

Building For Tomorrow

CWSRF

Annual Report 2012

Clean Water State Revolving Fund



State of Oklahoma
OWRB
WATER RESOURCES BOARD
the water agency



CWSRF Projects 2012

- Traditional
- Green Project Reserve

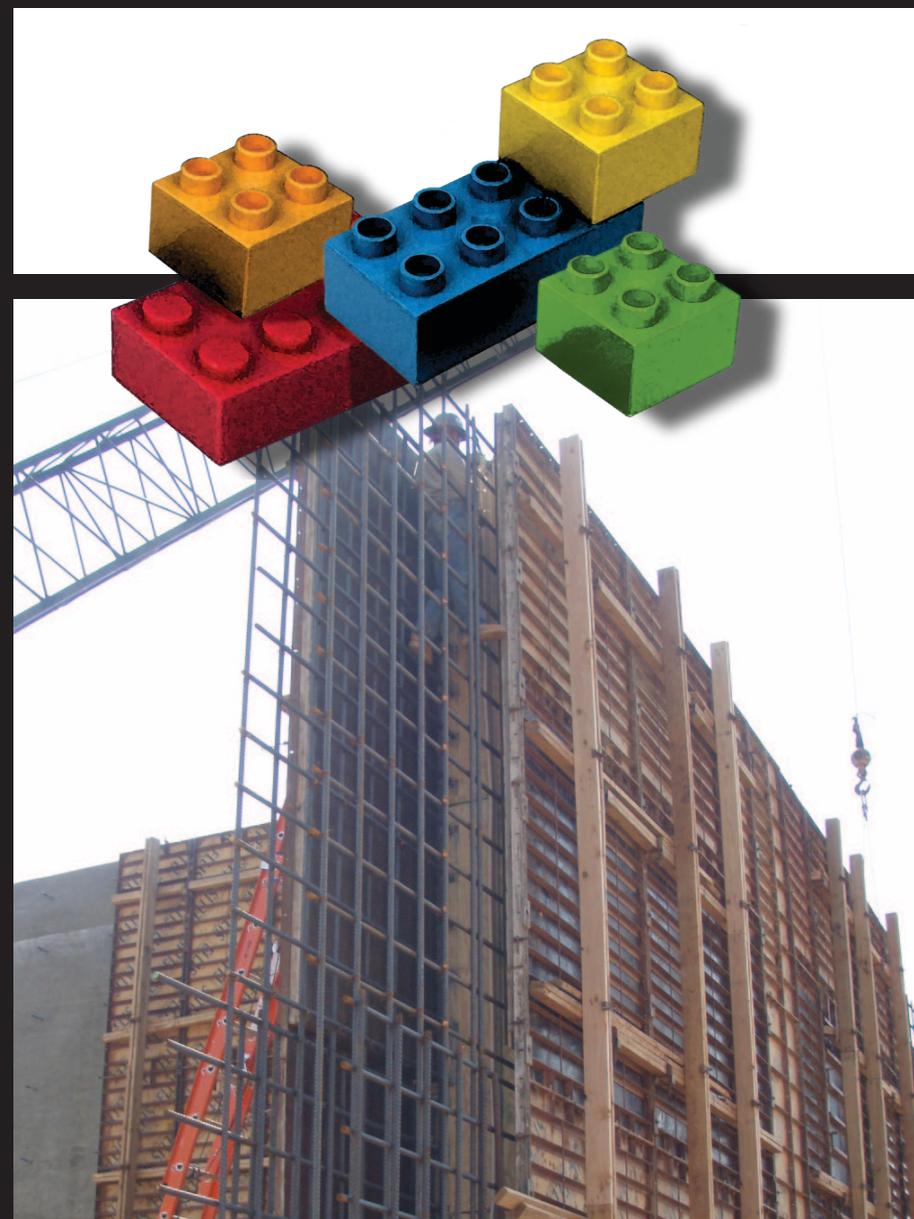
Since 1979, the Oklahoma Water Resources Board (OWRB) has administered the largest and most popular financial assistance programs for funding construction of water and wastewater infrastructure in Oklahoma. To date, the agency has issued more than \$2.68 billion in loans and grants for system improvements, construction, green projects and refinancings saving Oklahoma communities over \$936 million!

Projects By Planning Region

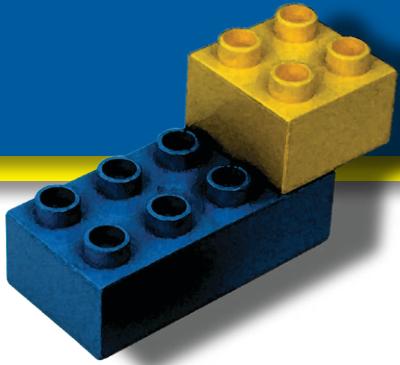
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Meeting Oklahoma's Infrastructure Needs



From the Executive Director

As Oklahoma's water agency for more than 50 years, the Oklahoma Water Resources Board (OWRB) has been instrumental in leading the state toward sensible water quality protections, comprehensive infrastructure financing, and improved management of water usage.

The scientifically defensible and extensively vetted Oklahoma Comprehensive Water Plan (OCWP) was presented to the governor and Legislature on February 13, 2012. The Governor and Legislature responded with the most meaningful collection of water policy legislation and funding in Oklahoma history. Due to the courageous approach of State leaders in addressing Oklahoma's many critical water problems, we now have both the directive and the tools necessary to meet head-on Oklahoma's water challenges.

Oklahoma legislators rose to the challenge of meeting Oklahoma's projected \$82 billion water and wastewater infrastructure financing needs through House Joint Resolution 1085. The resolution authorizes State Question 764 on the November general election ballot, which seeks voter approval of a new Credit Enhancement Reserve Fund. The crucial new Fund would enable the OWRB to increase its leveraging capacity to meet the water infrastructure needs of Oklahoma's next generation.

From a broader viewpoint, the OWRB continues to expand the nature and scope of its water management projects while embracing new and innovative technologies. At the same time, the agency along with our state, federal, and local partners work closely to identify common objectives, thus providing Oklahoma citizens with maximum results at a minimum cost.

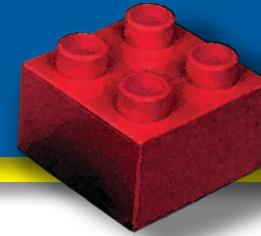
With enthusiasm and confidence, we continue to create a secure water future for Oklahoma.

Sincerely,

J.D. Strong, Executive Director



From the Division Chief



The Financial Assistance Division of the Oklahoma Water Resources Board is dedicated to assisting communities and rural water districts in maintaining adequate water and wastewater facilities. Since 1983, we have provided approximately 65% of all the financing for Oklahoma's water and wastewater infrastructure needs. To date, we have funded over \$2.68 billion in projects with our loan and grant programs which in turn lead to savings of over \$936 million for Oklahoma communities and rural water districts.

Our staff was extremely busy during FY 2012, especially working on the Clean Water State Revolving Fund (CWSRF) Loan Program. Staff accomplishments are documented in the attached report. Highlights include:

- Received Board approval for 11 applications
- Conducted inspections on 47 open projects
- Prepared 13 environmental decisions
- Completed financial review for 7 applications
- Provided financial oversight for 186 open CWSRF loans
- Continued implementation of our document imaging system

Striving for both sound financing and unparalleled environmental protection, the Financial Assistance Division is proud of our natural AAA ratings on all of our SRF bond issues and our use of innovative methods to meet Oklahoma's infrastructure needs. As we move into FY 2013, we expect that the demand for the program will continue to increase. Work completed through the Oklahoma Comprehensive Water Planning process documented a tremendous need (over \$44 billion based on current dollars) for wastewater infrastructure investments in Oklahoma through 2060. The CWSRF program will not be able to meet the demand alone; we will work with our partners to develop innovative methods to meet Oklahoma's infrastructure needs.

We look forward to continuing our role in helping Oklahoma build its future.

Sincerely,

A handwritten signature in black ink that reads "Joe Freeman".

Joe Freeman, Chief
Financial Assistance Division

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Building For Tomorrow

Addressing Oklahoma's Burgeoning Water and Wastewater Infrastructure Need

On October 17, 2011, the Oklahoma Water Resources Board (OWRB) finalized and approved the 2012 Oklahoma Comprehensive Water Plan (OCWP), the most ambitious water planning effort ever undertaken by the state. The OCWP contains a wealth of technical data, information and policy recommendations manifested in an Executive Report and 13 companion Watershed Planning Region Reports.

The OCWP estimates that over the next 50 years the need for both drinking water and wastewater infrastructure (including nonpoint source pollution control projects) in Oklahoma will be significant, projected to be \$37.9 billion for drinking water and \$44.1 billion for wastewater projects based on 2007 and 2010 dollars, respectively. With most drinking water and wastewater infrastructure projects designed to last about 30 years, it is entirely possible that all such

infrastructure across the state will have to be replaced completely at least once within the OCWP's 50-year planning horizon. Notwithstanding, there will also be the need for upgrades and improvements to meet increasingly stringent Federal standards and the demands of a growing population. Existing financing programs including the CWSRF will only be able to meet between 4% and 9% of this demand based on current funding levels.

To address this considerable shortfall, the OWRB coordinated with a team of infrastructure financing professionals to investigate development of a more robust state funding program to meet the state's need between now and 2060. The financing professionals recommended that a new "credit enhancement reserve fund" be created, modeled after the existing Credit Enhancement Reserve Fund administered by the Oklahoma Development Finance Authority. By utilizing this mechanism, the OWRB will have the ability to leverage funding to address much of the increased financing demand while incurring little or no additional cost to the State. This idea was presented to the Oklahoma Legislature during the 2012 Legislative Session.

Legislators rose to the challenge of meeting Oklahoma's projected \$82 billion water and wastewater infrastructure financing needs through House Joint Resolution 1085. The resolution authorizes State Question 764 on the November general election ballot, which seeks voter approval of a new Credit Enhancement Reserve Fund. The crucial new fund would enable the OWRB to increase its leveraging capacity.



YOUR FINANCIAL ASSISTANCE DIVISION FOR FY 2012



Back Row: Simeon Stoitzev; Charles de Coune; Jennifer Wasinger (Asst. Div. Chief); Kathy Koon; Anita Ray; Shelly Whitmire; Laura Oak; Tamara Griffin; Tony Mensah; and Robert Lindenberger;

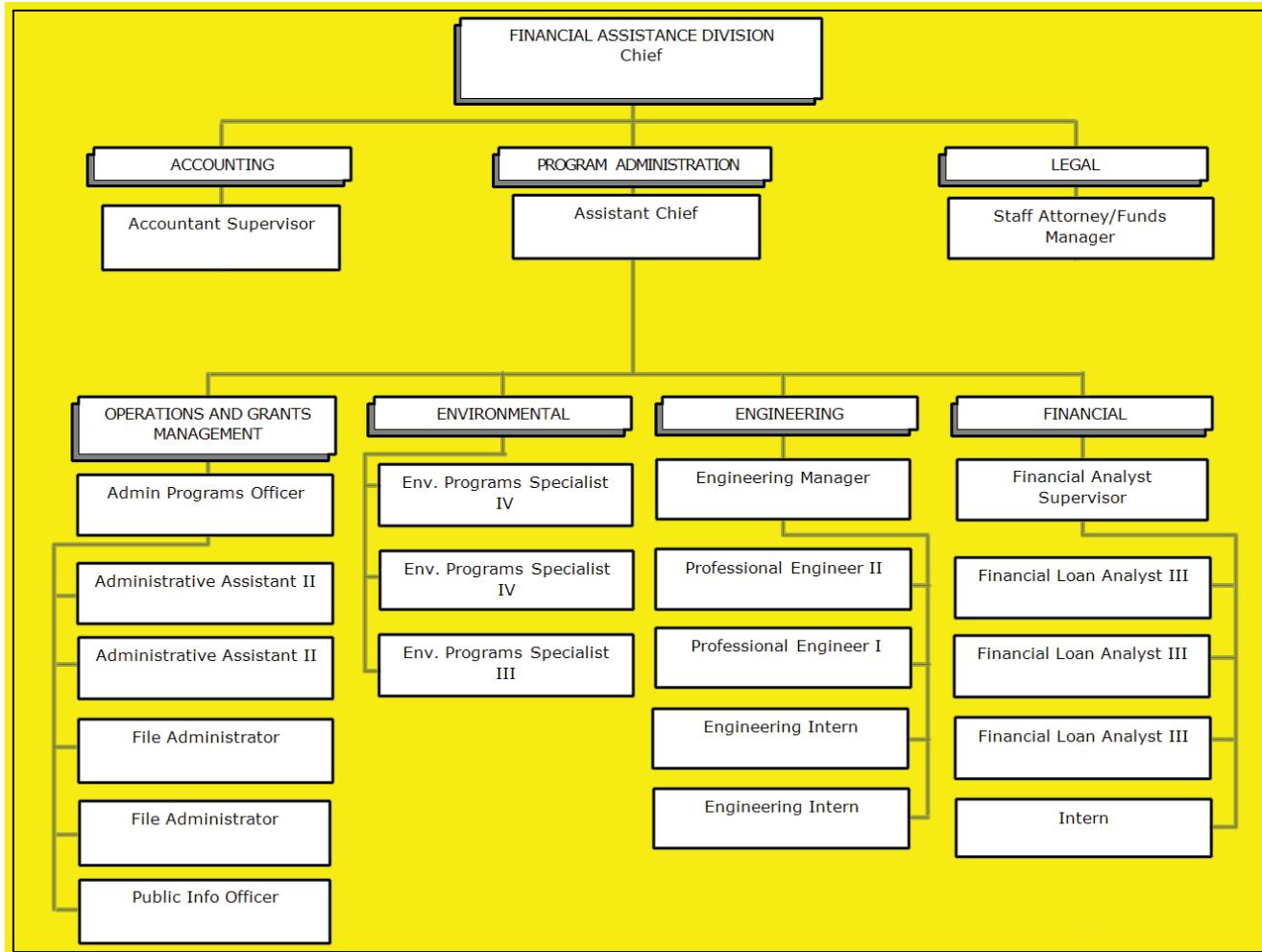
Front Row: Joe Freeman (Div. Chief); Daniel Hughes; Claressa Bailey; Kate Burum; Michelle Reeves; Sonia Mock; Barry Fogerty; Byju Sudhakaran;

Inset Photo: Joe Freeman and Jennifer Wasinger (Div. Chief and Asst. Div. Chief)

Not Pictured: Lori Johnson; Johnny Barron; and Vivek Rajaraman;



Division Organization





Staff Listing



Executive Staff

Joe Freeman – Chief
Jennifer Wasinger – Assistant Chief
Kate Burum – Staff Attorney



Accounting

Laura Oak – Staff Accountant

Operations and Grants Management

Shelly Whitmire – Supervisor
Anita Ray – Administrative Assistant
Robert Lindenberger – Administrative Assistant
Michelle Reeves – Files Administrator
Claressa Bailey – Files Administrator
Barry Fogerty – Public Information Officer



Financial Analyst

Charles de Coune – Financial Analyst Supervisor
Sonia Mock- Financial Analyst
Simeon Stoitzev- Financial Analyst
Daniel Hughes- Financial Analyst



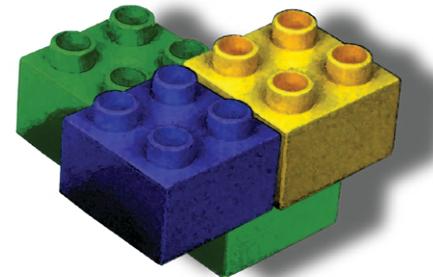
Engineering

Tony Mensah – Engineering Manager
Byju Sudhakaran – Professional Engineer
Johnny Barron - Professional Engineer
Vivek Rajaraman - Engineer Intern



Environmental

Kathy Koon – Environmental Programs Specialist
Tamara Griffin – Environmental Programs Specialist
Lori Johnson – Environmental Programs Specialist



Annual Report



Introduction

The federal Clean Water Act (CWA) requires a report of the annual Fund activities. The OWRB hereby submits the Clean Water State Revolving Fund (CWSRF) Annual Report for Fiscal Year 2012 (July 1, 2011 through June 30, 2012).

This report describes sources and uses of funds, environmental performance of construction activities, OWRB's financial position, as well as how the OWRB met the FY 2012 Intended Use Plan Goals and Objectives.

The OWRB has agreed to submit this report to the Environmental Protection Agency (EPA) within 90 days following the end of the fiscal year. In addition, Oklahoma Statutes require an annual report be submitted to the Governor and Legislature within 120 days of the end of the state fiscal year. This report is intended to fulfill both requirements.

Executive Summary

Since 1990, the OWRB's CWSRF program has approved over \$1 billion in wastewater infrastructure projects throughout the State, providing over 65% of Oklahoma's wastewater financing needs. Although enormous progress has been made, much work is still required. Based on the OCWP, anticipated wastewater infrastructure needs through 2060 are more than \$44 billion in current dollars.

The CWSRF plays a crucial role in financing this ever-growing need by providing financing at 40% below-market interest rate with standalone AAA bond ratings. This provides access to significantly lower interest rates than Oklahoma communities are able to obtain through local debt issuance and has saved Oklahomans over \$318 million.

Fiscal Year 2012 saw another outstanding year for wastewater infrastructure rehabilitation and new construction. Oklahoma's CWSRF committed approximately \$55.2 million in loans for projects listed on the FY 2012 Priority Funding List. Seven (7) of the FY 2012 binding commitments included green components and therefore were allocated over \$1.95 million in additional subsidization from the FY 2011 Appropriations Act.

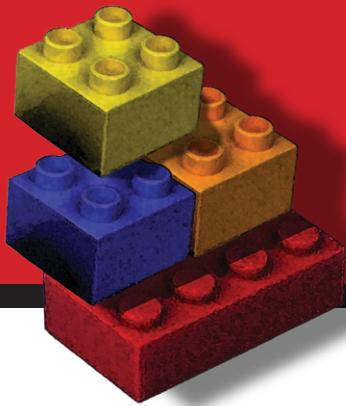


FY 2012 Appropriations Act Requirements

The Department of Defense and Full-Year Continuing Appropriations Act was signed into law on April 15, 2011. Guidance was provided to the States by EPA on May 20, 2011.

Davis Bacon

The Davis Bacon requirements of the FY 2010 Appropriations Bill were carried forward into the FY 2011 Continuing Appropriations Act. The provision stated that: "For fiscal year 2010 the requirements of section 513 of the Federal Water Pollution Control Act (22 U.S.C. 1372) shall apply to the construction of treatment works carried out in whole or in part with assistance made available by a State water pollution control revolving fund as authorized by title VI of that Act (22 U.S.C. 1381 et seq.), or with assistance made available under section 205(m) of that Act (33 U.S.C. 1285(m)), or both." Compliance procedures were provided in a November 30, 2009 memo and further defined via Attachment 5 of EPA's May 20, 2011 "Procedures for Implementing Certain



Provisions of EPA's Fiscal Year 2012 Full-Year Continuing Appropriations Affecting the Clean Water and Drinking Water State Revolving Fund Programs (Procedures)." The requirements were included in all project bids as ORF-185 (pink sheets) and posted on OWRB's website.

For every project OWRB staff verified that appropriate wage rates were being utilized. Additionally, OWRB received certifications from Borrowers or their designees that payroll reports were reviewed on a weekly basis. OWRB staff also conducted interviews with workers on site to ensure compliance with all Davis Bacon requirements.

Green Project Reserve (GPR)

The FY 2011 Continuing Appropriations Act retained the requirement for the Green Project Reserve from the FY 2010 Appropriations Act. The provision stated: "Provided, that for fiscal year 2010, to the extent there are sufficient eligible project applications, not less than 20 percent of the funds made available under this title to each State for Clean Water State Revolving Fund Capitalization grants...shall be used by the State for projects to address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities." This requirement continued the framework set forth

under the American Recovery and Reinvestment Act (ARRA). Oklahoma was required to allocate a minimum of approximately \$2.38 million to projects which met the GPR requirements.

OWRB utilized the Procedures as issued on May 20, 2011 for determining the eligibility of projects under the GPR. Attachment 2 of the Procedures, which was made available to borrowers on OWRB's website, detailed the guidance that states should use to determine project eligibility.

All projects listed on the FY 2012 Project Priority List were evaluated to determine if the project could be eligible under the GPR. As of June 30, 2012, seven (7) projects were identified containing green components of more than \$2.92 million. One project was identified in meeting the final GPR requirements of the FY 2010 Appropriations (Muldrow PWA) and six projects met the GPR requirements of the FY 2011 Appropriations (Glenpool USA, Owasso PWA, Elgin PWA, Eufaula PWA, Chandler MA, and Tulsa MUA.). Final business cases and/or justification was made available for public viewing at www.owrb.ok.gov/CWSRF within the quarter in which the loan was made.

Additional Subsidization

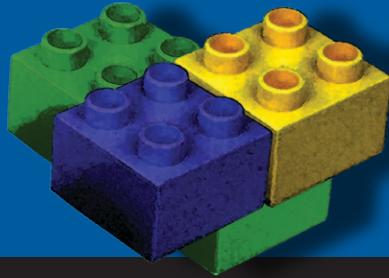
The additional subsidization requirements from the FY 2010 Appropriations Bill were carried forward into the FY 2011 Continuing Appropriations Act. The provision stated that "...not less than 30 percent of the funds made available under this title to each State for Clean Water State Revolving Fund

capitalization grants.... shall be used by the State to provide additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these), except that for the Clean Water State Revolving Fund capitalization grant appropriation this section shall only apply to the portion that exceed \$1,000,000,000."

Approximately \$1.1 million of the FY 2011 appropriations was earmarked for additional subsidization under the CWSRF. Oklahoma chose to provide the subsidization in the form of principal forgiveness. The forgiveness was targeted first to projects eligible under the Green Project Reserve and second to disadvantaged communities as defined through the 30 year financing negotiation. As funding was available, 15% of a green project's costs or the cost of the green elements of the project was available in principal forgiveness. The forgiveness was capped at \$500,000.

As of June 30, 2012, six (6) projects were identified to receive principal forgiveness. One project received principal forgiveness from the FY 2010 Appropriations Bill (Muldrow PWA) and five received principal forgiveness from the FY 2011 Appropriations Bill (Glenpool USA, Owasso PWA, Elgin PWA, Eufaula PWA, and Chandler MA.) Of the projects which received additional subsidization, Owasso PWA and Glenpool USA were not considered disadvantaged communities. Management determined that because they met the GPR requirements, they were eligible to receive the additional subsidization.

Annual Report



Sustainability Requirements

EPA's Sustainability Policy was integrated into the FY 2010 Appropriations Law and then finalized on February 12, 2011. The primary direction of the policy is "...encouraging communities to develop sustainable systems that employ effective utility management practices to build and maintain the level of technical, financial, and managerial capacity

necessary to ensure long-term sustainability." This statement summarizes measures currently utilized in Oklahoma to encourage system sustainability and green infrastructure as well as provide technical assistance to small and disadvantaged communities. Measures such as these are what make the CWSRF program so successful.

OWRB's Review of System Capacity

OWRB has current procedures in place to determine an entity's financial and managerial capability.

Loan Application Phase - OWRB financial staff performs a financial analysis of each entity's loan application to ensure adequate financial and accounting data, legal documents, contracts, proposals, and other applicable records and

Table 1

Green Project Reserve and Subsidization for FY 2012

Detailed information regarding each project is available at www.owrb.ok.gov

	Borrower	Disadvantaged Community Y/N	Appropriation Year	Binding Commitment Amount	Green Amount	Principal Forgiveness	Green Project Description	Green Category
1	Chandler MA	Y	2011	\$1,300,000	\$210,000	\$210,000.00	High-Efficiency Pumps & Motors	EE
2	Elgin PWA	Y	2011	\$3,150,000	\$300,700	\$300,700.00	High-Efficiency Pumps & Motors	EE
3	Eufaula PWA	Y	2011	\$4,035,000	\$439,350	\$164,477.40	Diffused Aeration & High-Efficiency Pumps	EE
4	Glenpool USA	N	2011	\$3,740,625	\$322,892	\$322,892.00	High Efficiency Pumps & Fine Bubble Diffuser & Blower	EE/WE
5	Owasso PWA	N	2011	\$3,540,000	\$107,435	\$107,434.60	Variable Frequency Drives	EE
6	Tulsa MUA	Y	2011	\$23,480,000	\$1,080,000	-	Non-potable Grey Water	WE
7	Muldrow PWA	Y	2010	\$3,705,000	\$498,115	\$498,115.00	High-Efficiency Pumps ,Motors, & Aerators	EE

TOTALS

Green Component Amount \$2,958,142

Principal Forgiveness \$1,603,619



documents have been submitted to facilitate the required financial credit analysis.

A borrower must meet the minimum debt coverage ratio of 1.25. If an entity does not meet the debt coverage requirement, we notify them and require that they raise utility rates, pledge additional revenues, and/or decrease expenses to meet the requirement of 1.25. In order to ensure the perpetuity of the SRF funds, a loan will not be approved until the entity meets OWRB's debt coverage requirement.

If an entity is unable to meet OWRB's SRF requirements through the traditional avenues such as raising rates, staff works with them to determine the foundation of the problem and the most appropriate way to assist them in meeting their infrastructure needs. The entity may also be invited to attend a Funding Agency Coordinating Team meeting with the entire potential governmental infrastructure funding groups in Oklahoma.

Projects approved for funding receive technical review which considers the advantages, disadvantages and cost effectiveness of each designed alternative. Additionally, the project design is reviewed to ensure that it accounts for future population growth, so that the funded infrastructure will continue to provide capacity throughout the loan payoff period. Review questions include: Is the selected alternative appropriate to address the problem? Can the cost of the proposed project be reduced through value engineering? Are the plans and specifications clear and concise?

Loan Monitoring Phase - After construction is complete, OWRB collects and reviews a variety of monthly and annual documents from the entity to ensure that they are meeting debt coverage and are in compliance with all loan covenants. Annually, property, liability, workers compensation, and fidelity bond insurance verification are received to ensure an entity is being properly managed and insured. The entity's water and/or sewer operator's license is also submitted annually to OWRB to ensure that the system is being operated and maintained by a licensed operator. OWRB stays in contact with the borrowers and offers assistance when needed. If an entity does not meet all loan covenants, OWRB sends a letter notifying them of the deficiency and gives them 30 days to make the necessary changes to meet the requirement.

As part of the OCWP, OWRB is also finalizing the Wastewater Planning Guide. This easy to use document will assist Entities in developing detailed strategies to meet their long-term wastewater needs. The Planning Guide should be available by November 2012, at which time OWRB staff will be holding meetings to promote the Guide.

Affordability

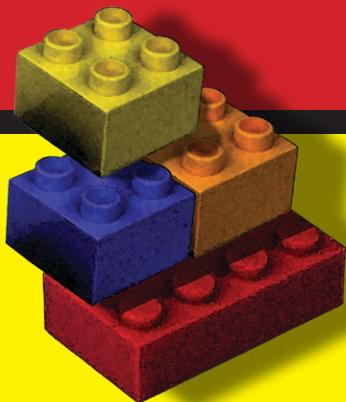
Nine (9) of the eleven (11) projects funded (or 81%) in FY 2012 were located in communities considered disadvantaged. For the CWSRF program, disadvantaged communities are defined as areas where the income of the community is less than 85% of the U.S. median household income. Two of the seven projects identified to receive additional subsidy in the form of principal forgiveness for green components were not considered disadvantaged. The projects were selected for funding because they were considered "green" according to EPA's GPR guidelines.

Reporting Requirements

The OWRB complied with reporting requirements regarding the utilization of funds under the FY 2012 Intended Use Plan. The major reporting vehicle was the CWSRF Benefits Reporting Database. Reporting included basic information regarding how the additional subsidization was utilized, use of GPR funds, general data elements and environmental benefits. Additionally, reporting under the Federal Funding Accountability and Transparency Act was completed as required.

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Loan Funding



Project Activity

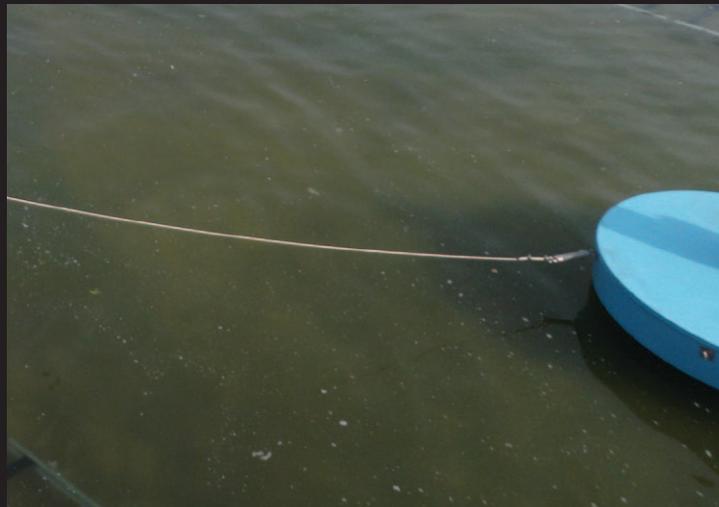
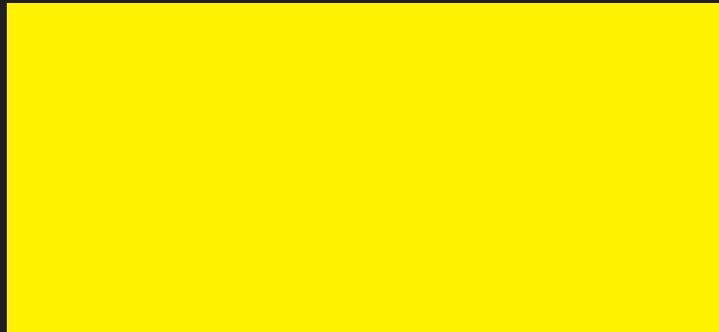
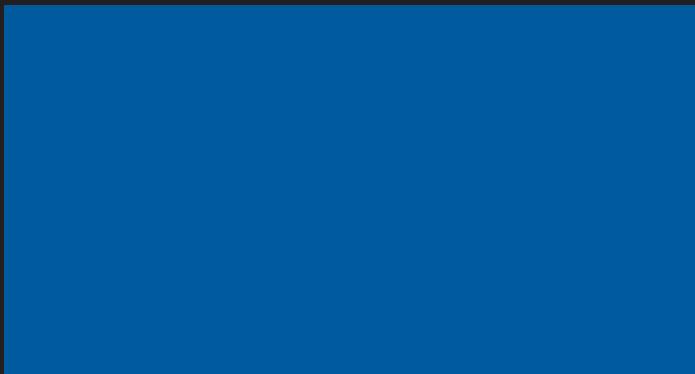
The capital financing through the CWSRF Program enables Oklahoma's wastewater systems to affordably meet treatment standards for wastewater discharged into the State's rivers and lakes in accordance with the National Pollutant Discharge Elimination System (NPDES), administered by the Oklahoma Department of Environmental Quality (ODEQ).

The FY 2012 projects will allow borrowers to cost effectively rehabilitate aging treatment plants and collection lines, expand capacity to meet anticipated population and economic growth opportunities throughout the design life, attain compliance with State effluent discharge requirements to protect Oklahoma's water resources, and in some locations improve the quality of priority rivers and lakes identified as threatened or impaired.

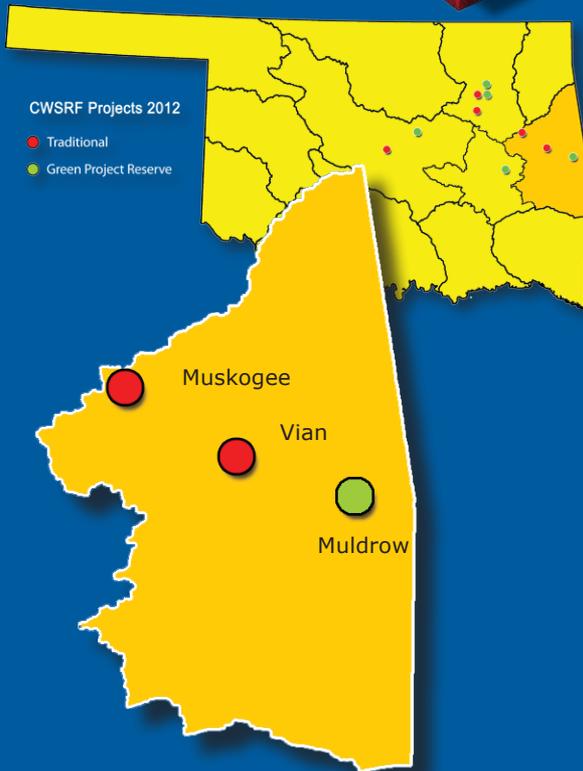
Eleven (11) Oklahoma entities received binding commitments totaling approximately \$55.2 million during FY 2012 for eligible projects including construction of new treatment and collection

systems, rehabilitation of existing facilities, and green infrastructure. With a fixed, 40% below-market interest rate and a payback period of up to 30 years, these communities are expected to save more than \$18.5 million in capital expenditures for their essential wastewater infrastructure over the life of the loans. Four (4) large communities (Tulsa Metropolitan Utility Authority received two loans) and six (6) small communities were funded with CWSRF loans.

In order to make the project information presented within this document consistent with the OCWP, binding commitments approved within FY 2012 are presented within this report by the OCWP Watershed Planning Region in which they are located.



LOWER ARKANSAS REGION



MUSKOGEE MUNICIPAL AUTHORITY

ORF-11-0008-CW
Binding Commitment: \$ 12,775,000
Funded Amount: \$12,775,000
Percent Complete: 7%

Financial Analyst-[Sonia Mock](#)
Environmental Specialist-[Kathy Koon](#)
Engineer-[Johnny Barron](#)

The Muskogee Municipal Authority, located in Muskogee County, owns and operates a sanitary sewer collection system and wastewater treatment facility which serves a population of 39,223. This system consists of 285 miles of pipe, 21 sewer pump stations and a wastewater treatment plant that can treat 13.74 MGD. The Authority is under a Consent Order from the Oklahoma Department of Environmental Quality which was issued April 25, 2008 and amended March 3, 2010 for chronic overflows in the collection system. The Authority, in order to correct the problems, proposed to replace the East Side Sanitary Sewer Interceptor and rehabilitate 14 sewer pump stations. Additionally, a formal Sanitary Sewer Evaluation Study will be performed to identify other potential problem areas.

VIAN PUBLIC WORKS AUTHORITY

ORF-11-0006-CW
Binding Commitment: \$1,555,000
Funded Amount: \$1,555,000
Percent Complete: 0%

Financial Analyst-[Sonia Mock](#)
Environmental Specialist- [Lori Johnson](#)
Engineer-[Johnny Barron](#)

Located in Sequoyah County, the Town of Vian has a population of 1,466. The Vian Public Works Authority operates a wastewater collection system consisting of 12 miles of pipe and three sewage pump stations. Wastewater is conveyed to a wastewater treatment plant that can treat 0.2 MGD. On January 27, 2005, the Oklahoma Department of Environmental Quality (ODEQ) executed a Consent Order for overflows at the wastewater plant during heavy rainfall. To correct the problem, the Authority proposed construction of a flow equalization basin with pumps, piping and appurtenances to capture up to 3.35 million gallons of sewage for storage until peak flows subside. Construction is scheduled to begin in the fall 2012.

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MULDROW PUBLIC WORKS AUTHORITY

ORF-11-0007-CW

Binding Commitment: \$3,705,000

Funded Amount: \$3,705,000

Percent Complete: 54%

GPR

Financial Analyst-[Daniel Hughes](#)
Environmental Specialists-[Tamara Griffin](#) and [Lori Johnson](#)
Engineer-[Byju Sudhakaran](#)

Muldrow Utilities Authority, located in Sequoyah County, owns and operates a wastewater treatment system that serves the City of Muldrow which has a population of approximately 3,500. The Authority was issued a consent order from the Oklahoma Department of Environmental Quality for effluent violations on September 20, 2010. To address the consent order, the Muldrow Public Works Authority intends to make improvements to their existing wastewater treatment plant. The proposed project will increase the plant capacity from 0.45 MGD to 0.595 MGD, construct an additional aeration basin, a new final clarifier, return sludge improvements, an additional chlorine contact basin, a new effluent aeration unit, a new aerobic digestion system, expanded sludge dewatering facilities, excess flow handling improvements, a cascade aerator and install a standby generator.



CENTRAL REGION



CHANDLER MUNICIPAL AUTHORITY

ORF-12-0016-CW

Binding Commitment: \$1,300,000

Funded Amount: \$1,175,000

Percent Complete: 0%

GPR

Financial Analyst-[Daniel Hughes](#)
Environmental Specialists-[Lori Johnson](#)
Engineer-[Vivek Rajaraman](#)

The Chandler Municipal Authority, in Lincoln County, owns and operates the existing sanitary sewer collection system which serves a population of approximately 2,842. The system currently consists of pipes made of clay and PVC which have deteriorated to the point where cracks and breaks allow infiltration of raw sewage into the ground. Roots from trees have penetrated the line and are impeding the flow. Additionally, one of the City's lift stations is in disrepair. The Authority proposed to replace the deteriorated lines and rehabilitate two lift stations. Construction on the project which consists of replacing PVC pipe, replacing 48 sanitary sewer manholes, rehabilitating the existing Walmart lift station and Meadow lane lift station and other related construction and appurtenances began on July 9, 2012.

NICOMA PARK DEVELOPMENT AUTHORITY

ORF-09-0035-CW

Binding Commitment: \$351,000

Funded Amount: \$125,000

Percent Complete: 100%

Financial Analyst-[Sonia Mock](#)
Environmental Specialist-[Lori Johnson](#)
Engineer-[Byju Sudhakaran](#)

The Nicoma Park Development Authority is located in Oklahoma County on Highway 62 between the communities of Spencer and Choctaw. According to the 2000 census, the City of Nicoma Park has a population of approximately 2,495. The Authority has an overall plan to provide sewer collection service to the entire incorporated area of Nicoma Park, and currently serves approximately 50 to 60 percent of the community. The project consisted of the construction of approximately 2,000 LF of 8-inch sewer line, and all related construction and appurtenances to serve the area along NE 23rd St. west of Westminster Rd. Part of this project was funded by U.S. EPA's Special Appropriation Act Project Grant funds.



BEAVER-CACHE REGION

ELGIN PUBLIC WORKS AUTHORITY

ORF-10-0005-CW

Binding Commitment: \$3,150,000

Funded Amount: \$3,060,000

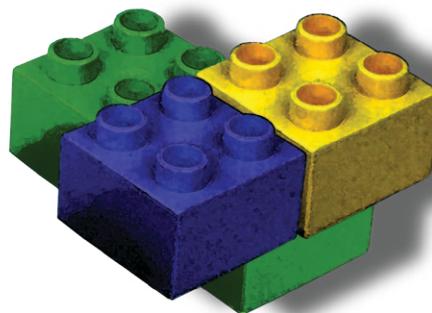
Percent Complete: 23%

Financial Analyst-Sonia Mock

Environmental Specialist-Kathy Koon

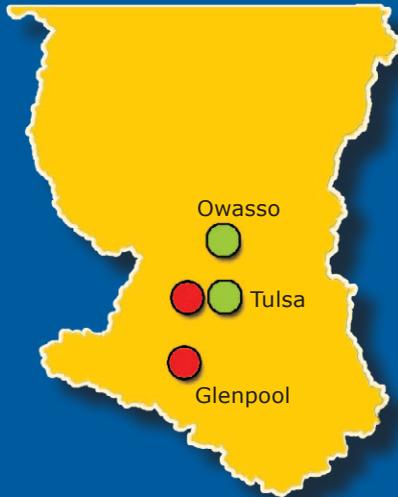
Engineer-Byju Sudhakaran

The Elgin Public Works Authority, located in Comanche County, owns and operates a wastewater treatment system that serves the Town of Elgin with a population of approximately 1,296. Due to the growth of the City, the existing lagoons have insufficient capacity. The Authority proposed the construction of an influent lift station, two aerated lagoons, one settling lagoon, installation of a slow rate land application system and other related construction items and appurtenances.



Building For Tomorrow

MIDDLE ARKANSAS REGION



TULSA MUA

ORF-11-0005-CW

Binding Commitment: \$16,700,000

Funded Amount: \$16,700,000

Percent Complete: 3%

GPR

Financial Analyst-[Charles de Coune](#)
Environmental Specialist- [Tamara Griffin](#)
Engineer-[Vivek Rajaraman](#)

Tulsa Metropolitan Utility Authority owns and operates the water and wastewater collection system that serves a population of approximately 396,466 in Tulsa, Wagoner and Osage Counties. With this project, the Authority proposed wastewater system improvements at three (3) sites based on the 2003 Tulsa comprehensive wastewater system study.

Site 1- Lower Bird Creek Wastewater Treatment Plant

The existing Lower Bird Creek Wastewater Treatment Plant will be expanded from 2.0 to 4.0 MGD. Proposed improvements at the plant include: new administration building, head works building, disinfection improvements, aeration basin improvements, sludge handling improvements and a new 54" effluent outfall line to the existing effluent discharge location.

Site 2 – Port South Lift Station Improvements

The existing lift station will receive new process pumps, a new excess flow diversion vault, chemical and feed system improvements, electrical, mechanical and control system improvements and miscellaneous site improvements.

Site 3 – Northside Wastewater Treatment Plant Improvements

Improvements are required to expand the plant's sludge processing capacity to receive sludge from the Lower Bird Creek Wastewater Treatment Plant. These improvements include a new polymer feed storage system, and control system improvements.

TULSA MUA

ORF-12-0003-CW

Binding Commitment: \$4,347,000

Funded Amount: \$4,347,000

Percent Complete: 4.5%

Financial Analyst-[Charles de Coune](#)
Environmental Specialist- [Tamara Griffin](#)
Engineer-[Vivek Rajaraman](#)

The Tulsa Metropolitan Utility Authority owns and operates the water and wastewater collection system that serves a population of approximately 396,466 in Tulsa, Wagoner and Osage Counties. With this project, the Authority proposed six (6) projects based on the 2003 Tulsa comprehensive wastewater system study.



Construction and inspection projects:

1. Improvements to the Mingo, Coal, and Flatrock Flow Equalization Basin Facilities - The projects will install hoist rails to be used to pull pumps for maintenance, replace sluice gates and appurtenances.
2. Haikey Creek WWTP Security & Safety Improvements to the Disinfection Facility- The proposed project will replace the chlorine and sulfur dioxide disinfection equipment and replace it with a non gas system.
3. Haikey Creek Flow Equalization Basin (FEB) Improvements- The proposed project is for the replacement of the 25 year old liner in the FEB that has several rips and tears. Improvements will also be made to the wash down system.

Construction and engineering projects:

1. Haikey Creek Lift Station Improvements – The proposed project will replace the screens at the influent to the lift station for the protection of two new pumps. This project will also add odor control to the lift station.

Engineering projects only:

1. Cherry Creek Flow Equalization Basin- The proposed project is to complete the engineering needed to replace two pumps at the Cherry Creek Lift Station and to add activated carbon filters, chlorine and other related designs based on the Wastewater Comprehensive Study completed in 2003.

2. Unsewered Areas Areawide - The proposed project will provide engineering for unsewered areas which includes Romoland Contract 2, Grimes Heights Phase 2, Dethridge Addition and Quail Point. These projects are sections of the City that are surrounded by sewer areas.

GLENPOOL UTIL. SERVICES AUTH.

ORF-11-0002-CW
Binding Commitment: \$3,740,625
Funded Amount: \$3,740,625
Percent Complete: 47%

Financial Analyst-Sonia Mock
 Environmental Specialist- Lori Johnson
 Engineer-Byju Sudhakaran

The Glenpool Utility Services Authority owns and operates an aerated lagoon wastewater treatment system that serves the City’s population of approximately 10,808. The Authority is under a Consent Order from the Oklahoma Department of Environmental Quality. In order to meet the requirements of the Consent Order, the Authority will make improvements to its existing wastewater treatment plant, construct a new effluent dechlorination station along the existing effluent line route, rehabilitate the existing effluent outfall structure and replace the existing Shell Lift Station along with a portion of the influent gravity line and effluent force main from the existing lift station to the wastewater treatment plant.

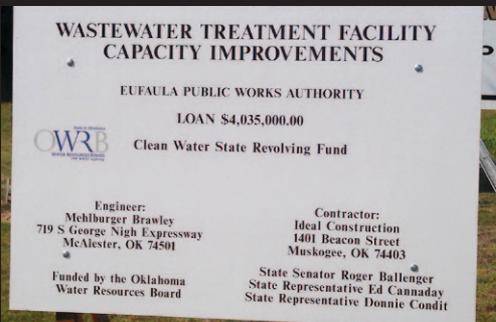
OWASSO PWA

ORF-10-0014-CW
Binding Commitment: \$3,540,000
Funded Amount: \$3,115,000
Percent Complete: 45%
GPR

Financial Analyst-Sonia Mock
 Environmental Specialist- Lori Johnson
 Engineer-Johnny Barron

The Owasso Public Works Authority, located in Rogers and Tulsa counties, operates a wastewater collection system serving a population of 37,328. The system consists of approximately 121 miles of pipe and 11 pump stations that convey wastewater to a Class IV Wastewater Treatment Plant that is permitted to treat a peak flow of 5.8 MGD. The Authority was issued a Consent Order from the Oklahoma Department of Environmental Quality in January, 2010 for chronic sanitary sewer overflows. To address the situation, the Authority proposed a phased project to remedy the discharge. The first phase of improvements is to upgrade the Santa Fe Lift Station to accommodate a projected increase in average daily flow from 1.2 MGD to 3.0 MGD. The project which began in December, 2011 includes the demolition of the existing pumps station and wet well and construction of a new wet well and lift station. A new 20-inch force main will also be installed along the existing 12-inch force main.

EUFALA REGION



EUFALA PUBLIC WORKS AUTHORITY

ORF-11-0009-CW

Binding Commitment: \$4,035,000

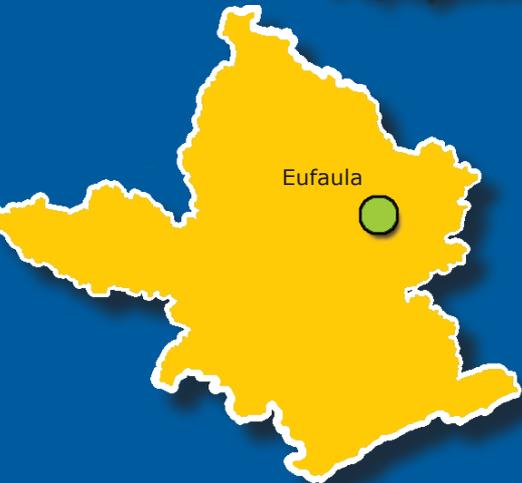
Funded Amount: \$4,035,000

Percent Complete: 25%

GPR

Financial Analyst-[Daniel Hughes](#)
Environmental Specialist-[Tamara Griffin](#)
Engineer-[Tony Mensah](#)

The Eufaula Public Works Authority is located in McIntosh County in eastern Oklahoma. The Authority owns and operates a sanitary sewer collection system and wastewater treatment facility which serves a population of about 2,828 people. The Authority is under a Consent Order from the Oklahoma Department of Environmental Quality regarding overflows in the collection system and high inflow into the wastewater treatment facility. In order to correct their problems, the Authority proposed improvements to their sewer system as well as retrofit and expand the existing WWTP through the construction of a new aeration basin, clarifier, aerobic digester and drying beds. The project is currently under construction and includes modifying the existing head works to include a mechanical bar screen, modifying influent flow and clarifier splitter boxes, improvements to a lift station and force main, construction of a FEB, emergency power facilities, and related appurtenances.





Building For Tomorrow



Loan Adjustments For FY 2012 Binding Commitments

There were not any loan adjustments for this fiscal year binding commitments.

Intended Use Plan

Status and Changes

The FY 2012 Intended Use Plan (IUP) was amended two times for the addition of new projects, adjustments to the loan award dates, revisions to the construction assistance amounts, update Green Reserve amounts as well as subsidy amounts. The final GPR and subsidy amounts are contained within this report.

Amendment I

GPR Priority List with Additional Subsidization – The OWRB identified four (4) projects eligible for GPR subsidization.

- One project - Muldrow PWA, fulfilled the remaining subsidization requirements under the FY 2010 Appropriations Provisions.
- Three projects, Glenpool USA, Owasso PWA and Elgin PWA were identified as meeting the GPR and subsidization requirements under the FY 2011 Appropriations Provisions.

- A sufficient amount of projects were not identified to completely fulfill the FY 2011 Appropriations Provisions. Future amendments to the PPL GPR project list will be submitted prior to funding of GPR projects. Business cases and project descriptions are available at OWRB's website at www.owrb.ok.gov.

Addition of New Projects - The Eufaula Public Works Authority, Skiatook Public Works Authority, and Stigler Municipal Improvements Authority submitted requests to be considered for loan funding. These requests were added to the FY 2012 PPL (July 2011- June 2012).

Other changes - Several entities with projects listed on the FY 2012 CWSRF PPL have requested changes due to revised project items or construction estimates and/or target project approval dates. The list was revised to reflect these adjustments. Total funds required for projects yet to be funded in FY 2012 equaled \$118,257,150.

Amendment II

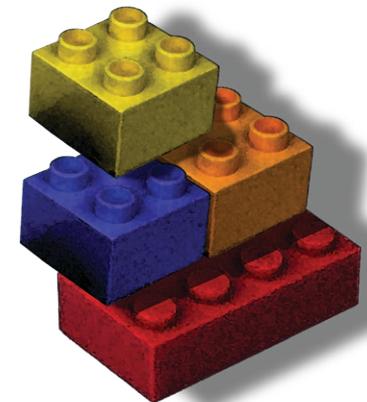
GPR Priority List with Additional Subsidization – The OWRB identified four (4) projects eligible for GPR subsidization.

- Four projects - Hydro PWA, Eufaula PWA, Chandler MA, and Tulsa MUA, were identified as meeting the GPR and additional subsidization requirements under the FY 2011 Appropriations Provisions. These projects met the remaining requirements under the FY 2011 Appropriations Provisions. Business cases and project descriptions were made available at OWRB's website at www.owrb.ok.gov. The final dollar amount identified as Green was \$2,737,876.60 with additional subsidization provided totaling \$1,105,504.00
- Addition of New Project - The Chandler

Municipal Authority submitted a request to be considered for loan funding. The request was added to the FY 2012 PPL (July 2011- June 2012).

- Removal of Projects - The Bristow Public Works Authority requested that the wastewater treatment plant improvements project be removed from the PPL. The Skiatook Public Works Authority obtained funding from another source for the construction of the proposed new force main, gravity sewer, and lift station project.
- Other changes - Several entities with projects listed on the FY 2012 CWSRF PPL requested changes due to revised project items or construction estimates and/or target project approval dates. The list was revised to reflect these adjustments. Total funds required for projects yet to be funded in FY 2012 equals \$70,047,150.

The Final GPR and Subsidy Amounts were determined before the end of FY 2012 and are included within this report. Please see Table 1.



Goals and Accomplishments

Goals and objectives provide a road map for activities conducted throughout the year. The FY 2012 Intended Use Plan set out nine (9) short-term and six (6) long-term goals for the year.

Short-term Goals and Accomplishments

1 Provide financing to communities listed in this plan that are under NPDES enforcement orders to meet deadlines for municipal compliance in accordance with Section 301(I)(I) of the Act.

STATUS: Nine (9) of the eleven (11) projects funded during FY 2012 were proposed as a result of violations to wastewater discharge permits and/or enforceable orders detailing a specific short-term compliance schedule. This assistance allows these communities to attain compliance with the enforceable requirements of the Clean Water Act and improve or maintain water quality in receiving streams and underlying groundwater. The OWRB continued to implement a process initiating immediate contact with municipalities receiving new consent orders to inform and work with them in determining eligibility and to provide funding in accordance with enforcement schedules.

2 Provide financing to assist communities in eliminating water pollution problems, improving water quality in the State's waters, and building sewage facilities needed to maintain surface water and groundwater quality standards.

STATUS: Once constructed, all funded projects will contribute to the long-term elimination of pollution to surface and groundwaters. As detailed in [Attachment 3](#), loans were made to nine (9) communities to reduce pollutant loads discharged directly to rivers upstream of public and private water supply reservoirs. Seven (7) projects will

reduce pollutants discharged from entities with discharge points located on State priority stream segments identified as threatened or impaired on the Impaired Waterbodies List, Section 303 (d) (Oklahoma's Integrated Water Quality Assessment Report). Eight projects are located within hydrologic basins where groundwater is designated as "very highly vulnerable" to contamination from surface sources of pollution or within drainage basins of "waters with recreational and/ or ecological significance", as designated in Oklahoma's Water Quality Standards or affecting source water protection areas.

3 Work with state/local agencies to identify current gaps in the State's nonpoint source, stormwater, and Brownfields funding, identify potential CWSRF eligible projects, and develop appropriate financing strategies, as necessary.

STATUS: Oklahoma's CWSRF can fund virtually any pollution control project that is included in the NPS Management Program. Prior to funding a NPS Project however, State law requires that the Oklahoma Conservation Commission (OCC) submit written concurrence on the proposed project. The project must 1) meet a critical local or state need, as defined in the NPS Management Program; 2) be necessary to comply with the NPS Management Program; 3) be designed to prevent, reduce, or halt pollution of the waters of the State; 4) be cost-effective; and 5) be awarded on a cost share basis, as required. As appropriate, OWRB consults with OCC as the lead NPS agency.

4 Provide 25% of all CWSRF loans to communities of less than 10,000 population for assistance in building more affordable sewage treatment works or implementing NPS pollution control activities.

STATUS: Fifty-five percent (55%) of FY 2012 binding commitments for long-term, low-interest loans were made to Oklahoma's small

communities, totaling approximately \$14.1 million. The cumulative total is above the program goal and the CWSRF program is anticipated to continue providing below market rate loans to help ensure project affordability and environmental health protection for small communities across Oklahoma.

5 Obtain maximum capitalization of the Fund for the State in the shortest time possible.

STATUS: This goal is being achieved on an ongoing basis. The CWSRF five-year Project Priority List identifies more long-term project needs than available CWSRF funds. To provide for these needs, the OWRB financing plan makes loan repayments, as well as federal funds, available to obligate to new wastewater construction projects or to place in reserve for leveraged bond issues, sized to meet current and future demand according to cash flow modeling.

6 Gain approval of applications for the FY 2012 CWSRF capitalization grant appropriations and have grant funds awarded within the 2nd quarter FFY 2012.

STATUS: The FY 2011 CWSRF capitalization grant was awarded on May 3, 2011 with a budget project period beginning on July 1, 2011.

7 Generate sufficient investment and loan interest earnings to retire state revenue bonds.

STATUS: During FY 2012, there were no new Clean Water State Revolving Fund Bond Issues. \$236,800.00 still remains available for state match funds from the Series 2011A Revenue Bond Issue. Based on detailed projected cash flows of the Board's Clean Water State Revolving Fund Program provided by FirstSouthwest, the Board's Financial Advisor, the state match debt was structured to coincide with the repayment of the bonds. The intention was for total income to be slightly in excess of debt service to ensure adequate

coverage. This schedule and bond sizing provides for required bond repayment while allowing the CWSRF program sufficient operational capacity for upcoming projects on Intended Use Plans.

Additionally, significant cost savings are passed on to CWSRF loan recipients by leveraging federal capitalization grant monies with larger bond issuances, reducing bond issuance costs.

Sufficient funds will be generated from interest and investment earnings to retire the balance of the State match bonds by April 1, 2031.

8 Gain EPA approval to reserve transfer authority of an amount equal to 33% of the DWSRF capitalization grants between the DWSRF and the CWSRF.

STATUS: This goal was met, as this request was made through both the CWSRF and DWSRF Intended Use Plans. Oklahoma has reserved the authority to transfer 33% of the FY 03 through 09 capitalization grants, totaling over \$32.9 million. It is anticipated that an additional \$6.4 million will be available through the FY 11 DWSRF Capitalization Grant.

9 Complete a revenue bond issue to meet funding shortfalls and to provide matching funds for Federal Capitalization Grants, as necessary.

STATUS: It was determined that a Bond issue was not required in SFY 2012 to meet funding shortfalls. One is planned for the second quarter of SFY 2013.

Long-term Goals and Accomplishments

1 Assist borrowers in complying with the enforceable requirements of the Clean Water Act to reach the goal of eliminating discharge of pollutants into the State's waters.

STATUS: This goal is being accomplished on an ongoing basis. As detailed in short-term goal No. 1, financial assistance provided through the CWSRF focuses on providing loans to communities with wastewater discharge permit violations and/or consent orders detailing a schedule of compliance. For FY 2012 eighty-two percent (82%) of the new commitments made were for projects required to meet a state or federal enforceable construction schedule. CWSRF assistance will contribute to bringing these Oklahoma communities into compliance with the enforceable requirements of the Act. The OWRB continued to provide technical assistance

to communities with projects listed on the FY 2012 IUP, but were not ready to proceed to loan commitments during the year. Many of the projects not funded in FY 2012 have been moved to the FY 2013 IUP and are scheduled to be funded during FY 2013.

2 Assist in the maintenance, restoration and protection of beneficial uses identified in Oklahoma's Water Quality Standards to provide for the propagation of fish and wildlife and the protection of water and recreational resources in and on waters of the State.

STATUS: This goal is accomplished on an ongoing basis. Loans made during FY 2012 assist communities in 1) eliminating sewage system bypasses which degrade the integrity of the surface water of the state through rehabilitation efforts to repair damaged or inoperable components or to reduce system infiltration and inflow, (2) providing greater system capacity, and/ or 3) providing additional



Intended Use Plan

levels of treatment to reduce pollutant loads to effluent receiving streams. Loan commitments and subsequent construction directly accomplish this goal by enabling municipalities to discharge water which meets discharge permit requirements in place to meet the “fishable/ swimmable goals” of the Clean Water Act and Oklahoma’s Water Quality Standards for surface and groundwater. By providing increased levels of treatment prior to discharge into surface waters of the State, fish and wildlife habitat is better protected and recreational uses are enhanced.

3 Support EPA’s Watershed Approach and Strategic Plan and assist the State in meeting water quality goals identified in the Continuing Planning Process and Nonpoint Source Management Program to reduce or eliminate water quality threats in Oklahoma’s priority watersheds.

STATUS: The CWSRF program assists in implementation of these strategic plans and their water quality goals that in turn work towards meeting Oklahoma Water Quality Standards and the “fishable/ swimmable” goals of the Clean Water Act.

Program staff coordinates with numerous agencies and organizations as necessary, including the Office of the Secretary of the Environment, Oklahoma Conservation Commission, Oklahoma Department of Environmental Quality, Oklahoma Scenic Rivers Commission, Oklahoma Association of Conservation Districts, National Resources Conservation Services, Oklahoma Municipal League, and Oklahoma Rural Water Association.

Within OWRB, CWSRF activities are coordinated where possible between water quality monitoring, assessment, water quality standards, and permitting staffs. Staff is also involved with other water related organizations including the Oklahoma Clean Lakes and Watersheds Association, an association of water quality scientists and state professionals from State agencies and universities.

The coordination with Oklahoma’s environmental agencies and conservation organizations provides staff with the latest information on water quality issues around Oklahoma so that we may better target marketing and funding in those areas.

4 Maintain the fiscal integrity of the CWSRF to ensure it remains viable and self-perpetuating to meet the long-range water quality needs of the State.

STATUS: This goal is being achieved on an ongoing basis through stringent program procedures and financial controls as well as continuous repayment of previously issued loans that provide a “renewable” source of funding for future loans.

To maintain the fiscal integrity of the CWSRF, the OWRB performs a variety of processes including, providing credit reviews and technical assistance to loan recipients, establishing fiscal controls, and maintaining financial accounts within the CWSRF sufficient to minimize financial risk. The OWRB’s credit review of CWSRF applications and the OWRB’s procedures for monitoring loan conditions and collecting payments of interest and principal have enhanced the fiscal integrity of the program. Traditionally, each of these processes has ensured that payments from loan recipients are billed and paid in a prompt manner, thus enhancing the fiscal integrity of the CWSRF. To date the program has maintained a zero default loan repayment record (see [Attachment 4b](#). Aging Schedule). Should a default occur, the cross-collateralization strategy included in the Master Trust Agreement will allow excess CWSRF revenues to be available to cure any DWSRF bond payment default or reserve fund deficiency, or vice versa. The OWRB also maintains the Capacity Model, which demonstrates perpetuity (see [Attachment 14](#) for spreadsheet, including assumptions).

5 Maintain the perpetuity of the CWSRF through maintaining net assets equal to federal capitalization grants and state matching funds.

STATUS: The OWRB has defined the perpetuity of the CWSRF as “maintaining an amount in the CWSRF equal to the capitalization grants and State match indefinitely.” When investment and loan interest earnings by the CWSRF meet or exceed the administrative funds withdrawn from the CWSRF then the OWRB can demonstrate that this goal has been met. During FY 2012, investment earnings and interest earned on loans totaled 1.56 times greater than total funds withdrawn from the CWSRF for administrative expenses, interest payments on bonds, and trustee fees.

The OWRB’s target interest rate, approximately 60% of market rate, provides financial incentives for water quality improvements through participation in the program. This target rate, combined with a sound, innovative long-term financing plan, should help maintain the buying power of the fund in perpetuity. The financial indicator for perpetuity, sustainability or retained earnings, shows an 18% cumulative retained earnings as a percentage of contributed capital ([Attachment 9](#)).

6 Encourage communities to develop sustainable systems that employ effective utility management practices to build and maintain the level of technical, financial and managerial capacity necessary to ensure long-term sustainability.

STATUS: OWRB is working with Northbridge Environmental to develop the OASIS which is a web based program that will assist communities in making sustainable decisions. Additionally, OWRB is working with CDM to finalize a wastewater planning guide which will help systems with long-term sustainable infrastructure planning.



Fund Financial Management

Fund Financial Status

1 Binding Commitments & Assistance Activity

As detailed in [Attachment 1](#), the Oklahoma CWSRF entered into binding agreements with loans closed for 11 projects. Assistance to Section 212 sewer construction and refinancing projects, including adjustments, totaled \$55.6 million. FY 12 binding commitments (excluding interim refinancing loans) reportable to EPA's National Information Management System (NIMS) totaled \$55.2 million. No Section 320 projects were funded. [Attachments 1, 2, 3, and 6](#) illustrate assistance levels and financial activity of the fund.

2 Sources, Uses and Guarantees of Funds

[Attachment 4a](#) presents sources and uses of funds. Sources totaled approximately \$60.5 million. Federal funds are drawn as construction is completed and reimbursement requests are submitted. Federal Funds are drawn down as quickly as possible.

OWRB has established bypass procedures within OWRB Rules which, along with the Integrated Priority Rating System, guides project funding. The bypass procedure states "A project on the fundable portion of the list may be bypassed if it is determined that the project will not be ready to proceed during the funding year. This determination will be made on projects that are unable to meet the schedule established on the priority list. The applicant whose project is affected shall be given written notice that the project is to be bypassed. Projects that have been bypassed may be reinstated on the funded portion of the list if sufficient funds are available, and the applicant completes the necessary tasks to proceed. Funds which become available due to the utilization of these bypass procedures will be treated in the same manner as additional allotments."

Total expenditures or "uses" of funds, totaled \$118.1 million.

3 Program Capacity - 30 Year Financing

The OWRB and FirstSouthwest Company have developed the Clean Water SRF capacity model to gauge the long-term health of the SRF. The model is continually monitored throughout each fiscal year to assure that the perpetuity of the CWSRF program is sustainable. Moreover, the model is used to aid in illustrating the overall impact to program capacity as a result of extended term financings, fluctuating federal funding levels, lending rate policies, market volatility etc. As the Capacity Model for FY 2012 indicates (see [Attachment 14](#)), the degradation to overall program capacity, as a result of the extended term financing approved in FY 2012, resulted in a loss of less than 1.59% over a 60 year period.

4 A-133 Audit, Compliance and Financial Audits

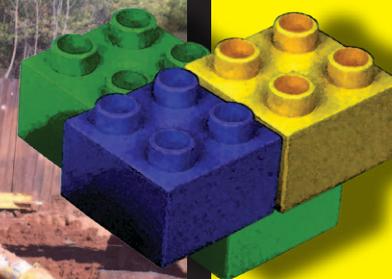
Arledge & Associates Inc., Certified Public Accountants were retained to audit FY 12 CWSRF financial statements for the program. A copy of the audited financial statements, along with the financial statements of the administrative fund held outside the CWSRF, are included as [Attachments 21](#) and [22](#). An A-133 Audit was also conducted for SFY 2012 and is included as [Attachment 23](#).

Financial Indicators and Interest Rate Subsidy - Over the past several years EPA and the State SRF Workgroup have developed a process to measure the pace of the CWSRF Program. In an effort to measure the pace, Oklahoma's CWSRF incorporates "financial indicators" into annual program review. [Attachment 9](#) presents five key measures that reflect the different financial objectives of the SRF



and provides broad indicators of how the CWSRF is meeting them.

In addition to these five numeric indicators, an additional indicator, "Estimated Interest Rate Subsidy" provides a description of the subsidy provided by the CWSRF program's AAA rated bonds compared to interest rates available to communities whose local debt would fit into a given credit rating category. The OWRB offers CWSRF loans at an interest rate equal to 60% of the Municipal Market Daily (MMD) AAA scale spot rates for each year through maturity with 70 basis points for each year through maturity with 70 basis points added to compensate for risk. The interest rate is calculated approximately 10 days prior to loan closing and is provided to communities regardless of credit quality. Our interest rates have stayed similar to past CWSRF interest rates and are commonly in the 1.53% - 3.73% range.



State Matching Funds

Through FY 2012, Oklahoma received federal capitalization grant awards totaling \$295.8 million matched in previous years by \$50.6 million in State funds (not including the current FY 2012 State Match that is needed). [Attachment 12](#) lists sources of State match funding for FFY capitalization grants awarded through the Clean Water Act from 1988 through 2012. As a part of the Series 2011 Bond Issue, \$236,800.00 in bonds were designated to provide State matching funds to cover a portion of the 20% match for anticipated FY 2012 capitalization grant.

Since July 24, 1996 the OWRB has expended available State matching funds prior to expending federal funds for the convenience of accounting for the drawdown of State funds to ensure Federal capitalization grant funds are not drawn down prior to State funds, in accordance with Federal regulations. These regulations, found in 40 CFR 35.3135, stipulate that, at a minimum, State match funds proportional to the State match share (17% of combined State match and capitalization grant funds) must be expended as Federal funds are drawn down. This approach is not intended

to alter any relationship, legal or otherwise, that would have existed had the prescribed draw down ratio been followed.



Photo courtesy of ODEQ

Proposed Program Initiatives

Modifications of the Program

There were no major modifications to the program in FY 2012.

Document Management System Implementation of CWSRF Documents

The OWRB is continuing its efforts to streamline operations by implementing a document management system for the Financial Assistance Division's documents. Initial focus will be to image all of the estimated 1.5 million pages that comprise the paper loan files (CWSRF, DWSRF and FAP) as well as to import all associated electronic files into the system. Grants and other program documents will follow.

Program staff now utilize the document management system daily to view and process documents. The repository will contribute to better management of the programs' records by improving staff efficiency and providing greater records integrity. The system allows faster access to files by multiple people simultaneously and increases staff productivity by decreasing time required for retrieving files and finding misplaced files. Other advantages to document imaging include reducing risk by providing backup to critical and essential paper documents and reducing physical storage space. Subsequent plans include implementing workflow to route documents and automate many of the programs' processes. The system will also integrate with the division's loan servicing software to provide staff convenient access to loan documents.

Long-term and Short-term Goals for Future Intended Use Plans

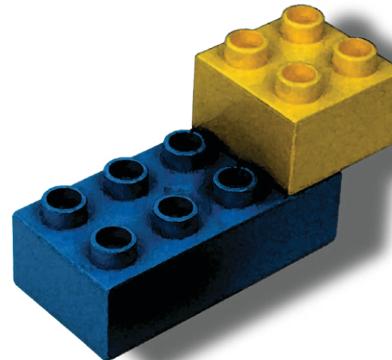
To provide for better management and greater flexibility of the CWSRF, as well as the DWSRF, the OWRB again requested EPA approval to reserve the right to transfer funds, of up to 33% of the DWSRF capitalization grant, between

the two programs. The OWRB anticipates that transfers between the CWSRF and DWSRF may be necessary in order to provide adequate funds to meet the demand in future years. Any transfers will be implemented in accordance with state and federal laws and program regulations.

No changes in the loan interest rate subsidy are anticipated, however, the OWRB is currently utilizing an independent financial advisor to review all OWRB lending programs and identify the strategy's long term impact on the health of the fund, along with the financial aspects of the loan application and loan monitoring processes.

Rule Changes

There were no rule changes in Fiscal Year 2012.



Building For Tomorrow



Provisions of the Operating Agreement and Grant Conditions

The OWRB has agreed to all the terms and conditions listed in its Operating Agreement (OA) with EPA as well as the annual capitalization grant agreements. Many of the terms and conditions are self explanatory and need no further explanation while other conditions need further description.

Adherence to Operating Agreement

1 Modification to the OA

No changes were made during FY 2012.

2 Timing of Application Review

OWRB has met this term of the operating agreement.

3 Roles and Responsibilities

State legislation gives the OWRB authority to develop regulations to implement State environmental review procedures ("SERP"). These regulations, adopted by the Board, were included in the regulations implementing the CWSRF.

4 Maintain a Competent Organization and

5 Accept EPA Training

During FY 2012, the OWRB maintained staffing with skills necessary to assure the CWSRF operates in a lawful manner, with full disclosure, and in compliance with federal and state programmatic requirements and to assure that all projects met acceptable technical, environmental and financial requirements as established or referenced in the OA/ capitalization grants.

The agency retained the services of a financial advisor during the year to assist in developing and refining CWSRF financing strategies, portfolio management, cash flow modeling, and program operations.

The OWRB attends various training sessions from EPA and other sources. The following is a partial list of training sessions/conferences which were budgeted and attended to keep the organization up-to-date on the latest technologies and trends in wastewater infrastructure design, financing, and on legislation and program requirements.

- Oklahoma Rural Water Association Annual Conference
- Oklahoma Municipal League Annual Conference
- National Association Bond Lawyers Fall Conferences
- Oklahoma Municipal League Water Summit
- Oklahoma Rural Water Association Convention
- Governor's Water Conference
- Water Day at the Capitol
- FACT Meeting (Qtrly)
- Council of Infrastructure Financing Authorities Fall and Spring Conferences
- EPA/State Workgroup Meetings (Fall and Spring Conferences)
- ASDO Conference
- Oklahoma Floodplain Managers Association
- Accounting Updates for State and Local Governments
- Preventing Common OMB A-133 and Yellow Book Deficiencies

- Internal Control Essentials for Financial Managers
- Frequent Frauds found in Governments
- Disclosure – The Key to Financial Statements
- Oklahoma Emergency Management Agency
- National Environmental Policy Act (NEPA) Training at OSU
- NEPA Process/Endangered Species Act/NHPA 106 Training

6 Manage CWSRF Program

The OWRB managed the CWSRF program in accordance with the OA, terms of the grant agreements, the CWA, as amended, 40 CFR Part 35 Subpart K and applicable regulations.

7 Maintain Separate CWSRF Account

The OWRB maintains a current and separate account for the CWSRF. A revenues and expenditures statement is prepared by staff, audited by outside auditors, and included in the financial statements in [Attachment 13](#).

8 Payment Schedule

The OWRB has entered into sufficient binding commitments to cover the schedule of payments from the EPA –ACH System (see [Attachment 6](#)).

9 State Matching Funds

The OWRB issued \$5.9 million in bonds to provide match for the FFY 2011 and FFY 2012 a portion of FFY 2011 capitalization grants.

10 Binding Commitments

By the end of FY 2012, cumulative binding commitments of large and small community construction and refinancing of non-CWSRF debt totaled over \$1 billion, 299% above the minimum required commitments of \$334.9 million as detailed in [Attachment 6](#).

Provisions of the Operating Agreement and Grant Conditions

11 Timely Expenditures

The FY 2011 IUP identified sufficient projects to obligate existing funds and maintain a program reserve. The Series 2011 bond issue was sized to meet the funding demand through the majority of 2012.

12 Enforceable Requirements of the Act

Section 602(b)(5) requires that "all funds in the fund as a result of capitalization grants (including the capitalization grant, repayments of the first round of loans awarded from the grant, and state match) will first be used to assure maintenance of progress toward compliance with enforceable deadlines, goals, and requirements of the Act, including the municipal compliance deadline." Prior to the award of the first capitalization grant in 1989, the State certified that all projects listed as National Municipal Policy Projects (under enforcement actions) had been previously funded. This requirement was, therefore, considered to be met.

13 Title II Equivalency Requirements

According to Section 602 (b)(6) of the federal CWA, Title II equivalency requirements listed in this section no longer applied after October 1, 1994. The Board met this requirement by approving binding commitments to equivalency projects in sufficient numbers to satisfy the equivalency provisions of the federal capitalization grants for those grant payments received prior to October 1, 1994 (see [Attachment 2 & 6](#)).

14 State Law and Procedures

OWRB expended grant funds in accordance with all state laws and procedures.

15 State Accounting and Audit Procedures

The OWRB utilizes fiscal controls and accounting procedures, including the latest edition of "Standards for Audit of Governmental Organization, Program, Activities, and Functions," published by the Government Accounting Office (GAO), sufficient to assure compliance. In order to verify that the CWSRF accounting procedures conform to "generally accepted accounting principles," the OWRB procured an independent auditor to test compliance with "generally accepted accounting principles." Financial audit reviews with audited financial statements are included in [Attachments 21-23](#).

16 Intended Use Plan (IUP)

OWRB followed Oklahoma Administrative Code Title 785 Chapter 50 in preparing the FY 2012 IUP and subsequent amendments.

17 Capitalization Grant

The FY 2011 CWSRF capitalization grant was awarded on May 3, 2011 with a budget project period beginning on July 1, 2011.

18 Repayment to the Fund

The OWRB collected principal payments in accordance with interim construction, long-term and small community loan agreements. As noted on [Attachment 4b](#), Aging Schedule FY 2011, there were no cases of receipt of principal and interest payments over 90 days past due and no defaults were recorded.

19 Financial Assistance Provided by CWSRF

All loans made were consistent with plans developed under CWA Section 205(j), 208, 303(e) and 319.

20 Disadvantaged Business Enterprise Program

FY 2012 MBE/WBE procurement as a percentage of all large-community loan procurement is presented in the following tables, along with the goals negotiated with EPA for the four procurement categories. Table 2 and Table 3 document Oklahoma CWSRF goals as they relate to the total Capitalization Grant.

21 Disbursements/Third Quarter Schedule and Commitments

[Attachment 11](#) provides a comparison of projected federal disbursements and actual disbursements.

22 Fund Administration

The CWSRF is administered in accordance with the EPA OA and all other provisions and conditions of the EPA capitalization grant agreements.

23 Project Management and Review Procedures

The CWSRF was managed in accordance with applicable CWSRF state procedures.

24 Sanctions and Compliance

No sanctions/corrective actions were required during the year.

25 National Reporting Needs

OWRB supplied EPA with the required set of project level data and documentation, including the Project Priority List, Intended Use Plan, Third Quarter Disbursement Schedule and project loan information for the National Information Management System.

26 Records

The OWRB maintained documents and made them available to the public in accordance with federal and state regulations.

27 Environmental Review

The OWRB conducted environmental review, and determinations were executed and distributed using the EPA approved State Environmental Review Process prior to funds being provided for the projects identified in Table 4. In addition to these environmental decisions, the OWRB initiated several planning and environmental reviews that will result in environmental decisions being issued in FY 2013.

28 Consistency With Planning

The OWRB maintains engineer report guidance documents to ensure CWSRF project planning is consistent with CWA Sections 205(j), 208, and 303(e).

29 Grant Agreement Administrative and Programmatic Conditions

Terms and conditions for all capitalization grant awards have been met. Copies of the awards are included as [attachments 24-26](#).

*Table 2

Minority Business Enterprise				
FY12 MBE/WBE for Project Procurement (based on 120% of CAP Grant)				
Category	Construction	Equipment	Services	Supplies
GOAL	13.94%	9.13%	14.29%	7.48%
PROCUREMENT AMOUNT	\$33,000	\$0	\$232,200	\$630,149
% ACHIEVED	3.67%	0.00%	25.84%	70.21%

*Table 3

Women Owned Business Enterprise				
FY12 MBE/WBE for Project Procurement (based on 120% of CAP Grant)				
Category	Construction	Equipment	Services	Supplies
GOAL	6.92%	19.90%	26.51%	0.00%
PROCUREMENT AMOUNT	\$0	\$0	\$2,200	\$0
% ACHIEVED	0.00%	0.00%	<1%	0.00%

* Data based upon EPA's recognized DBE list.



Environmental Benefit And Performance

The CWSRF program continues to provide affordable financing to communities, achieving its ultimate purpose of protecting public health and the environment while helping the State work towards meeting the “fishable/swimmable” goals of the Clean Water Act. Oklahoma’s integrated priority rating system prioritizes projects based upon multiple environmental benefit metrics to ensure that CWSRF funds are most effectively used, to provide a standardized intra-agency method for benefit comparison and reporting, and to provide reference data that can be used to fulfill

OWRB’s reporting requirements in accordance with Environmental Results Assistance Agreement Order No. 5700.7. This Order is incorporated as long-term goal No. 4 in the “Long-term Goals & Accomplishments” section of this report.

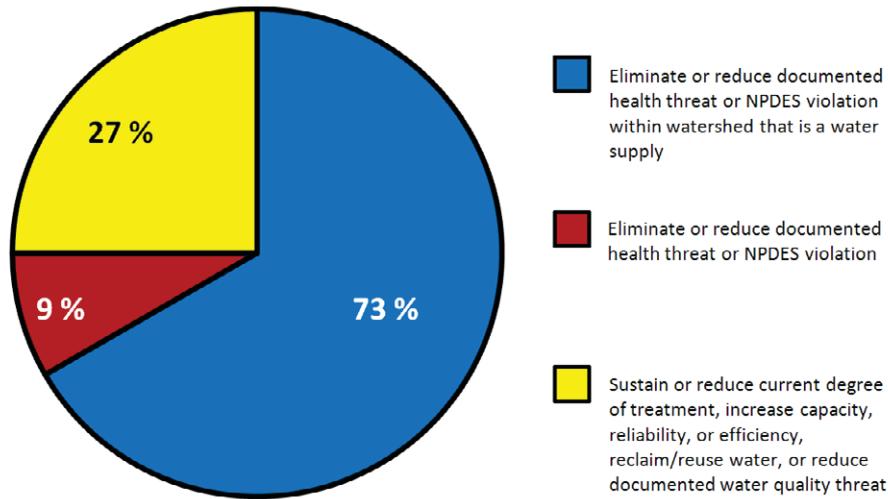
Nine (9) of the eleven (11) projects approved for funding during FY 2012 were proposed as a result of a documented public health threat and/or NPDES discharge permit violation and would fund construction to allow borrowers to come into permit compliance.

Eight (8) of the eleven (11) projects would also benefit communities discharging into priority stream segments identified as threatened or impaired in Oklahoma’s Integrated Water Quality Assessment Report. Additionally, all of the projects lie within hydrologic basins where groundwater is considered highly vulnerable, within or affecting a source water protection area, or upstream of waters with recreational and/or segments of ecological significance.

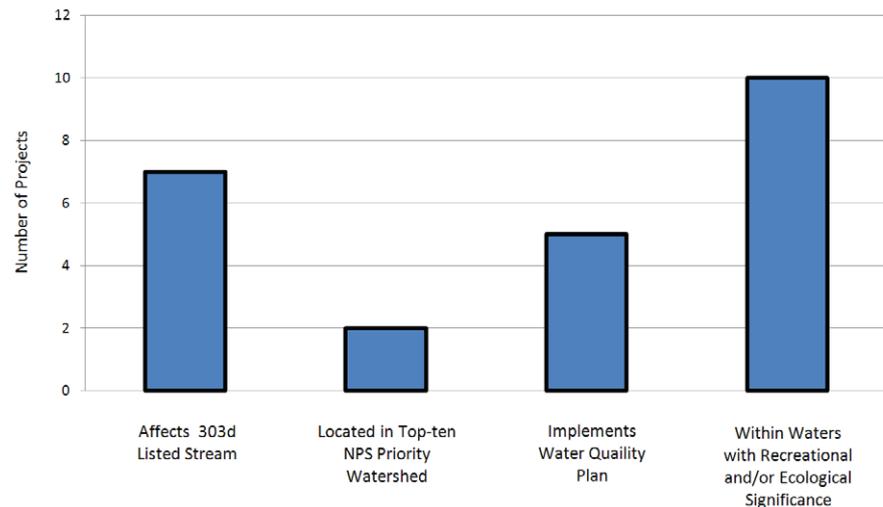
Table 4

CWSRF Environmental Decisions in 2012				
Community	Loan No.	Enforcement Schedule Order	Decision Type	Date
Chandler MA	ORF-12-0016-CW	NO	CE	04/10/12
Elgin PWA	ORF-10-0005-CW	YES	FNSI/EA	10/17/11
Eufuala PWA	ORF-11-0009-CW	YES	FNSI/EA & CE	02/13/12
Ft. Gibson UA	ORF-11-0004-CW	NO	Revised CE	04/12/11
Glenpool USA	ORF-11-0002-CW	YES	CE	09/13/11
Muskogee MA	ORF-11-0008-CW	NO	CE and Revised CE	08/09/11
Muldrow PWA	ORF-11-0007-CW	NO	CE	09/13/11
Nicoma Park	ORF-09-0035-CW	NO	FNSI/EA	07/12/11
Okmulgee MA	ORF-10-0013-CW	NO	Revised CE	12/14/10
Owasso PWA	ORF-10-0014-CW	NO	CE	09/13/11
Tulsa MUA	ORF-11-0005-CW	YES	FNSI/EA	12/13/11
Tulsa MUA	ORF-12-0003-CW	YES	CE	04/10/12
Vian PWA	ORF-11-0006-CW	YES	CE	02/13/12

FY 2012 CWSRF Project Environmental Benefits



Water Quality Restoration/Protection Factors



American Recovery And Reinvestment Act

President Obama signed the American Recovery and Reinvestment Act of 2009 into law on February 17, 2009. The legislation provided an unprecedented opportunity to improve wastewater infrastructure across the nation while creating jobs for our citizens. Oklahoma received approximately \$31.6 million in federal funding to provide increased funding for wastewater system improvements funded through the CWSRF program. Projects funded were required to be under construction or have construction contracts awarded by February 17, 2010.

ARRA Activities between February 2009 and February 2010

The OWRB submitted the initial application and revised FY 2009 Intended Use Plan (IUP) for ARRA funding to EPA on February 24, 2009. The ARRA award from EPA was received on April 22, 2009. The first five projects entered into Binding Commitments with the OWRB in April 2009 with the first loan closing occurring on May 15, 2009.

Between February 2009 and February 2010, the OWRB closed loans with 32 communities for 33 projects under ARRA for more than \$96 million of which \$30 million was in the form of principal forgiveness. All CWSRF ARRA Projects had contracts executed by January 15, 2010, one month in advance of the February 17, 2010 deadline.

Ongoing Monitoring of ARRA Loans

As of June 30, 2012:

- 27 of the 33 projects had expended 100% of the ARRA subsidized funding amount
- 26 of the 33 projects have all construction contracts completed
- All costs associated with ARRA funding will be incurred no later than September 30, 2012.



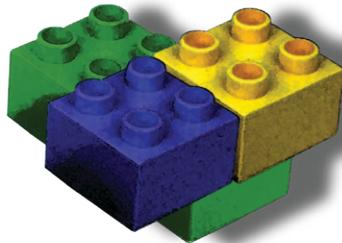


Ardmore DWSRF - Photo courtesy of ODEQ

Current And Future Wastewater And Runoff Control Needs

As a result of the widespread need for water pollution control infrastructure financing and efforts by the OWRB to implement a “lower than market rate” loan program, the Board has received an overwhelming response from communities across the state requesting their projects be added to the five-year CWSRF Project Priority List (PPL). For FY 2013, twelve (12) communities have made requests for wastewater construction projects and refinancing totaling over \$122.7 million. The demand through 2016 totals over \$267.1 million. This number is likely low, as historically the number of projects identified on the CWSRF Project Priority List target for future years underestimates the actual project demand due to the uncertainty of future construction schedules, the issuance of new enforcement or administrative orders, etc.

The OWRB’s Financial Assistance Division has funded Oklahoma water and wastewater infrastructure projects for over 25 years. We look forward to working with our partners to develop solutions in order to help communities address their infrastructure needs for this generation and generations to come!



Financial Assistance Division 2012



CWSRF ANNUAL REPORT 2012

Acknowledgements

The Financial Assistance Division would like to thank our FY 2012 assistance recipients, as well as past recipients, for helping making Oklahoma's Clean Water State Revolving Fund Program a success.

Thank you to Tamara Griffin, Kathy Koon, Laura Oak, and all of the FAD staff for their assistance in preparing this report but more importantly for their dedication and hard work over the last year. Special thanks to Owen Mills for his vision with the formatting of this report.