility. The OWRB coordinated with external partners through the Funding Agency Coordinating Team (FACT) to better assist small systems obtain infrastructure funding. This group is comprised of federal and state

organizations that offer financing to eligible public entities for water and wastewater projects. These meetings facilitate the funding process through improved communication, a streamlined application processes, and more funding capacity. The FACT team has facilitated large projects which required multiple funding sources.

The OWRB and the ODEQ coordinated on drinking water priorities, the National Pollution Discharge Elimination System (NPDES), and enforcement actions to provide better protection of public health and to simplify communication between communities and the SRF programs.

The OWRB developed an alliance with the ODEQ and the ORWA to combine the OWRB’s mapping program, the ODEQ’s leak detection and meter analyses, and the ORWA’s long range planning assistance and effective utility management program. This alliance will help provide the tools to communities to achieve long-term fiscal sustainability. This strategic alliance was formalized by the Oklahoma Cabinet Secretary of Energy and Environment in April 2019 and the Governor in September 2019.

The OWRB is collaborating with Elation Systems, Inc., an information technologies development firm, that developed software that calculates the prevailing wage requirements under the Davis-Bacon Act. This effort was undertaken to address borrower’s comments to lessen the administrative tasks associated with utilizing the CWSRF program.

4. Small Systems and Disadvantaged Funding

The OWRB funded approximately fifty-three percent (53%) of its binding commitments (nine of seventeen) for long-term, low-interest loans to Oklahoma’s communities with populations under 10,000. This exceeded the OWRB’s goal in SFY 2019 goal to provide 25% of all binding commitments to these communities. The OWRB’s funding for small systems and disadvantaged communities totaled approximately \$8.4 million.

The OWRB is committed to providing below-market rate loans to help ensure project affordability and the protection of environmental health for small communities.

5. Additional Subsidy

Grant	Minimum (10%)*	Maximum (30% + 10%) **	Committed
2018	\$1,296,700 *	\$5,186,800 **	\$1,296,700
2017	\$1,071,200 *	\$4,284,800 **	\$1,071,200
2016	\$1,079,500 *	\$4,318,000 **	\$1,079,500
2015	\$ 0	\$3,403,200	\$1,000,000
2014	\$616,443	\$924,665	\$616,443
2013	\$ 508,067	\$762,100	\$508,067

Table 2. Summary of additional subsidy

* Required Additional Subsidization under the FFY 2018 Enacted Appropriation

** Total Additional Subsidization under the FFY 2018 Enacted Appropriation and the Water Resources Reform and Development Act (WRRDA).

The OWRB met the SFY 2019 10% minimum capitalization grant requirement as subsidy in the form of principal forgiveness. Eight communities received subsidy totaling \$1,296,700 which included Elk City, Inola Public Works Authority (PWA), Coalgate PWA, Weleetka PWA, Calumet PWA, Meeker PWA, Carney PWA, and Haileyville PWA.

6. Green Project Reserve (GPR)

The FFY 2018 Capitalization Grant Conditions required the recipient to make a timely and concerted good faith solicitation for projects that address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities. A good faith solicitation must be open to all GPR eligible projects in each of the four GPR categories.

The OWRB met and exceeded its requirement to fund at least equal to 10% of its capitalization grant, or \$1,296,700, to GPR by funding \$10,330,520 for projects utilizing water efficient devices and green infrastructure. Communities receiving GPR funding were Broken Arrow MA, Elk City PWA, Durant City Utilities Authority, and Shawnee MA.

The OWRB provided guidelines to consulting engineers on the identification of green components and their associated estimated cost to be included in their project engineering reports. The OWRB tracked GPR components during the planning, design, bidding, and construction phases of the project. The OWRB also identified, evaluated and included GPR components in its inspection reports, as well as the payment approval process.

Year	Minimum (10%)*	Committed
2018	\$1,296,700	\$10,330,520
2017	\$1,071,200	\$8,405,062
2016	\$1,079,500	\$1,590,742
2015	\$1,134,400	\$3,526,866
2014	\$1,132,800	\$1,400,335
2013	\$1,078,600	\$2,986,000

Table 3 – Summary Green Project Reserve (GPR)

* Required GPR under the FFY 2018 Enacted Appropriation.

7. Operating Agreement (OA)

The Operating Agreement (OA) between the State of Oklahoma and EPA incorporates required assurances, certifications and specific requirements related to the appropriate use of funds under the CWSRF. The OA was revised on January 1, 2015, to incorporate the requirements of the Water Resources Reform and Development Act (WRRDA).

8. Marketing the CWSRF Program

The Marketing Manager hired in 2018 resulted in the consolidation of marketing efforts, resources and responsibilities in both the CWSRF and DWSRF programs. The OWRB marketed the CWSRF program at 21 conferences. Loan analysts met with 68 communities and staff corresponded with the public through emails and phone calls to market the CWSRF Program.

There was a concerted effort to make the SRF program more known to small communities with a population less than 3,300. This helped fund approximately fifty-three percent (53%) of OWRB binding commitments (nine of seventeen) for long-term, low-interest loans to Oklahoma's communities with populations under 10,000 residents.

Marketing efforts also focused on medium and large communities. These efforts increased the number of applicants applying for funding on the Project Priority List and supported the OWRB's efforts to maintain its high pace of funding projects.

The OWRB expanded its definition of who were "stakeholders" as a result of a focus group in working with Northbridge Environmental Management Consultants (Northbridge). Marketing efforts were expanded to include consulting engineers, board councils, and legislative representatives. The OWRB staff attended board meetings to explain the CWSRF program and offered support to communities applying for CWSRF assistance. Marketing efforts also included attending conferences such as the ORWA conference, bond councils, the Oklahoma Municipal League, and other technical conferences.

The OWRB is working with EPA Headquarters and Northbridge to test a marketing program that was developed in 2018 but never implemented. The OWRB provided feedback to other state programs and EPA staff on the successes and challenges implementing this marketing program at the annual Council of Infrastructure Financing Authorities (CIFA). The OWRB is planning to host a webinar on their experience implementing this marketing approach to stakeholders and communities in the near future.

9. Sustainability

The Water Resources Reform and Development Act (WRRDA), passed in June 2014, requires recipients receiving CWSRF financial assistance for wastewater treatment infrastructure improvements to develop and implement a Fiscal Sustainability Plan (FSP). The OWRB's sustainability policy and goals were included in the Water/Wastewater Planning Guides (Guide) and FSP released in July 2015.

The Guides and FSP encourage systems to consider sustainability goals when designing facilities and to include the use of asset management and long-term system planning. The OWRB has given several presentations at various conferences regarding the use of the Guides and FSP.

The OWRB coordinated with the ORWA to promote and encourage sustainability through long-range planning to water and wastewater systems at conferences conducted throughout the state. The items addressed included, but were not limited to:

- mapping water/sewer infrastructure.
- coordinating with ODEQ on system water audits, rate studies, and leak detection;
- assistance with writing policies and/or procedures; and
- sanitary sewer evaluation surveys and smoke testing.

The CWSRF Program encouraged system sustainability by giving preferential points to projects that included green infrastructure in the ranking of systems on the PPL. Once the project was slated for funding, the OWRB engineers worked closely with design engineers to ensure that all possible energy, water use efficiency options and technology were considered in the design of the project.

10. Emergency Procedures

At the time of the review the OWRB was in the process of developing emergency provisions for the CWSRF. The rule has been proposed to the state legislature and would become effective in the SFY 2020. This measure would waive certain requirements to assist communities in an event of a disaster in a more effective and timely manner.

11. Nonpoint Source Management Projects

The OWRB funded a nonpoint source management projects. The Duncan PWA repaired the Clear Creek Lake Dam spillway to significant hazards standards. This project would prevent soil erosion and provide sediment and water control.

12. Highlights from the Reduction of Demand Capacity through Water Conservation, Efficiency and Reuse

The OWRB used approximately \$10,000,000 to reduce the demand capacity through water conservation, efficiency and reuse. Oklahoma experiences frequent droughts. The OWRB is continuing to seek measures to address future drought conditions.

B. Financial Review

1. Audit of the Fund

On September 18, 2019, the independent auditors, Arledge & Associates, P.C. Certified Public Accountants, issued their opinion that the financial statements present fairly, in all material respects, the financial position of the Program as of June 30, 2019 and 2018. The changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. The Single Audit for SFY 2019, dated September 18, 2019, received an Unmodified opinion. There were no findings of material weaknesses or significant deficiencies identified.

2. State Match

The CWSRF issued State Revolving Fund Revenue Bonds, Series 2015, on December 17, 2015 in the amount of \$100,620,000. These bonds were issued to provide low interest cost financing for local governmental entities for acquiring, constructing, or improving their wastewater treatment systems and to enable the CWSRF to meet the State matching requirements to obtain Federal grants. As a part of the Series 2015 Bond Issue, \$9.27 million of the bond proceeds were allocated to cover the 20% match for the FFY 2015, FFY 2016, FFY 2017 and FFY 2018 capitalization grants. During SFY 2019, \$2,593,400 was provided from the 2015 bond issue proceeds to meet the state match requirement for the FFY 2018

capitalization grant in the amount of \$12,967,000. The CWSRF chose to expend available state matching funds prior to expending federal funds as their method of cash draw on July 24, 1996, in accordance with EPA Memo SRF 11-03.

3. Unliquidated Obligations (ULOs)

Nationally, EPA is concerned with the amount of undrawn grant funds because of the potential for rescission of unexpended funds or reduced appropriations in future years. The OWRB continues to follow EPA's First-In-First-Out (FIFO) policy of drawing grant funds such that older grant funds are drawn first. In addition, EPA's guidance encourages States to have no more than two open capitalization grants at any one time. The OWRB continues to meet this goal as well.

As of March 2020, the OWRB had only a remaining balance of \$156,435.05 in the FFY18 capitalization grant (CS-40000218-0). The FFY 2019 capitalization grant (CS-40000219-0) which was just awarded on August 30, 2019 had a balance of \$1,345,106.03. For SFY 2019, the CWSRF met EPA's goal of two or less open capitalization grants and had no issues with ULOs. EPA applauds OWRB for being a leader in moving the programs funds in a timely and expeditiously.

4. Leveraging the CWSRF Program

The OWRB does not see a need to issue any additional CWSRF bonds until possibly the spring of 2021. As of March 2020, OWRB has transferred \$15,000,000 from the CWSRF to the DWSRF program to meet a higher demand in drinking water projects.

5. Financial Health of the Fund

The CWSRF net position increased from \$371,474,444 to \$396,676,044 between SFY 2018 and SFY 2019 with \$19,530,153 restricted for debt service. The Program experienced a net increase in the total dollar amount of outstanding loans in FY 2019. At June 30, 2019 the Program had 194 loans with a balance of \$502,498,088. At June 30, 2018 there were 190 outstanding loans with a principal balance of \$480,730,761.

The OWRB and their financial advisors, Hilltop Securities (formerly First Southwest) have developed the CWSRF capacity model to gauge the long-term health of the CWSRF. The model is continually monitored throughout each fiscal year to assure that the perpetuity of the CWSRF is sustainable. The financial health of the fund is also contributed to the continued achievement of AAA bond ratings, an extremely strong loss coverage score, management and oversight of the program, and a long history of borrower repayment. No defaults or deficiencies were reported or found during the on-site review.

6. Financial Indicators

The State reported the following cumulative financial indicators:

NIMS Line #	Financial Indicators Based on Cumulative	2017	2018	2019	National Average*
307	Return on Federal Investment	302%	314%	313%	308%
309	Executed Loans as a % of Funds Available	98%	105%	108%	98%
311	Disbursements as a % of Executed Loans	84%	79%	79%	89%
NEW	Ratio of Undisbursed Funds to Disbursements	4.87yrs	4.33yrs	3.83yrs	3.12yrs
NEW	Total Net		\$38.3M	\$16.2M	\$58.5M
NEW	Net Interest Margin		0.10%	0.38%	0.80%

Table 4. – Cumulative Financial Indicators

*2019 National Information Management System Report Leveraged States

Federal Return on Investment is described as “Cumulative Assistance Disbursed as a percentage of Cumulative Federal Outlays”. The program has disbursed 3.13 times more cumulative assistance in relation to federal outlays. This represents that the demand is high, and assistance is being provided in greater amounts than the federal funds received. Oklahoma closely monitors the demand for project funds and leverages the fund when needed. The program was last leveraged in SFY 2016. For SFY 2019 the program has achieved a federal return on investment above the national average.

Executed Loans as Percentage of Funds Available is known as the “pace” of the program and represents the percentage of funds available in the CWSRF program that have been committed in executed loans. Based on EPA’s Uncommitted Funds Report of October 28, 2019, the OWRB is ranked 6th in the country for its pace in utilizing SRF funding, with a pace of 108% and having zero (\$0) uncommitted funds. The OWRB has made considerable improvement from the national average of 98% in SFY 2017, to 105% in SFY 2018, and 108% in SFY 2019. The OWRB is well above the national average of 98% and is continuing on a positive trend to maximizing the pace of funding projects.

Disbursements as a Percentage of Executed Loans has stayed the same from SFY 2018 to SFY 2019 at 79% which continues to be below the national average of 89%. Disbursement requests from loan recipients are being received and disbursed in a timely manner, but some large communities submit disbursement requests in batches which causes this number to fluctuate for the CWSRF.

Implementation of additional SRF Financial Indicators

On April 26, 2018 a joint memorandum was issued by EPA Headquarters' management in the State Revolving Fund Branch (i.e. CWSRF) and the Infrastructure Branch (i.e. DWSRF) providing SRF program managers with additional financial indicators to address a high priority recommendation from the Government Accounting Offices' (GAO) August 2015 report, "*State Revolving Funds: improved Financial Indicators Could Strengthen EPA Oversight.*" The new indicators will support oversight and management of the CWSRF fund growth. The three new indicators are: 1) Ratio of Undisbursed Project Funds to Disbursements; 2) Total Net; and 3) Net Interest Margin. The results for SFY 2019 for the CWSRF are reported above and were incorporated with the CWSRF trends analysis provided by EPA Headquarters for SFY 2019. EPA discussed the three new financial indicators, along with the historical indicators and trends, with the OWRB. Below is a description of each of the new indicators along with a summary of the CWSRF results:

- A. Ratio of Undisbursed Project Funds to Disbursements** evaluates how efficiently SRF funds are revolving (and thus, balancing inflows and outflows) by examining the program's disbursement rate over a set time-period and comparing it to the amount of available funds. The results of this measure reflect the number of years it would take to spend the available funds assuming that future disbursements are consistent with average annual disbursements over the past 3 years. The CWSRF results for this indicator have gradually decreased in the past three years from 4.87 years in SFY 2017, to 4.33 years in SFY 2018, and to 3.83 years in SFY 2019. Although this is slightly above the national average of 3.12 years EPA appreciates the effort to continuously decrease this indicator. The OWRB closely monitors the funds available versus the amount obligated to ensure funds are available when the borrowers submit disbursement requests. The CWSRF program is leveraged when needed. EPA has confirmed that the OWRB monitors funds throughout the year, looking at expected monthly disbursements to borrowers, cash balances, bond proceeds, interest earnings, available capitalization grant funds, expected loan closings, and the PPL.
- B. Total Net** measures the amount of internal growth that is generating additional funding for new projects. This amount is the difference between the total cash inflows generated by ongoing loan and investment activity and the debt service payments from outstanding match and leveraged bonds. New federal capitalization grants and leveraged bond issues are also excluded from this calculation. This measure reflects the amount of new annual project funding that is generated solely from net repayments. For SFY 2019 the CWSRF's Total Net was \$16.2M. The OWRB is generating additional funding for new projects through internal growth of funds through loan repayments and earnings. This contributed significantly to additional funding for projects in the last year.
- C. Net Interest Margin** measures the percentage rate of return the CWSRF is generating from its Total Assets through loans and investment after accounting for the interest expenses associated with match and leveraged bonds. The OWRB has maintained a

positive Net Interest Margin over the last 20 years. In SFY 2019 the Net Interest Margin increase from SFY 2018 which indicates the fund continues to generate positive earnings.

7. Transaction Testing

In EPA’s Annual Review guidance document, and the Standard Operating Procedures for State Revolving Fund programs, the regions are instructed to review four (4) cash draws that occurred in the State’s fiscal year being reviewed. The four SFY 2019 cash draws reviewed by EPA Region 6 are identified in Table 5. All invoices reviewed in the selection were appropriately made for eligible CWSRF expenditures and were appropriately recorded in the OWRB’s accounting records. The transactions reviewed below had no detected improper payments.

Grant #	Date	Federal Draw	Type of Draw
CS40000217	12/26/2018	\$ 2,054,790.91	Loan
CS40000217	05/03/2019	\$ 101,438.77	Loan
CS40000218	03/11/2019	\$ 725,891.94	Loan
CS40000218	06/11/2019	\$ 376,665.74	Loan

Table 5 – Transaction Testing

The OWRB did not report any other incorrect payments, defaults or restructuring of any loans for the CWSRF program during SFY 2019.

EPA Headquarters provided a list of negative draws for the regions to review for SFY19 as to why the funds were returned to the capitalization grants. There weren’t any negative draws in SFY 2019 for the CWSRF.

V. EPA SFY 2019 Recommendations Action Items

Programmatic Recommendation: NONE

Financial Recommendations:

1. Financial Indicators

The financial indicator should be used as a tool to measure how the program is performing financially. Each indicator has a purpose, but indicators should be assessed as a whole to determine the program overall performance. The OWRB continues work to improve financial metrics that are slightly below the national average, while overall, the program looks to be performing financially as a top CWSRF program nationally.

EPA Recommends: Continue to look for ways to improve the following indicators:

- a). Disbursements as a % of Executed Loans, b). Ratio of Undisbursed Funds to Disbursements, c.) Total Net, d). Net Interest Margin.

VI. Prior Year Action Items SFY 2018

Programmatic Recommendation: NONE

Financial Recommendations:

2. Project File Reviews

The OWRB includes the signage language as part of the contracts but does not include it in the loan agreements.

EPA Recommendation: EPA recommends that language for the EPA signage requirement be included in the loan documents. The OWRB agreed that the language would be included in future loan agreements with new borrowers. EPA thanks the OWRB for implementing this change.

EPA Status: Resolved

3. Financial Indicators

EPA Recommendation: EPA recommends focus by the state on improving the following indicators: a) Disbursements as a % of Executed Loans (NIMS 311) and b) Ratio of Undisbursed Funds to Disbursement.

EPA Status: The OWRB is continuing to work on improving these indicators.