

CLEAN WATER STATE REVOLVING FUND

SFY 2014 INTENDED USE PLAN



FINANCIAL ASSISTANCE DIVISION
OKLAHOMA WATER RESOURCES BOARD

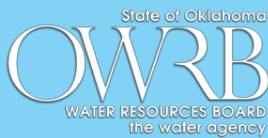
JULY 1, 2013





MISSION:

The mission of the OWRB is to enhance the quality of life for Oklahomans by managing, protecting, and improving the state’s water resources to ensure clean, safe, and reliable water supplies, a strong economy, and a healthy environment.



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Appendices are available online at www.owrb.ok.gov/cwsrf

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ABOVE:

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(not pictured: Tony Mensah, Johnny Barron, and Vivek Rajaraman)

INTENDED USE PLAN

2014

“WHEN THE WELL’S DRY,
WE KNOW THE WORTH OF
WATER.”

BENJAMIN FRANKLIN



J.D. STRONG
EXECUTIVE DIRECTOR



MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
WATER RESOURCES BOARD

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

With the passage of House Bill 3055 (the Water For 2060 Act) in 2012, Oklahoma became the first state in the nation to establish a bold, statewide goal of consuming no more fresh water in 2060 than is consumed today. In this regard, the OWRB is preparing to lead Oklahoma's new Water for 2060 Advisory Council, created through HB 3055 and charged over the next two years with studying and recommending appropriate water conservation and reuse practices, incentives, and educational programs to moderate statewide water usage while ensuring growth and preserving economic development goals.

Our Financial Assistance Division will play a crucial role in helping communities meet goals of the Water for 2060 Act. Implementation of water conservation and reuse measures, responsible stormwater practices, water and energy efficiency measures, and low impact development are only a few of the innovative projects and measures that will facilitate more efficient use of our shared and finite water resources. Solicitation and funding of such projects, which are eligible for funding through the State Revolving Fund Program, is already underway.

In FY 2014, the OWRB will continue to work closely with state, federal, and local partners to identify common objectives, thus providing Oklahoma citizens with maximum results at a minimum cost. With both enthusiasm and confidence, we continue to work towards a more secure water future for all Oklahomans.

Sincerely,

J. D. Strong
Executive Director



J.D. STRONG
EXECUTIVE DIRECTOR



MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
WATER RESOURCES BOARD

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 \$2.9 billion in projects with our loan and grant programs which in turn lead to savings of over \$1 billion for Oklahoma communities and rural water districts.

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 2014, we expect that the demand for the program will continue to grow. Work completed through the Oklahoma Comprehensive Water Plan process documented a tremendous need (over \$44 billion based on current dollars) for wastewater infrastructure investments in Oklahoma through 2060. The majority of these needs can be found in small communities with populations of less than 3,300. 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,

Joe Freeman, Chief
Financial Assistance Division



The cheapest source of water is CONSERVATION.

The cheapest and most accessible source of water is conservation. "Water for 2060" represents a wide range of innovative conservation measures, incentives, and related project financing options available to solidify Oklahoma's water future and minimize deficits projected by the 2012 Update of the Oklahoma Comprehensive Water Plan (OCWP).



Water Reuse

As part of a larger wastewater treatment plant upgrade, Guymon Utilities Authority implemented a land application system to dispose of gray water (CWSRF).

WATER FOR 2060
EFFICIENCY • CONSERVATION • RECYCLING • REUSE



Water Reuse: just look for the purple water lines.

What Water Providers can do:

The best way to ensure good conservation is to have a well-managed system.

How eligible OWRB Financial Assistance projects, including those funded through both the CWSRF and DWSRF loan programs, can help Oklahoma citizens, municipalities, farmers, ranchers, and industry meet Water for 2060 goals today:

- **Water Efficiency**
Retrofit with water efficient household fixtures, use automated meter reading (AMR) systems, fix broken/malfunctioning meters, install leak detection equipment, conduct water audits, develop water conservation plans, recycle or reuse water, retrofit or install more efficient irrigation equipment, use WaterSense labeled products that are proven water-savers (faucets, showerheads, toilets, irrigation controllers, etc.)
- **Nonpoint Source Pollution Control Projects**
Employing wise land use and conservation practices, implementation of capital projects that result in direct benefits to water quality, such as tree planting and certain education projects, and streambank stabilization and related efforts to reduce erosion.
- **Green Infrastructure**
Green streets, permeable pavement, green roofs, and related projects that reduce impervious surfaces and increase stormwater quality, bioretention of runoff and sediments, stormwater harvesting and reuse, increased urban forestry, establishment of rain gardens, and other efforts that enhance natural habitat, and Low Impact Development (LID), characterized by a wide range of accepted sustainable stormwater practices that can be implemented virtually anywhere.
- **Related Innovative Measures**
Develop long-range system management and utility sustainability plans, establish contingencies to address acute climate variability impacts, and participate in Leadership in Energy and Environmental Design (LEED) certified projects that reduce waste and conserve energy and water resources.



Educating Citizens

Oklahoma City has produced a series of creative and unique water conservation public service announcements. Conservation education is an important and often overlooked tool.



Leak Repair

The El Reno Municipal Authority replaced leaking water lines throughout the city to increase efficiency (CWSRF).

Automated Meter Reading

Lawton Water Authority installed an automated meter reading (AMR) system, which allows them to more effectively identify and repair leaks and increase efficiency (DWSRF).



Innovative Measures

- High efficiency codes
- Leak detection and prevention
- Education programs
- Promoting green infrastructure
- Promoting water recycling/reuse systems
- Control of invasive species
- Use of marginal quality waters

Water Reuse

Hennessey Public Works Authority added a gray water land application system as part of the community's recent lagoon expansion project (CWSRF).

Streambank Stabilization

The Oklahoma Conservation Commission and Oklahoma State University partnered on a streambank stabilization project on Cow Creek. Among assorted benefits, restoring streams to their natural state reduces sediment loading and enhances water quality, leading to improved water supplies (CWSRF).



Green Infrastructure

Bixby Public Works Authority has embraced low-impact development innovations through the installation of rain gardens and permeable pavement to improve drainage and reduce wastewater treatment (CWSRF).



What every Oklahoman can do to conserve:

Indoors:

- Repair running toilets, dripping faucets, and other water leaks.
- Turn off the tap while shaving or brushing teeth.
- Showers typically use less water than baths.
- Plug up the sink if washing dishes by hand.
- If you use a dishwasher, make sure it's fully loaded.
- Add suitable food wastes to your compost pile instead of using the garbage disposal.
- Wash only full loads of laundry or use the washing machine's load size selection.

Outdoors:

- Don't overwater. If you step on your lawn and the grass springs back, it does not require water.
- Water in the early morning (4 to 7 a.m.) to reduce evaporation.
- Sweep—rather than hose off—driveways, sidewalks and porches.
- Check your garden hose for leaks and a tight connection to the spigot.
- Wash the car with water from a bucket, or consider using a commercial car wash that recycles water.
- Use native and drought-tolerant plants that require less water and reduce the amount of turfgrass.



Water Reuse

Gaillardia, a golf course community, has been irrigating with reclaimed water since 1996. This alternative to potable water, provided by Oklahoma City, is also used by two electrical utilities. Collectively, these reuse programs save more than 1 billion gallons of drinking water annually.

Rainwater Harvesting

A modest OWRB Water Conservation Grant allowed Tahlequah High School to capture rainwater and store it in a 6,000 gallon cistern for use in watering the area's landscape.

Green Roofs

At OU's National Weather Center, a vegetative roof system (green roof) reduces stormwater runoff, improves water quality, and reduces the building's energy demands (CWSRF).

Leak Detection

Grady County Rural Water District #6 has reduced system leakage by 25 percent by replacing old valves and meters and installing a new automated meter reading system, along with improved management techniques.

Incentives

- Economic considerations
- Low-interest loans
- Cost-sharing
- Tiered water pricing

State of Oklahoma
OWRB
WATER RESOURCES BOARD
the water agency

Visit the OWRB's Water for 2060 webpage at www.owrb.ok.gov/supply/conservation.php

The Clean Water State Revolving Fund (CWSRF) loan program was established by the 1987 Clean Water Act amendments to provide a renewable financing source for statewide wastewater infrastructure and polluted runoff control needs while protecting the State's surface and ground waters.

Launched by \$14.5 million in State appropriated seed monies and, \$412 million in subsequent state match notes and revenue bonds, the program has capitalized over \$295 million in federal grant funds to commit over \$1 billion in low-interest construction and refinancing loans since 1990.

The CWSRF owes its success largely to 1) its "revolving" aspect, as loan repayments and investment earnings are continually recycled to fund new projects; 2) ongoing commitments of federal funds; 3) financing strategy, which provides loans at 40% below market interest rate; and 4) ease of today's loan application and approval process.

During Fiscal Year (FY) 2014, the OWRB will continue offering financing at approximately 40% below market rate. Standard 20-year maximum term loans will be available, as well as, the 30-year option for disadvantaged communities.

In addition to providing substantial savings to communities across the state, the loans committed through the CWSRF contribute greatly to protecting human health, water quality, and economic viability of Oklahoma's communities; since these projects are designed to reduce or eliminate polluted wastewater discharges, rehabilitate decaying collection systems, consolidate on-site systems into new collection systems, or recycle treated wastewater.

To further maintain the health of the State's waters, the program may also fund eligible projects to reduce polluted runoff from urban and agricultural land, including, but not limited to, urban stormwater control, agricultural best practices implementation, forest and stream bank erosion control, wetland construction and maintenance, water and wastewater efficiency, green

infrastructure, innovative green projects and abandoned industrial site assessment and clean-up.

To date, we have received requests for 16 projects totaling \$14.8 million. Funding requests for the 5-year period (through year 2018) total \$327.7 million. See Appendix A - FY 2014-2018 Clean Water State Revolving Fund Project Priority List - for a complete listing of projects.

As a condition of a federal agreement with the Environmental Protection Agency (EPA) the OWRB as administrator of the CWSRF, must submit an annual plan for the use of federal funds awarded and a strategy for managing the program, in accordance with the Clean Water Act (CWA) Section 606(c). The following document is the State of Oklahoma's CWSRF Intended Use Plan (IUP) for funds to be made available during State FY 2014.

The CWSRF loan is used for the construction of wastewater infrastructure improvements, storm water and Brownfield activities, structural or nonstructural NPS projects, green projects and refinancing of eligible existing debt.

TYPE OF BORROWERS SERVED

Under State law, eligible borrowers include any duly constituted and existing political subdivision of the State including counties, cities, towns, municipalities, sewer districts, public trusts or authorities, and state agencies.

INTEGRATED PRIORITY RANKING SYSTEM FOR WASTEWATER & NONPOINT SOURCE PROJECTS

The OWRB continues to utilize Oklahoma's approved CWSRF Integrated Ranking System which is set forth in Oklahoma Administrative Code Title 785 Chapter 50. The System ranks projects for funding based on human health protection, the Federal Clean Water Act's "fishable/swimmable" goals, Oklahoma's Water Quality Standards (OWQS) and Antidegradation Policy, and Oklahoma's NPS Management Program.

Proposed water quality projects receive points in five areas: 1) "project type factor" (up to 70 pts.), 2) "water quality restoration factor" (up to 20 pts.), 3) "water quality protection factor" (up to 10 pts.), 4) "programmatic priority factor" (up to 100 pts.), and 5) "ready to proceed factor" (up to 400 pts.). These five areas incorporate additional points if a project is located in a "Top Ten" priority watershed or in a watershed designated as "high quality water," for example. The maximum points available to a system is 700.

The "programmatic priority factor" provides a maximum of one hundred (100) priority bonus points to projects that address specific programmatic priorities set forth by the EPA or OWRB and detailed in the Annual Intended Use Plan.

The "ready to proceed factor" varies as projects are ready to proceed to construction. Projects that have completed engineering, environmental and financial application can receive up to an additional 400 points through the ranking process. If a project encounters delays it may be bypassed using Oklahoma's CWSRF bypass procedures. Per OWRB Chapter 50

Rules, a tie breaking procedure shall be utilized when two or more projects have equal points under the Project Priority System and are in competition for funds.

If warranted, amendments to the rules governing the Integrated Priority Ranking System may be considered during the autumn 2013 – spring 2014 rulemaking period.

LOAN REVIEW

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

A borrower must meet minimum debt coverage requirement of 1.25 times. If an entity does not meet this requirement, they are notified and requested to raise rates, pledge



additional revenues, and/or decrease expenses to meet the 1.25 times debt coverage. In order to ensure the perpetuity of the SRF fund, a loan will not be recommended for SRF approval 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, OWRB 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 (FACT) meeting with the entire potential governmental infrastructure funding groups in Oklahoma.

Technical Review

Projects considered 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?

Before a project can be approved for funding an environmental review is conducted. OWRB staff reviews the proposed project and evaluates its potential environmental impacts to determine whether it meets federal, state, and local environmental standards. This review is required according to the National Environmental Policy Act, Federal Law and the Oklahoma Clean Water State Revolving Fund Rules.

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. Property, liability, workers compensation, and fidelity bond insurance verifications are received annually to ensure an entity is being properly managed and insured. The

entity's water and/or sewer operator's license is submitted to OWRB to ensure that the system is being operated and maintained by a licensed operator. OWRB stays in regular contact with all borrowers and offers assistance where possible to ensure that entities are able to meet all loan covenants. If an entity does not meet all loan covenants, OWRB sends a letter notifying them of the deficiency and give them 30 days to make the necessary changes to meet the requirement.

As part of the Oklahoma Comprehensive Water Plan (OCWP), OWRB is finalizing the Wastewater Infrastructure Planning Guide which should be available for use in August 2013. This easy to use document is designed to assist entities in developing detailed strategies to meet their long-term water and wastewater infrastructure needs and therefore become more sustainable.

LOAN APPLICATION FEE

A loan application fee is collected from the potential borrower at the time of application submittal. The fee ranges from \$100 to \$500 depending upon the size of the loan.

Loan Application Fee	
\$ 249,999 or less	\$ 100.00
\$ 250,000 - 999,999	\$ 250.00
\$1,000,000 or more	\$ 500.00

INTEREST RATES AND TERMS

The interest rate on each loan funded with cash funds reflects the current rate of 60% of Municipal Market Daily (mmd) AAA scale spot rates through maturity plus 70 basis points. The current loan interest rate is calculated approximately 10 days prior to loan closing; however, terms may change for future bond proceeds. A 0.5% administrative fee is charged on the unpaid loan balances. Traditional CWSRF loans have an amortization period of 20 years after construction has been completed, the OWRB has extended 30-year financing for disadvantaged communities.

AVAILABILITY OF FUNDS FOR DISADVANTAGED COMMUNITIES

The OWRB has implemented a policy to provide low-interest loans to small communities and disadvantaged communities with a population of less than 10,000. These loans may be from Capitalization Grants, bond proceeds, or CWSRF 2nd round funds. A "disadvantaged community" under the CWSRF Program is defined as those communities with a median household income that is equal or less than 85% of the national median household income according to the United States Census Bureau or the American Community Survey. The extended financing will assist communities that have difficulty making higher debt service payments as long as the financing does not exceed the design life of the project. The CWSRF program evaluates the program's capacity annually to ensure that it does not decrease by more than 10% due to the offering of extended term financing.



Oklahoma's CWSRF Program Goals

LONG-TERM GOALS

The CWSRF continues to maintain long-term goals to ensure it assists the State in meeting Clean Water Act and State water quality goals via the implementation of the 2012 Oklahoma Comprehensive Water Plan while maintaining the long-range integrity of the fund.

- 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.
- 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.
- 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.
- Maintain the fiscal integrity of the fund to ensure it remains viable and self-perpetuating to meet the long-range water quality needs of the State.
- Maintain the perpetuity of the CWSRF through maintaining net assets equal to federal capitalization grants and state matching funds
- 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.

SHORT-TERM GOALS

The State will pursue short-term goals in an effort to continually improve the CWSRF program.

- Provide financing to communities listed in this plan that are under NPDES enforcement orders to meet deadlines for municipal compliance in accordance with CWA Section 301(l)(1).
- Provide financing to assist communities in eliminating water pollution problems, improve water quality in the State's waters, and build sewage facilities needed to maintain surface water and groundwater quality standards.
- Work with State/local agencies to identify gaps in the State's NPS, storm water, green infrastructure and Brownfields funding, identify potential CWSRF-eligible projects, and develop appropriate financing strategies, as necessary.
- As interest is received, 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.
- Obtain maximum capitalization of the fund for the State in the shortest time possible.
- Gain approval of FY 2014 CWSRF capitalization grant appropriations and have grant funds awarded within the 4th quarter of FFY 2013.
- Generate sufficient investment and loan interest earnings to retire revenue bonds.
- Gain EPA approval to reserve transfer authority in an amount equal to 33% of the Drinking Water (DW) SRF capitalization grant between the DWSRF and the CWSRF.
- Complete a revenue bond issue to meet funding shortfalls and to provide matching funds for federal capitalization grants.



GREEN PROJECT RESERVE (GPR)

The Appropriations Act states: "Provided, that for fiscal year 2012, to the extent there are sufficient eligible project applications, not less than 10 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."

Oklahoma is committed to the implementation of sustainable or green infrastructure. Projects that incorporate green infrastructure, water or energy efficiency improvements, environmentally innovative practices, water reuse or sustainability will receive bonus points under the CWSRF Integrated Priority Ranking System. OWRB conducts an active solicitation of GPR projects including notification of interest groups and program stakeholders, publication on related websites, and conference/seminar presentations.

As part of the IUP/PPL placement process, entities submitted a supplemental questionnaire which

assisted staff to review and determine if the projects met the requirements of the Green Project Reserve. The projects that were determined GPR eligible are shown on the Priority List (Appendix A.) Staff engineers will further consult with each community's project engineer during the planning process to refine and determine the actual expenditures toward green infrastructure elements included on the CWSRF Project Priority List. Additionally, OWRB has developed a checklist (included as Appendix B) which will serve in part as the "business case" for inclusion of project or component of a project in the GPR. Final business cases and a description of categorically eligible projects will be available for public viewing at:

www.owrb.ok.gov/greenreserve

within the quarter in which the loan is made.

ADDITIONAL SUBSIDIZATION

The Appropriations Act states "...that not less than 20 percent but not more 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."

For SFY 2014, subsidy in the form of Principal Forgiveness will be targeted for construction projects in communities with populations of less than 3,300 which are considered disadvantaged and unable to afford the financing. Disadvantaged communities are defined through the CWSRF 30-year financing strategy.

Projects which may meet the Additional Subsidization criteria are identified in Appendix A. Please note, however, that the list of projects receiving additional subsidization may change during the funding cycle based on when the project is ready to proceed. The final list of projects which received additional subsidization will be available in the CWSRF Annual Report.

DAVIS-BACON ACT

The Appropriations Act states: "For fiscal year 2012 and each fiscal year thereafter, the requirements of section 513 of the Federal Water Pollution Control Act (33 U.S.C. 1372) shall apply to the construction treatment works carried out in whole or in part with assistance made by a State water pollution control revolving fund..." Davis Bacon compliance procedures are found in the EPA memorandum of November 30, 2009 and further defined via EPA's memoranda of May 20, 2011.

PROGRAMMATIC REPORTING

The OWRB will report as required by the capitalization grant on the utilization of funds under the FY 2014 Intended Use Plan. The major reporting vehicle will be the CWSRF Benefits Reporting Database. Reporting will include how the additional subsidies are utilized, use of funds under the GPR, basic data elements and environmental benefits. This information will also be included in the Annual Report for FY 2014.

EPA'S SUSTAINABILITY POLICY

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. It is these measures which make the CWSRF program successful.

CAPITALIZATION GRANTS, ASSURANCES AND SPECIFIC PROPOSALS

The CWSRF Operating Agreement, between the State of Oklahoma and EPA, incorporates required assurances, certifications, and specific requirements of the following Clean Water Act sections:

- 602(a) Environmental Reviews - The State of Oklahoma will conduct an environmental review, execute, and distribute a determination using the State Environmental Review Process, as specified in Attachment 3 of the Operating Agreement, 40 CFR 35.3140 and program rules.
- 602(b)(3) Binding Commitments - The State of Oklahoma will enter into binding commitments for 120% of each quarterly federal payment within one year of receipt of that payment.
- 602(b)(4) Expeditious and Timely Expenditures - The State of Oklahoma will expend all funds in the CWSRF in a timely and expeditious manner.
- 602(b)(5) First Use for Enforceable Requirements - The State of Oklahoma will fund all National Municipal Policy projects that were not in compliance or were on enforceable schedules. 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.

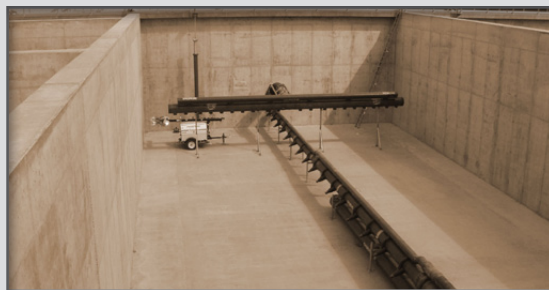
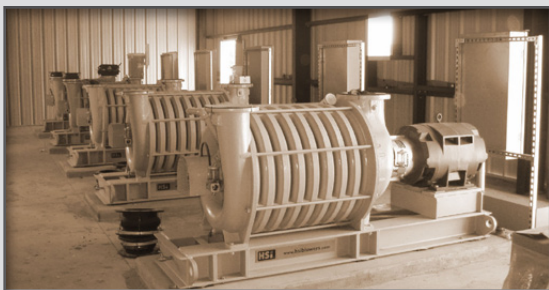


CWSRF Programmatic Requirements

- 602(b)(6) Compliance with Title II Requirements - The State of Oklahoma met the specific statutory requirements for publicly owned wastewater treatment projects constructed before October 1, 1994 with funds directly made available by federal capitalization grants.
- EPA Order No. 5700.7, Environmental Results under EPA Assistance Agreements - The State of Oklahoma agrees to complete the one-page Environmental Benefits Assessment worksheet, effective January 1, 2005, for all binding commitments (final loan agreements) and include copies of the completed worksheet or a summary of the table of the worksheet in the state's Annual Report.

To implement provisions of the federal capitalization grants the OWRB has promulgated technical review regulations and procedures in accordance with state law. Any future rule changes will be promulgated as a part of the normal rule-making process or emergency rulemaking, as needed.

OWRB proposed minor changes to the Environmental Review Requirements in order to be consistent with EPA requirements during the FY 2013 Rule change period. EPA had no comments regarding the proposed changes. Additional revisions may be made during FY 2014 in order to further streamline the process for CWSRF loan recipients. The proposed changes were submitted to EPA, Region 6 for review and approval.



CWSRF FINANCING PLAN, LOAN TYPES, AND TERMS

The CWSRF may finance up to 100% of project costs for items eligible under program requirements, defined in OWRB rules (OAS 785-50-9), including, but not limited to, engineering planning and design, financial advisors, loan closing, construction, land acquisition (if the land is an "integral" part of the wastewater treatment process), and pollution run off controls through "best management practices".

The CWSRF financing plan provides three major elements: 1) a pool of funds to meet the funding demand which is made available with the use of capitalization grants, bond proceeds, and second round funds; 2) below market rate financing and program incentives to help communities meet applicable federal/state pollution control laws; and 3) flexibility and perpetuity of the CWSRF to meet future wastewater needs.

ALLOCATION OF FUNDS TO ELIGIBLE ENTITIES

The OWRB utilizes a six-step process to prescribe how available funds will be allocated between eligible wastewater construction or pollution control and refinancing projects, as follows:

1. Identify borrowers that are ready to proceed with projects during FY 2014;
2. Set-aside 25% of all funds for small communities (<10,000 population) that are ready to proceed;
3. Determine the amount of financing needed by borrowers that are ready to proceed;
4. Identify the sources of funds available to provide the requested assistance;
5. Determine if financing requested is consistent with amount of funds available; and
6. Identify those projects from the 5-year Project Priority List, in priority order, for which OWRB will commit available unrestricted funds.

ALLOCATION OF FUNDS AMONG PROJECTS

Appendix C, Chart 1 details the allocation of funds among the various types of projects, along with EPA's project types or "needs categories," treated effluent discharge permit requirements, binding commitment, construction start, and initiation of operations dates. Projects scheduled

for funding have been or will be reviewed for consistency with Clean Water Act Sections 205(j), 208, 212, 303(e), 319 and 320, as amended. Prior to receiving a loan commitment, documented evidence of this review is placed on file.

CRITERIA AND METHOD OF DISTRIBUTION OF FUNDS

The following process is used to develop the distribution of funds: (1) analyze the type of community served and financial assistance needed; (2) identify funding sources and spending limits; (3) allocate funds among projects; (4) create a capitalization grant payment schedule used for making timely commitment of funds to projects selected to receive assistance; and (5) establish a disbursement schedule to distribute funds to loan recipients for project costs as they are incurred.

FEDERAL CAPITALIZATION GRANT PAYMENT SCHEDULE

The proposed federal capitalization grant payment schedule (Appendix C, Chart 2) is based on the state's projection of binding commitments for selected projects that may be funded with federal funds, and therefore meet the requirements of the federal capitalization grant, including all federal crosscutting laws and authorities. This chart is based on the assumption that the FY 2013 capitalization grant funds will be awarded by EPA during the 1st quarter SFY 2014. The cumulative EPA/ACH System draws of federal payments will not exceed 83.33 percent for selected projects that utilize federal capitalization grant and state matching funds. State match will be dispersed prior to federal funds. Appendix C, Charts 3, 3A, and 3B present sources and timing of all capital into the CWSRF.

FUND DISBURSEMENT SCHEDULE

Fund disbursement schedules are based on projected binding commitment date (OWRB Board approval), construction start/loan closing date (beginning of disbursements), and

construction completion (initiation of operation) date included in Appendix C, Chart 1. Construction invoices are generally submitted by the borrower for payment beginning approximately one to three months after entering into a binding commitment.

TRANSFER AUTHORITY BETWEEN CLEAN WATER AND DRINKING WATER SRFs

In accordance with the Safe Drinking Water Act (SDWA) SRF funds transfer provisions (Section 302), the state hereby reserves the authority to transfer an amount up to 33 percent of the Drinking Water SRF program capitalization grant[s] to the CWSRF program or an equivalent amount from the CWSRF program to the Drinking Water SRF program.

During FY 2014, Oklahoma may determine it is necessary to transfer funds between the two programs in order to assure adequate capacity to meet funding demands. If the entire unused reserved amount of transfer authority is transferred from the CWSRF to the DWSRF during FY 2014, the following impacts on the CWSRF are expected:

1. The transfer of funds is not anticipated to impair the OWRB's ability to fund all projects on the FY 2014 CWSRF Project Priority List. The transfer of funds will have no impact on set-aside funds;
2. The long-term impact on the CWSRF may result in a reduction of leveraging capacity, meaning at some future date the OWRB may not have adequate program funds to meet the total demand for CWSRF funding, unless funds are transferred back from the DWSRF.

With this IUP, OWRB requests the ability to transfer funds as necessary between the CWSRF and DWSRF programs during FY 2014. The approval of the IUP will constitute approval of the transfer request. OWRB understands that funds transferred between programs during FY 2014 or in future years may not be available for return to the SRF fund of origin if a permanent extension of transfer authority is not granted.



CROSS-COLLATERALIZATION OF THE CWSRF AND DWSRF REVENUE BOND STRUCTURE

The Master Trust Agreement dated as of October 1, 2003, provides a bond structure that allows for cross-collateralization of the CWSRF and the DWSRF in order to provide additional bond security and ratings enhancement for both programs. With cross-collateralization, excess CWSRF revenues (revenues pledged to repayment of CWSRF bonds over and above what is needed to make actual debt service payments) would be available to cure any DWSRF bond payment default or reserve fund deficiency (Appendix D). Likewise, excess DWSRF revenues would be available to cure any CWSRF bond payment default or reserve fund deficiency. Pursuant to federal regulations, cross-collateralization support cannot extend to debt specifically issued for the purpose of providing state matching funds.

The Master Trust Agreement provides adequate safeguards to ensure that future CWSRF or DWSRF bond issues will comply with this limitation. Revenues pledged to the repayment of CWSRF bonds include: principal and

interest payments received on local loans made from proceeds of the bond issue and from other CWSRF program loans; and investment earnings on funds and accounts within the bond indenture, including a reserve fund comprised of CWSRF program assets (cash). The Master Trust Agreement and each series bond indenture require that revenues be pledged sufficient to cover the debt service requirement for each payment date at least 1.1 times. Accordingly, a cash flow surplus is anticipated for each period absent a borrower default on a local loan. This surplus flows through a Deficiency Fund in the Master Trust Agreement that makes the surplus available to other series of CWSRF and DWSRF bonds.

The order of priority for surplus CWSRF pledged revenues is:

1. Other CWSRF bond issue debt service payment deficiencies;
2. Any DWSRF bond issue debt service payment deficiencies (but not DWSRF state match bonds);
3. Other CWSRF bond issue reserve fund deficiencies;

4. Any DWSRF bond issue reserve fund deficiencies (but not DWSRF unrestricted reserve funds that secure DWSRF state match bonds);
5. To replenish and repay the DWSRF for any surplus DWSRF pledged revenues that were previously utilized to cure a CWSRF bond issue debt service or reserve fund deficiency;
6. All remaining funds are released back to the CWSRF Loan Account.

The order of priority for surplus DWSRF pledged revenues is similarly structured, as such any surplus CWSRF pledged revenues that are utilized to cure a DWSRF bond issue debt service or reserve fund deficiency will ultimately be repaid to the CWSRF through operation of the Master Trust Agreement.

INVESTMENT AUTHORITY BETWEEN CLEAN WATER AND DRINKING WATER SRF

Special permission was received from the EPA, in accordance with the Federal Water Quality Act of 1987, to invest in the DWSRF a portion of the CWSRF.

The possible investment would include funds from second round principal repayments and investment earnings that are currently being held by the Oklahoma State Treasurer. The funds would be replenished with proceeds from a DWSRF bond issue as soon as enough DWSRF loans have originated that in the aggregate total a desired bond issue size. During FY 2013, Oklahoma may request an investment of funds in order to assure adequate capacity to meet funding demands for the DWSRF program.

The funds are restricted by several EPA provisions including:

- The indebtedness may be in the form of a loan or bond purchase and will not exceed three years in duration.
- The amount will not exceed a \$12 million balance at any time.
- The interest rate will be equivalent to the interest that would have been earned had OWRB invested in traditional institutions.
- OWRB will provide results of their DWSRF investment in the Annual Reports.
- EPA will be informed of the total outstanding balance and informed of the terms each time an indebtedness instrument is signed.
- OWRB deems it to be in the best interest of Oklahoma to fully meet funding demands of the DWSRF.

Therefore, staff requested and was granted special permission from the EPA for this investment in order to provide an efficient and economical interim financing alternative to serve our borrowers.

ADMINISTRATIVE COST OF THE CLEAN WATER SRF

To administer the program, the OWRB utilizes funds from the banked 4% set-aside from the federal capitalization grant, as authorized by the Clean Water Act Amendments of 1987, along with an annual loan administration fee equal to 0.5% on unpaid loan balances. The annual loan administration fee and the initial application fee, are deposited into the Administrative Fund, held outside the CWSRF, and are used solely for the purpose of administering the CWSRF, including long-term loan servicing and other authorized purposes. The FY 2014 program administrative budget is expected to be \$1.9 million, with an estimated \$200,000 from the 4% set-aside fund from awarded capitalization grants and \$1.7 million from the Administrative Fund. The OWRB reserves the authority to bank 4% set-asides from the FY 2013 and future capitalization grants.



Proposed CWSRF Projects for FY 2014

(Clean Water Act Section 212 Wastewater Systems and 319 Non-point Source Pollution Control Activities)

For FY 2014, the OWRB has received requests for 16 wastewater construction and/or non-point source pollution runoff control projects totaling over \$148.8 million. Appendix A provides a listing of these fundable and planning/contingency projects, along with effluent discharge requirements, EPA “needs category,” target approval dates, and construction start and end dates; pursuant to CWA Section 606(c)(3). This plan may be amended if the financing strategy changes or additional projects are identified.

Projects shall conform to a state-approved 208 Water Quality Management Plan or 319 Non-point Source (NPS) Management Plan to be considered for funding. Based on initial environmental reviews no proposed projects are anticipated to require a formal Environmental Impact Statement study. Appendix C, Chart 4, provides projected environmental benefits of proposed projects based on project type, water quality restoration, and water quality protection factors.

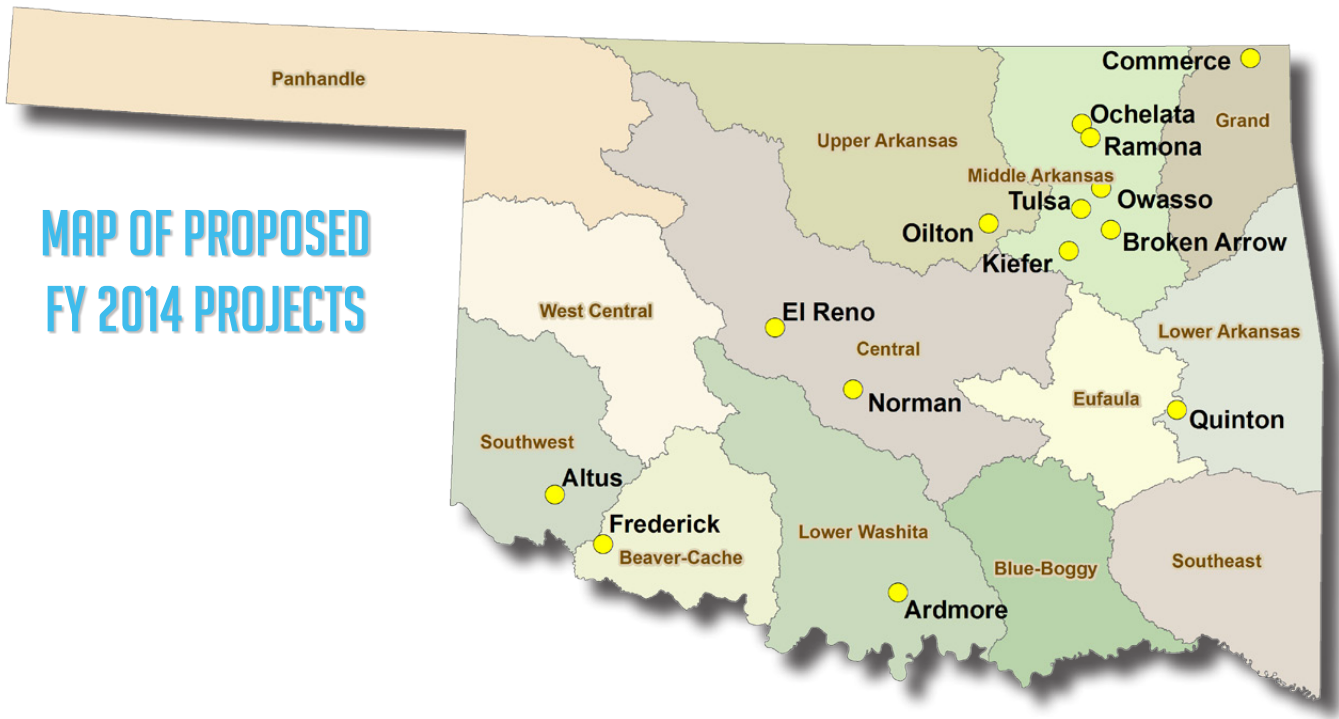
Appendix C, Chart 2, entitled “Select Binding Commitments with Respect to Federal Payments,” identifies projects that meet the requirements of the capitalization grant, including federal crosscutting laws and authorities. These projects may receive loan funds from capitalization grant monies, state matching funds, CWSRF bonds, interest and investment earnings, and monies repaid to the fund by previous borrowers, called “2nd round monies.” Proposed loans not listed on Appendix C, Chart 2, generally do not receive capitalization grant monies, but instead receive 2nd round funds or leveraged funds.

In the event that projects identified for funding in the IUP are unable to proceed during the current funding year, delayed projects may be bypassed so that other projects, which are ready to proceed to construction, may be funded based on their priority ranking.

SOURCES AND COMMITMENTS OF FUNDS DURING FY 2014

Appendix C, Chart 3 identifies sources and commitments of all CWSRF funds. It is anticipated that approximately \$242 million will be available during FY 2014. Approximately \$276.9 million in fund commitments have been identified, leaving approximately \$34.8 million in wastewater infrastructure funding needs.

The OWRB anticipates that all new loans will be funded, as funds are available, from the revolving fund, bond proceeds, capitalization grants, loan repayments, interest earnings, or release of reserve funds. Under the OWRB’s financing strategy, new loans that are funded from cash reserves may be reimbursed with proceeds from the Series 2013 or future bond issues. A reimbursement resolution detailing the loans which would be available to be refunded back to the OWRB from the proceeds of future bond issues will be approved by the Board in advance of the issue.



PUBLIC REVIEW AND FUTURE IUP AMENDMENTS

The OWRB has met the requirements under Section 1452(b)(1) of the SDWA through the public review and comments process. A public meeting to review the FY 2014 CWSRF Draft Intended Use Plan and Project Priority List was held June 4, 2013. A public notice through a press release was issued on April 29, 2012 to print media statewide via The Oklahoman (see

Appendix D). The Draft FY 2014 IUP and Project Priority List was made available on OWRB’s website at www.owrb.ok.gov/cwsrf prior to the public notice. Additionally, notice was distributed to public wastewater authorities currently listed on the IUP, state and federal agencies, and other stakeholders on April 29, 2012 via mail and electronic mail. The public comment period was held open through June 7, 2013.

Future changes in the IUP may be required and shall be made in accordance with procedures provided in 40 CFR Part 35, Subpart K, and the OWRB CWSRF Regulations. Minor revisions to this plan, required for administrative purposes for example, shall be made by the OWRB without public notice and will be reported to EPA in the OWRB Financial Assistance Division’s CWSRF 2014 Annual Report.



Proposed CWSRF Projects for FY 2014

Fiscal Year 2014 OCWSRF Program Project Priority List

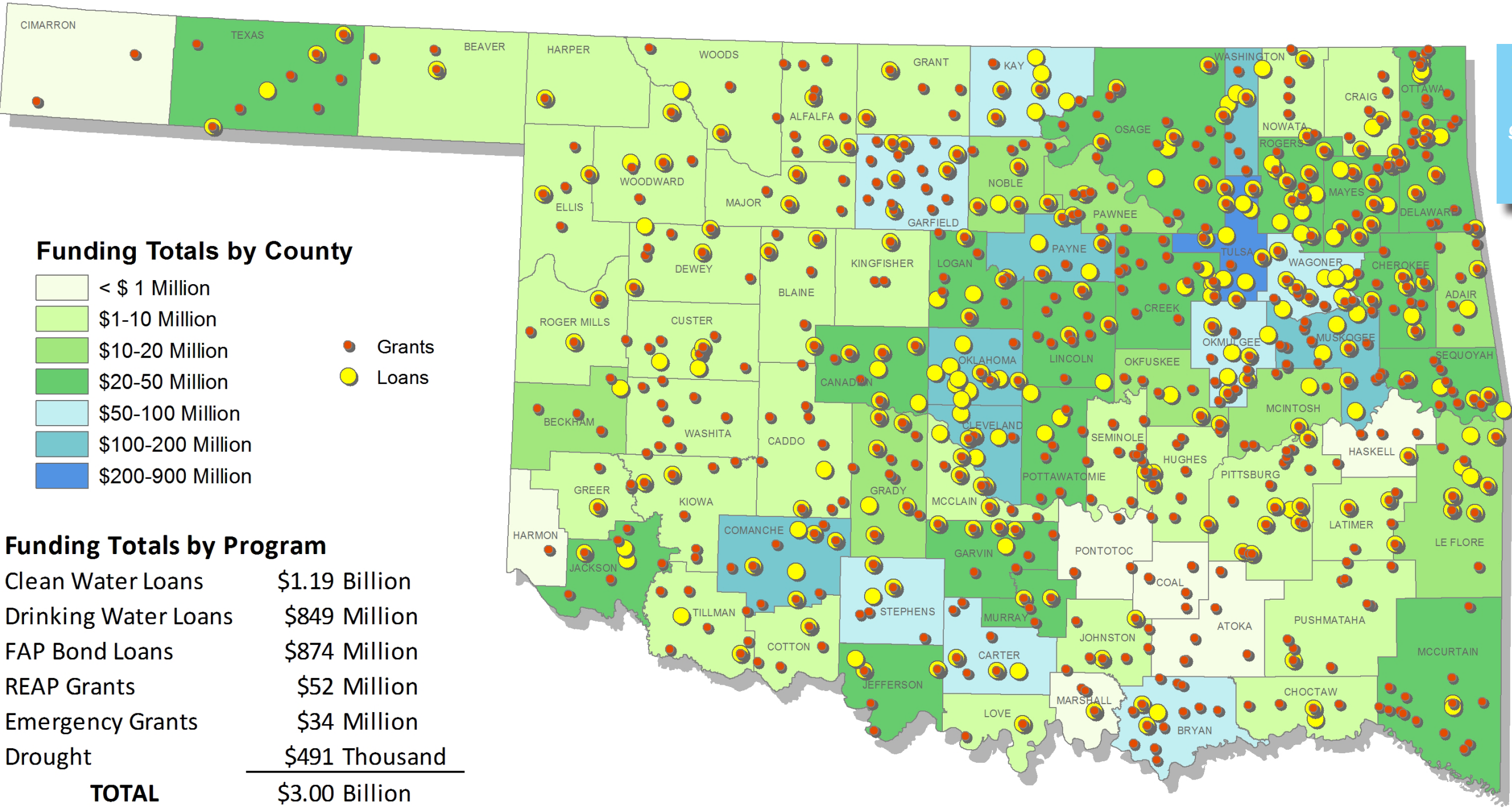
Name	Project No.	Target B.C. Date	Priority List Amount (\$)	Project Description
Ramona PWA	ORF-13-0007-CW	07/16/13	\$1,239,050	New land application system to correct for discharge violations (Cat. I & IIIB)
Commerce DA	ORF-13-0002-CW	10/15/13	\$900,000	Secondary lagoon expansion with new land application system to meet discharge requirements as outlined in ODEQ CO#08-299 (Cat. II)
Owasso PWA	ORF-13-0005-CW	07/16/13	\$5,000,000	Ranch creek interceptor relief line replacement to accommodate for inflow and infiltration (Cat. IIIA & IIIB)
Oilton PWA	ORF-13-0012-CW	07/16/13	\$2,767,058	Rehabilitation to existing lagoons and construction of new lagoon (Cat. I)
Ochelata UA	ORF-13-0008-CW	07/16/13	\$1,486,340	New extended aeration WWTP to address ODEQ CO# 05-024 for deficiencies at the existing partial-mix aeration lagoon treatment facility due to more stringent permit limits(Cat. II)
Kiefer PWA	ORF-14-0006-CW	10/15/13	\$660,323	Construct new disinfection unit, new post aeration structure, and lift station improvements (Cat. I)
El Reno MA	ORF-13-0003-CW	09/17/13	\$16,000,000	New 2 MGD mechanical WWTP with solar or wind for partial energy for operation of plant. Project will correct for total retention and land application unpermitted discharges and address ODEQ CO# 07-380(A) (B) (Cat. II)
Tulsa MUA	ORF-14-0002-CW	11/19/13	\$34,791,000	Sanitary sewer and WWTP rehabilitation and improvements and new interceptor (Cat. I, II, IIIA, IIIB, IVA, & IVB)
Altus MA	ORF-14-0007-CW	11/19/13	\$3,000,000	WWTP Improvements including replacement of headworks, new bar screen, new energy saving motors an pumping controls, new clarifier, new effluent disinfection system, and site work (Cat. II)
Frederick PWA	ORF-13-0011-CW	08/20/13	\$7,698,000	Wastewater treatment facilities improvements including lift station upgrades and rehabilitation of existing lagoons to modify them to aerated lagoons with improvements to valving and piping (Cat. I & IIIB)
Ardmore PWA	ORF-14-0009-CW	06/17/14	\$9,000,000	Sanitary sewer rehabilitation and replacement in multiple subbasins based on SSES findings (Cat. IIIA & IIIB)
Norman UA	ORF-14-0005-CW	10/15/13	\$52,000,000	Water Reclamation Facility Improvements including flow metering, rehabilation to primary clarifiers, activated sludge treatment basins, clarifiers, UV disinfection, effluent aeration structure, oufall line, sludge handling and processing improvements, odor control equipment (Cat II & IIIB)
Owasso PWA	ORF-14-0001-CW	05/20/14	\$6,000,000	WWTP Improvements to meet 2015 Wastewater Master Plan including the addition of aeratino basin, final clarifier, replacement of main plant liftstation, and other appurtenances (Cat. II)
Quinton PWA	ORF-13-0016-CW	07/16/13	\$800,000	Refinance construction of 779 linear feet of new 8" gravity sewer line, rehabilitation of 30,338 linear feet of existing 8" gravitiy sewer line, and appurtenances (Cat. IIIB & IVA)
Broken Arrow MA	ORF-12-0012-CW	03/18/14	\$4,000,000	Replacement of existing 27" sanitary sewer interceptor with 36" inch PVC including manholes and appurtenances (Cat. IIIA & IIIB)
Ardmore PWA	ORF-14-0008-CW	02/18/14	\$3,500,000	Sanitary sewer system rehabilitation of the Ardmore Airpark and construction of a new lift station and force main (Cat. IIIB & IVB)
TOTAL			\$148,841,771	

Future of Oklahoma's CWSRF Financing

Over the next 50 years the need for wastewater infrastructure (including nonpoint source pollution control projects) in Oklahoma will be significant, projected to be almost \$44 billion (based on 2010 dollars). With most wastewater projects designed to last approximately 30 years, it is entirely possible that all such infrastructure across the state will have to be replaced at least once within the OCWP's 50-year planning horizon. This is even more likely when considering the needs for upgrades to meet new federal standards as well as the ever increasing demands of a growing population.

The OWRB continues to be committed to provide Oklahoma communities the best assistance possible by providing technical assistance as well as offering low interest rates. OWRB will continue to be committed to provide public outreach to help Oklahoma communities by providing tools so they can make better technical, financial and managerial decisions. Additionally, financing opportunities through the SRF as well as those resulting from the passage of State Question 764 will provide continued funding allowing OWRB to be the source of financing for Oklahoma communities into the next 50 years. We look forward to another outstanding year helping meet Oklahoma's growing infrastructure need!





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