

MEETING OKLAHOMA'S INFRASTRUCTURE NEEDS

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J.D. STRONG
EXECUTIVE DIRECTOR

MARY FALLIN
GOVERNOR



STATE OF OKLAHOMA
WATER RESOURCES BOARD

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 and protective water quality standards, comprehensive infrastructure financing, and improved management of water usage.

We, along with our partners, are putting the final touches on Oklahoma's Comprehensive Water Plan. The final plan will be unveiled at the Governor's Water Conference on October 18 and 19, 2011, then presented to Governor Fallin and the Oklahoma Legislature in early 2012. We are proud of the work completed, especially considering the unprecedented approach of vigorous public input and detailed technical studies. The final draft plan, which is available on our website at www.owrb.ok.gov, identifies the eight recommendations and implementation strategies deserving the utmost priority status. Water and wastewater infrastructure is and will continue to be one of the most critical issues that Oklahoma will be facing in the next 50 years.

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



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 60% of all the financing for Oklahoma's water and wastewater infrastructure needs. To date, we have funded over \$2.5 billion dollars with our loan and grant programs which in turn lead to savings of over \$870 million for Oklahoma communities and rural water districts.

Our staff was extremely busy during FY 2011, 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 16 applications
- Conducted inspections on 33 open projects
- Prepared 15 environmental decisions
- Completed financial review for 15 applications
- Provided financial oversight for 196 open CWSRF loans
- Began implementation of our document imaging system

As we move into FY 2012, 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,

Joe Freeman, Chief
Financial Assistance Division

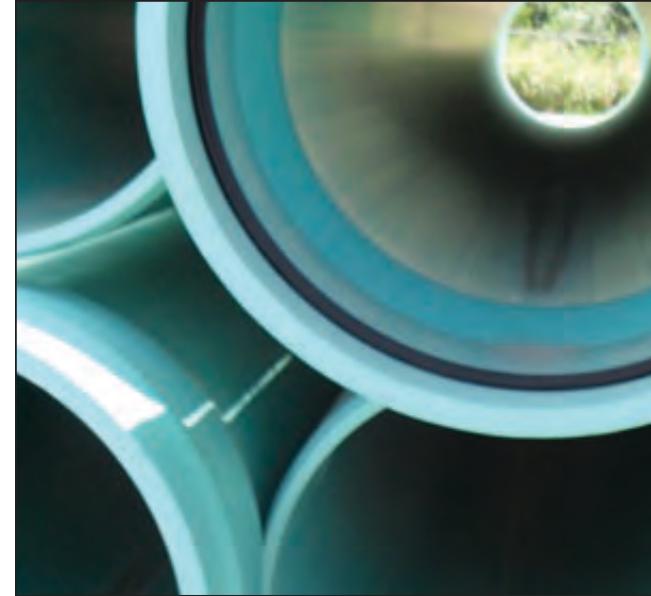
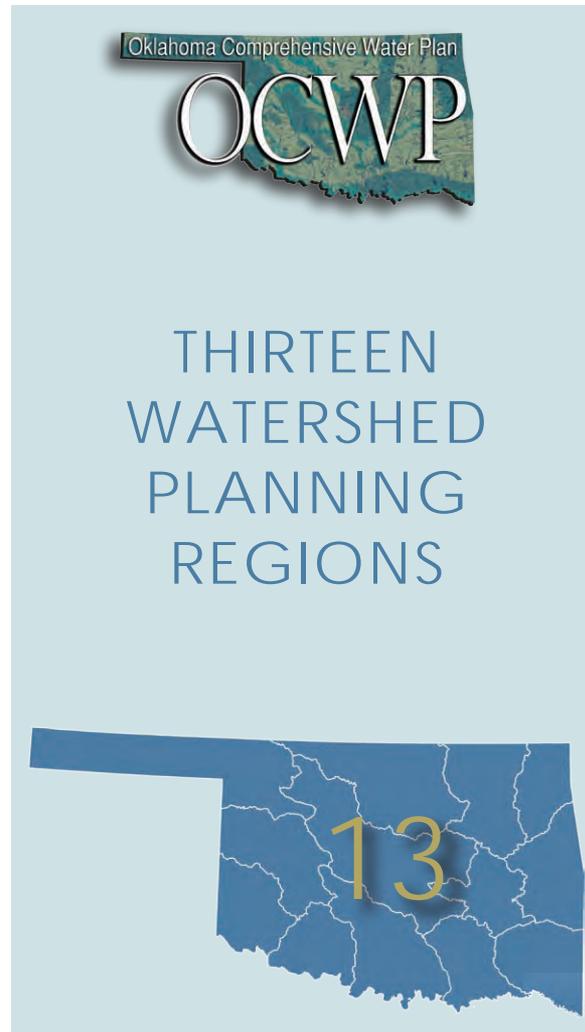


OKLAHOMA'S COMPREHENSIVE WATER PLAN

Water, more than any other element or natural resource, has reached a crucial level of importance to Oklahomans. Water unites us and occasionally divides us. But undeniably, water provides an integral societal benefit. It provides supply for municipal and rural residents alike. It drives the state's agricultural industry: it irrigates wheat, hay, corn, and other crops. It nourishes cattle, sheep, chickens, hogs, horses, and aquaculture operations. It produces oil and gas as well as more conventional industries and mining operations that rely upon withdrawals from surface and groundwater sources. It's counted upon to generate power and sustain countless environmental and recreational uses. With less water or limited access to it, Oklahoma will cease to grow.

It was this recognition, combined with yet another devastating drought in 2006, that provided the impetus for development of the 2012 update of the Oklahoma Comprehensive Water Plan (OCWP), the most detailed and inclusive such effort in the state's history. The initial 1980 and subsequent 1995 plans were responsible for considerable improvements in how surface and groundwater supplies were managed, studied, and protected. The 2012 update takes planning to the next necessary level in its extensive analysis of Oklahoma's water past, present, and future.

However, in recent years, Oklahomans have experienced a clear and distinctive shift in attitudes about water's importance. Citizens have demanded and assumed more responsibility for their surface and groundwaters and, as a result, they desire



direct input into its management and protection. This update was founded upon that premise.

Although Oklahoma is blessed with an abundance of water, many citizens lack access to dependable water sources. This is due to the distance to supplies, insufficient infrastructure or storage, water quality constraints, and many other limiting factors. In many areas, surface water supplies are subject to seasonal fluctuations. Often, supplies are at their lowest when demand is the highest. The ability to store water in reservoirs—integral to surface water availability—can do much to mitigate the impacts of drought episodes and other water emergencies. Groundwater supplies, particularly bedrock aquifers, are less susceptible to seasonal fluctuations, yet concentrated demands or prolonged periods of decreased recharge can temporarily reduce their ability to provide a sufficient supply. Often, complex geologic factors impact a particular aquifer's ability to supply water; the amount of storage, depth to water, and well yields can vary significantly. In relatively shallow alluvial aquifers, both the aquifer and overlying stream are often hydrologically linked, each resource impacting the other.

The Oklahoma Comprehensive Water Plan (OCWP) Water Demand Analysis considered all factors impacting Oklahoma’s water use throughout the next 50 years in 82 planning basins consolidated into 13 Watershed Planning Regions. This analysis predicts that future consumptive demands will put a strain on surface and groundwater supplies in most areas of the state, some much more than others. The OCWP evaluated the impacts of

probability of potential water shortages. A number of planning basins showed significant surface water supply shortages (referred to as “gaps”) and moderate groundwater depletions (where use exceeds aquifer recharge) at various times over the planning horizon. As a result, selected options were evaluated as to their effectiveness in addressing gaps and depletions; a number were found to be potentially effective.



forecasted demands on the physical availability of Oklahoma’s surface and groundwater supplies through 2060. Utilizing a suite of planning tools, the OCWP predicted the amount, timing, and

Water quality, which varies considerably across the state, also has major implications for water users. Utilizing both current and historical data, including an analysis of water quality trends, the

OCWP assessed surface water quality in all 82 basins. Increasing use, coupled with growth and development, will continue to pose water quality challenges, but OCWP information will provide enhanced confidence in the selection of future supply sources.

The availability of water for new permits is also an important consideration when evaluating the future impacts of increased demands. OCWP analyses indicated that limited availability of unpermitted surface water will prevent some basins from meeting forecasted demands. Conversely, groundwater available for permitting is not a concern in any planning basin, despite a general decline in some aquifer levels. The OCWP also evaluated several measures that could be implemented to improve the accuracy of water availability calculations and minimize future conflicts in the administration of water rights and permits.

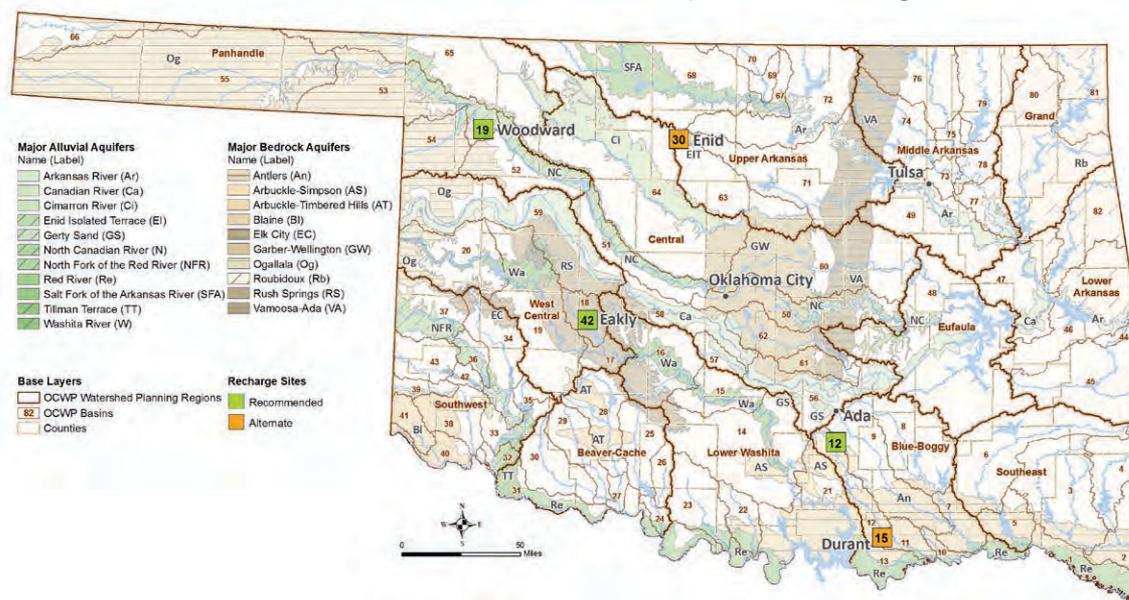
The OCWP has concluded that providing reliable future water supplies to Oklahoma citizens will be seriously jeopardized without adequate funding to address the state’s burgeoning infrastructure requirements. The absence of adequate and compliant drinking water and wastewater systems—even in the presence of abundant, high quality water—can limit economic growth and community

development, impact water quality, threaten human health, increase future costs, and result in the waste and inefficient use of water. The OCWP evaluated future drinking water and wastewater infrastructure costs as well as the financial investments and programmatic changes necessary to address the state's associated future need.

The OCWP also analyzed a number of other variables that might impact the ability of state water supplies to meet future demands. A changing climate could affect both supply and demand, significantly altering the way in which Oklahoma will use its water resources. The future timing, magnitude and location of precipitation events could shift, directly affecting water availability, while temperature variations could impact demand patterns.

As a part of the water supply options analysis, the OCWP assessed opportunities to decrease demands through water conservation practices. Two scenarios were modeled to predict water savings associated with specific conservation measures in the state's largest water use sectors: municipal/industrial and crop irrigation. This analysis revealed promise in alleviating water shortages in most basins throughout the state. Furthermore, these measures make more water available for both consumptive and non-consumptive uses, save energy, delay the need for new infrastructure, and decrease costs to citizens. While conservation practices typically decrease demand or lead to

Recommended and Alternate Aquifer Recharge Sites



more efficient use, a number of options exist to augment water supplies, where feasible, through largely unconventional measures. The OCWP evaluated two such options: artificial aquifer recharge and marginal quality water use. The OCWP identified five sites across the state where recharge demonstration projects could be most feasible. Concerning marginal sources, the OCWP concluded that treated effluent, in particular, showed great promise for a number of uses and could provide supplemental sources of supply to alleviate future shortages.

Recognizing the social and economic value of water used specifically for environmental and recreational purposes, the OCWP investigated a potential instream flow program for Oklahoma, which received considerable interest from the public throughout OCWP development. While questions

remain about its feasibility in all areas of the state, instream flow generally describes the amount of water required and/or set aside in a stream or river to ensure that downstream environmental, social, and economic benefits are satisfied.

To provide additional input and recommendations on particularly important water matters and related economic development concerns, the OCWP commissioned stakeholder groups specifically representing agricultural, climatological, and water quality interests to assess and prioritize future water research, monitoring, and policy requirements. Additionally, those groups provided unique and invaluable expertise in identifying future state program and funding initiatives and priorities.

OKLAHOMA'S COMPREHENSIVE WATER PLAN

Technical Results and Findings for Water and Wastewater Infrastructure

Coupled with policy recommendations, the results of OCWP technical evaluations provide the foundation for detailed local and statewide implementation of water strategies and initiatives. With regard to water and wastewater infrastructure, Oklahoma faces severe challenges related to financing infrastructure improvements. Almost \$38 billion (in 2007 dollars) is required for drinking water and over \$44 billion (in 2010 dollars) for wastewater projects within the next 50 years. The Central Region will have the greatest water infrastructure need. This problem is particularly acute with smaller systems—those serving less than 3,300 people—which account for 46% of the future drinking water infrastructure need and 24% of the future wastewater need. Current state financing programs were determined to be inadequate to address the projected infrastructure crisis.

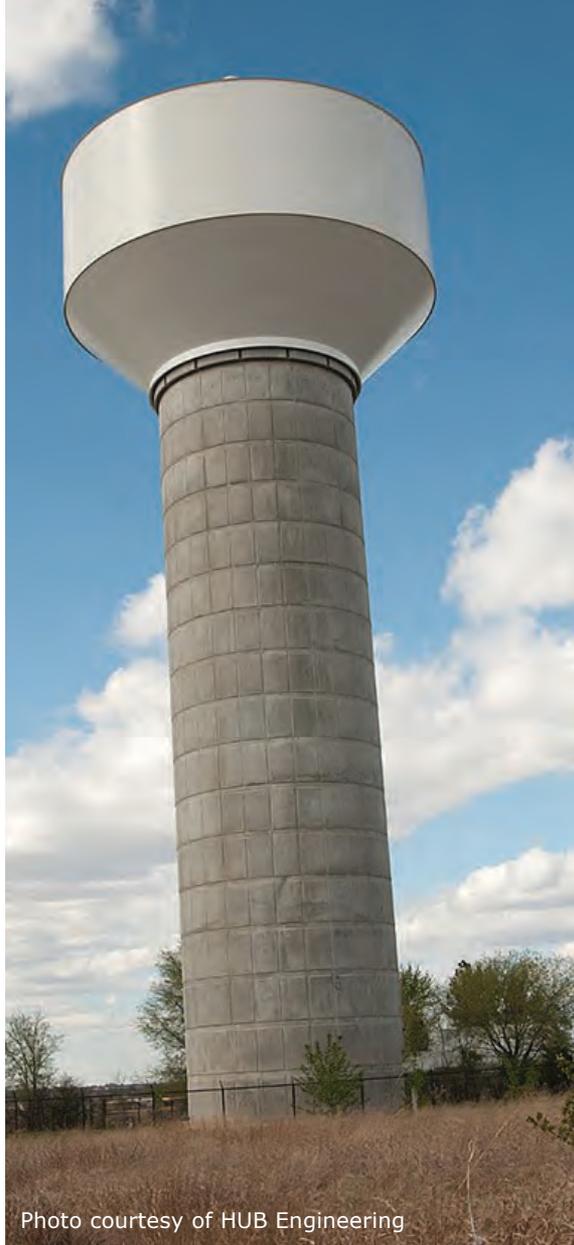


Photo courtesy of HUB Engineering

“ Fixing infrastructure is like going to the dentist. You want preventative care, you don't want it to break.”

– Mark Bruegel,
Manager at Michelin (Ardmore)



ANNUAL REPORT

CWSRF AAA bond rating
Saved Oklahomans
\$318 Million



Introduction

The Oklahoma Water Resources Board (OWRB) hereby submits the Clean Water State Revolving Fund (CWSRF) Annual Report for Fiscal Year 2011 (July 1, 2010 through June 30, 2011). The federal Clean Water Act (CWA) requires the OWRB, as program administrator, to report annual Fund activities.

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 2011 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 fulfills both requirements.

Executive Summary

Since 1990, the OWRB's CWSRF program has committed over \$1 billion in wastewater infrastructure projects throughout the State, providing on average over 60% of Oklahoma's wastewater financing needs. Although enormous progress has been made, much work is still required. Based on the Oklahoma Comprehensive Water Plan, 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 a standalone AAA bond rating. 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 2011 saw another outstanding year for wastewater infrastructure rehabilitation and new construction. Oklahoma's CWSRF committed over \$93.5 million in loans for projects listed on the FY 2011 Priority Funding List. Seven (7) of the FY 2011 binding commitments included green components and therefore are allocated over \$1.95 million in additional subsidization from the FY 2010 Appropriations Act.

Approximately \$143.9 million was available for the CWSRF Program with major sources being revenue bond proceeds, federal grant funds, loan repayments, and investment interest. Disbursements totaling \$118.3 million consisted of \$107.3 million in wastewater construction and refinancing and \$11 million in repayment of Series 2004 revenue bonds, administrative expenses, and trustee bank fees.

FY 2011 Appropriations Act Requirements

The Department of Interior, Environment and Related Agencies Appropriations Act, 2010 was signed into law on October 30, 2009. Guidance was provided to States on April 21, 2010.

Davis Bacon

The FY 2010 Appropriations Bill 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 6 of EPA's April 21, 2010 "Procedures for Implementing Certain Provisions of EPA's Fiscal Year 2011 Appropriations Affecting the Clean Water and Drinking Water State Revolving Fund Programs (Procedures)." The requirements were made available to CWSRF recipients via bidding "pink sheets" as well as on OWRB's website.

Green Project Reserve (GPR)

The FY 2010 Appropriations Bill stated that "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 \$3.29 million to projects which met the GPR requirements.

OWRB utilized the Procedures as issued on April 21, 2010 for determining the eligibility of projects under the GPR. 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 2011 Project Priority List were evaluated to determine if the project could be eligible under the GPR. As of June 30, 2011, seven (7) projects were identified containing green components of more than \$4.28 million. Final business cases and/or justification was made available for public viewing at www.owrb.ok.gov/financing/CWSRFloans.php within the quarter in which the loan was made.

Additional Subsidization

The FY 2010 Appropriations Law (P.L. 111-88) 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 \$2.5 million of the FY 2010 Appropriations was earmarked for additional subsidization under the CWSRF in FY 2011. 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.

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

FY 2010 Appropriations in SFY 2011

Green Project Reserve and Subsidization

	Borrower	Disadvantaged Community Y/N	Total Project Cost	Green Amount	Subsidy	Green Project Description	Green Category	Detailed information available at www.owrb.ok.gov
1	Bixby PWA	N	2,860,000	676,814	435,595.75	Bio-retention Facility	GI	Overview and Justification
2	Okemah UA	Y	2,905,000	234,337	234,337.00	High Efficiency Pumps and Motors	EE	Business Case
3	Okmulgee MA	Y	650,000	650,000	104,095.75	High Efficiency Pumps and Motors	EE	Business Case
4	Pawnee PWA	Y	6,955,000	737,500	500,000.00	High Efficiency Pumps and Motors/Water Reuse	EE/WE	Business Case
5	Fort Gibson UA	Y	1,075,000	1,075,000	153,595.75	High Efficiency Fine Bubble Diffusers	EE	Overview and Justification
6	Inola PWA	Y	2,000,000	680,600	306,595.75	Design Modification to Save Energy Costs	EE	Business Case
7	Yale WST	Y	2,990,000	233,000	233,000.00	High Efficiency Pumps and Motors	EE	Business Case

ANNUAL REPORT

OWRB's Review of Technical, Financial and Managerial Capacity

OWRB has current procedures in place to determine an entity's financial and managerial capability. Initially, 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. To qualify for a loan from OWRB, an entity must meet our minimum debt coverage requirement of 1.25 times. If an Entity does not meet our debt coverage requirement, we notify them and request that they raise rates, pledge additional revenues, and/or decrease expenses to meet the requirement of 1.25 times. A loan is not recommended for approval until the Entity meets OWRB's debt coverage requirement.

Projects considered for funding are also technically reviewed by taking into account all alternatives considered, including advantages and disadvantages and cost effective analysis of each, and the water and energy efficiency of the proposed project. The project design is further reviewed to ensure that it takes into account the entire system or area, and the best practice to meet the objectives or goals of the project.

After loan approval and closing, OWRB collects monthly operating statements to ensure that an Entity is meeting the debt coverage requirement on a monthly basis; annual audits to ensure an Entity is meeting the debt coverage requirement on an annual basis and complying with loan covenants; property, liability, workers compensation, and fidelity bond insurance verifications on an annual basis to ensure an Entity is being properly managed

and insured; and the Entity's water and/or sewer operator's license to ensure the Entity's system is being operated and maintained by a licensed operator.

If an Entity does not meet debt coverage requirements based on annual audits, OWRB sends a letter notifying them of the deficiency and give them 30 days to make the necessary changes to meet the requirement. OWRB continually monitors Entities not meeting debt coverage and contacts them for updates as necessary for progress updates.

Affordability

Thirteen (13) of the 16 projects funded or 81% of the projects funded in FY 2011 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. Only one of the seven projects identified to receive additional subsidy in the form of principal forgiveness for green components was not considered disadvantaged. That project was selected for funding because it was considered by OWRB staff an element within the project which added "livability" within the community, i.e. rain garden in a public space.

Reporting Requirements

The OWRB reported as required on the utilization of funds under the FY 2011 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.



LOAN FUNDING



Photo courtesy of ODEQ

“The Okmulgee Municipal Authority is excited and encouraged to be able to borrow money from the Oklahoma Water Resources Board... The extremely low interest rates and flexibility of these loans are a benefit to all Oklahoma Municipalities. In addition, the professionalism and helpfulness of the staff of the Financial Assistance Division at OWRB is exceptional and highly appreciated by all those who encounter them. It is rare in today’s world to encounter governmental employees who are genuinely concerned with helping their customers.”

- Bob Baxter, City Manager
(Okmulgee)

Project Activity

Sixteen (16) Oklahoma entities received binding commitments totaling \$93.5 million during FY 2011 for eligible projects including construction of new treatment and collection systems, rehabilitation of existing facilities, and green infrastructure.

The FY 2011 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 in place to protect Oklahoma’s surface and ground waters and in some locations, improve the quality of priority rivers and lakes identified as threatened or impaired.

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). With a fixed,

40%-below-market interest rate, Additional GPR subsidization, and a payback period of up to 30 years, these communities are expected to save more than \$72 million in capital expenditures for their essential wastewater infrastructure over the life of the loans. In FY 2011 OWRB funded six (6) large communities and nine (9) small community CWSRF loans.

In order to make the project information presented within this document consistent with the OCWP, binding commitments approved within FY 2011 are presented within this report by the OCWP Watershed Planning Region in which they are located.

YOUR FINANCIAL ASSISTANCE DIVISION FOR FY2011



Back Row: Simeon Stoitzev; Tony Mensah; Laura Oak; Shelly Bacon; Claressa Bailey; Angela Thompson; Justin Hodge; Kate Burum; Anita Ray; Kathy Koon; Matt Cogburn

Front Row: Daniel Hughes; Tamara Griffin; Jennifer Wasinger (Asst. Chief); Sonia Mock; Byju Sudhakaran; Vivek Rajaraman; Joe Freeman (Chief); Barry Fogerty

Not Pictured: Johnny Barron; Lenora James; and Robert Lindenberger

CENTRAL REGION



FAIRVIEW UTILITIES AUTHORITY

ORF-10-0009-CW

Loan Amount: \$1,980,000.00

Percent Complete: 65%

Fairview Utilities Authority, Major County, owns and operates a wastewater treatment system that serves approximately 2,680 people. The Authority has received a Notice of Violation (NOV) from the Oklahoma Department of Environmental Quality (ODEQ) for excessive erosion of the dikes of their wastewater treatment lagoons. In order to solve their problem, the Authority proposed to rehabilitate their lagoon system. The project consisted of reshaping the dikes, installation of rip rap along the dikes, installing a bentonite seal on the lagoon bottom, replacement of irrigation and transfer pumps, miscellaneous piping, and all related construction and appurtenances.

GUTHRIE PUBLIC WORKS AUTHORITY

ORF-10-0008-CW

Loan Amount: \$4,375,000.00

Percent Complete: 50%

The City of Guthrie is located in central Oklahoma in western Logan County. The Guthrie Public Works Authority owns and operates a trickling filter wastewater treatment facility and a collection system including sewer lines, lift stations and manholes. The wastewater treatment plant produces unsatisfactory discharge limits due to increased amount of inflow and infiltration entering the collection system. The project consists of the repair and rehabilitation of approximately 33,333 linear feet of sanitary sewer line, associated service connections, manholes and a comminutor station, and other related appurtenances.



MOORE PUBLIC WORKS AUTHORITY

ORF-10-0012-CW

Loan Amount: \$6,637,000.00

Percent Complete: 45%

The Moore Public Works Authority proposed wastewater system improvements to meet present demands. The project was divided into two phases as described below. This loan will be used to fund part of phase 2.

Phase 1: Storage Basins (financed with Previous FY 2010 CWSRF Loan):

- Construction of two concrete-lined storage basins with approximately 6 million gallons of storage capacity,
- concrete wall separating the basins,
- concrete work for blower pads,
- four 100 hp positive displacement blowers and related air piping,
- valves and controls,
- coarse bubble aeration system installed in the basins,
- yard piping consisting of approximately 1080 LF of 24", 242 LF of 18", 254 LF of 12" and 210 LF of 10" Ductile Iron Pipe (DIP),
- six manholes,
- 24" aluminum sluice gates with stem guides and hand wheel,
- site electrical,
- controls and instrumentation,
- quality assurance and performance testing,
- gravel drive,
- erosion control and seeding,
- fencing,
- hand rail,
- and miscellaneous appurtenances.



Phase 2: New Wastewater Treatment Plant (Financed with combination FY 2010 & FY 2011 CWSRF Loan):

Construction consisting of site work, screening, grit removal and parshall flume, influent lift station, sequential batch reactor (SBR) and effluent flow equalization, aerobic digesters, UV disinfection, effluent pump station, sludge dewatering and disposal facilities, wet weather flow holding pond, yard piping, site electric work, instrumentation and controls, belt filter press, buildings for the wastewater treatment plant, and miscellaneous appurtenances.



CENTRAL REGION



CWSRF Projects 2011

- Traditional
- Green Project Reserve
- Refinance

OKEMAH UTILITIES AUTHORITY

ORF-10-0007-CW

Loan Amount: \$2,565,000.00

Percent Completion: 25%

Green Project

The Okemah Utilities Authority owns and operates a wastewater treatment and collection system that serves the City of Okemah. The City is experiencing sanitary sewer overflows (SSOs) which are caused by an imbalance between collection system capacity and excessive inflow and infiltration into the system. As a result of the SSOs, the City is under an ODEQ Consent Order. To solve this problem the Authority proposed to construct two (2) new flow equalization basins (FEBs), install clay liner on the interior bottom of the FEBs, install synthetic liner on the interior slopes of the FEBs, construct one (1) concrete lined pre-sedimentation basin and replace two (2) storm pumps at the influent pump station, and installation of all related piping, valves, electrical, and construction appurtenances at the City's existing wastewater treatment plant.

OKLAHOMA CITY WATER UTILITIES TRUST

ORF-10-0011-CW

Loan Amount: \$24,926,727.00

The CWSRF Loan will be used to fund several projects within the Oklahoma City Water Utilities Trust Wastewater System.

ST-0116 - South Canadian WWTP Flow Equalization Basin and Various Plant Improvements:

The project consists of the construction of a 2-cell concrete lined FEB with a total capacity of 19 million gallons, water cannons and mechanical aerators, replacement of existing mechanical bar screen, construction of a FEB pump station building with 6,250 GPM submersible pump, SBR improvements including new isolation valve vault and valves, replacement of air piping, and replacement of decant valves, aerobic digester improvements including pump station rehabilitation, air piping replacement, and mono-rail hoist pump removal system, structural repair at filter and backwash basin, installation of influent lift station emergency generator, and any project related construction appurtenances. Project is 65% complete.

ST-0118 - Improvements at the North Canadian Wastewater Treatment Plant:

The project consists of the construction of a new screw lift pump for the influent lift station, installations of a backup lift pump in the influent lift station, replace original screw pumps (sludge return pumps), reconfigure electrical line feeding system, rehab clarifiers, replace diversion influent gates and screw pumps in the grit building, and any project related construction appurtenances. Project is 20% complete.

STROUD UTILITIES AUTHORITY

ORF-10-0015-CW

Loan Amount: \$660,000.00

Percent Complete: 30%

ST-0119 - Improvements at the Witcher Pump Station:

The project consists of the replacement of four pumps installed in 1970, replacement of meters and cooling towers and installation of new VFDs for each pump, new 60-inch valves with a new 400 square feet CMU building to provide operation flexibility and redundancy, and any project related construction appurtenances. Project is 0% complete.

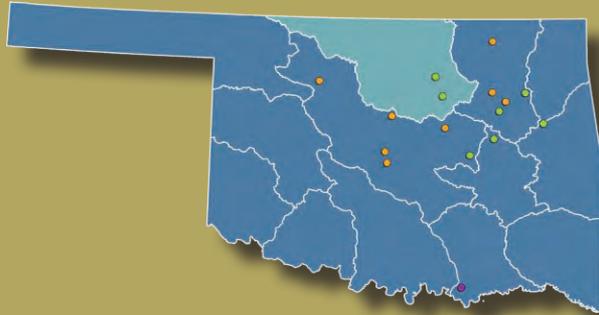
SC-0668 (Phase II) - Chisholm Creek Relief Line (30" and 36") NW 136th to NW 115th East of Western Avenue:

The project consists of all project related construction work including but not limited to: dewatering, trench excavation and backfill for construction of sewer lines, bedding material, construction of manholes and connections, sewer flow control, pavement, storm sewer and water line repairs, riprap work and erosion control, sodding, and all related surveying staking and testing, and any project related construction appurtenances. Project is 75% complete.

The Stroud Utilities Authority, Lincoln County, owns and operates a wastewater treatment system that serves 1,087 customers. The Authority's discharge permit for their south side plant was renewed in September 2009. The new permit includes a seasonal discharge limit for fecal coliforms and total residual chlorine. In order to meet the new discharge limits, the Authority is proposing to install a chlorination/dechlorination facility. The project consists of constructing this facility, as well as a new pump station at the north wastewater treatment plant, a new SCADA system, and all related construction and appurtenances.



UPPER ARKANSAS REGION



CWSRF Projects 2011

- Traditional
- Green Project Reserve
- Refinance

PAWNEE PUBLIC WORKS AUTHORITY

ORF-10-0003-CW
 Loan Amount: \$6,955,000.00
 Percent Completion: 70%
 Green Project

Pawnee Public Works Authority, Pawnee County, owns and operates a wastewater treatment system that serves the City of Pawnee. Currently the Authority is under an ODEQ Consent Order for its inability to handle and process inflow and infiltration as well as illegal discharges to Black Bear Creek. The existing wastewater treatment plant is a single vessel system with no redundancy and a maximum capacity of 0.3 million gallons per day (MGD). The system was averaging 0.27 MGD daily flows to 0.75 MGD during peak events. The Authority proposed to resolve their problem by constructing a new 0.50 MGD Sequencing Batch Reactor (SBR) treatment plant and a new lift station. The lift station will be constructed to receive flow from the collection system at the existing WWTP.

YALE WATER AND SEWAGE TRUST

ORF-11-0001-CW
 Loan Amount: \$2,990,000.00
 Percent Complete: 50%
 Green Project

The Yale Water and Sewage Trust owns and operates a water and wastewater system. The Entity requested funding to upgrade and rehabilitate the existing wastewater treatment plant and pay related costs of issuance. The project includes construction of an influent lift station and new headworks, FEB improvements, rehabilitation of the existing aeration basin and clarifier, construction of a second clarifier, improvements to the chlorination and de-chlorination feed systems, installation of SCADA and telemetry systems, and other related construction items and appurtenances.



“Job creation, whether direct or indirect, is going to be very important over the next several years. It is always important, but critical in the near future.”

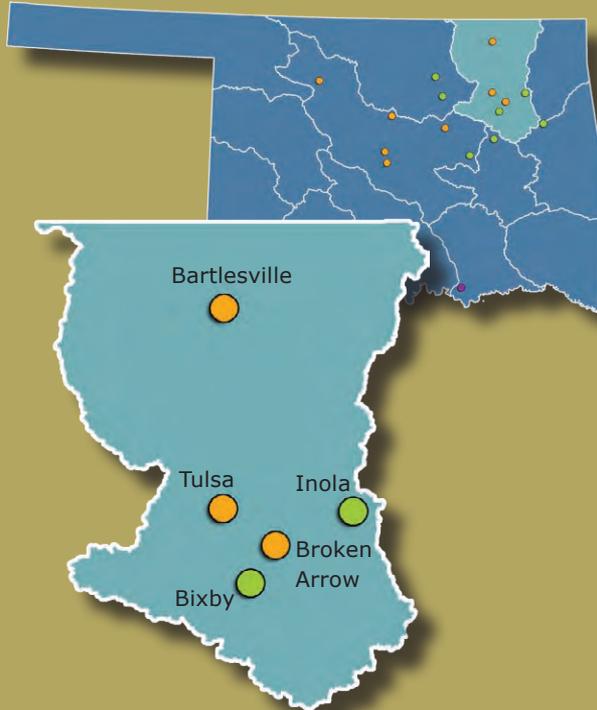
- Thomas K. Badin, Special District Judge (Ardmore)



Photo courtesy of ODEQ



MIDDLE ARKANSAS REGION



CWSRF Projects 2011

- Traditional
- Green Project Reserve
- Refinance

BIXBY PUBLIC WORKS AUTHORITY

ORF-10-0006-CW

Loan Amount: \$2,860,000.00

Percent Completion: 5%

Green Project

Bixby Public Works Authority owns and operates a water and wastewater system. The Entity requested funding for construction of a new 12" gravity interceptor along 148th street, new lift station to handle flow from the 12" interceptor which replaces the Rodeo Grounds lift station, pump replacement and a new generator installation for South Main and Ellard lift stations, installation of a SCADA system to remotely monitor and control eleven lift stations after the consolidation of twenty six lift stations. The project also includes construction of a 148th Street and Riverview roundabout incorporating a rain garden, permeable pavers, and other low impact development (LID) practices to improve the local drainage system.

BROKEN ARROW MUNICIPAL AUTHORITY

ORF-09-0033-CW

Loan Amount: \$5,735,000.00

Percent Completion: 0%

The proposed Clean Water State Revolving Fund loan will be used by the Broken Arrow Municipal Authority to upgrade their wastewater treatment system. Due to recent and projected growth in the area, the Authority proposed to build a lift station and add new sewer lines to their infrastructure. The project consists of a lift station with three 1,850 GPM pumps, 14,550 linear feet of 18" PVC force main and nearly 10,752 linear feet of sanitary sewer line ranging from 8 to 30 inches in diameter.



INOLA PUBLIC WORKS AUTHORITY

ORF-06-0011-CW

Loan Amount: \$2,000,000.00

Percent Complete: 20%

Green Project

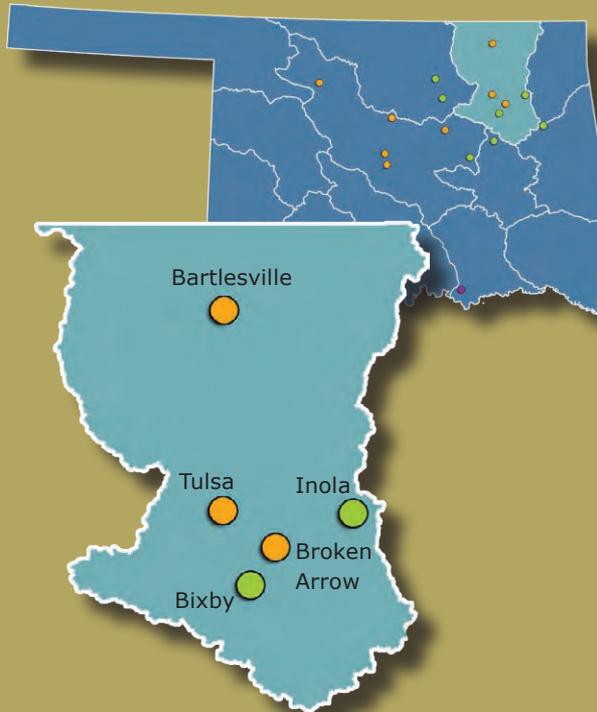
Inola Public Works Authority owns and operates a wastewater treatment system that serves the Town of Inola. The Authority is under an ODEQ Consent Order for violating discharge permit requirements. The Authority proposed to solve this problem by relocating the existing effluent discharge from Pea Creek to the Verdigris River and making improvements to the existing wastewater treatment system. The project consists of construction of a new 425 GPM dual pump lift station, new chlorine contact basin, approximately 33,000 linear feet of 10-inch force main, new outfall effluent wastewater line, lagoon embankment improvements, and other related construction and appurtenances to serve the Town.



“ The Oklahoma Water Resources Board has not only provided the financial backing for critical infrastructure projects, but has also been a technical partner for the City, willing to support alternative approaches to both green and infrastructure objectives. ”

– Jared Cottle, City Engineer
City of Bixby

MIDDLE ARKANSAS REGION



CWSRF Projects 2011

- Traditional
- Green Project Reserve
- Refinance

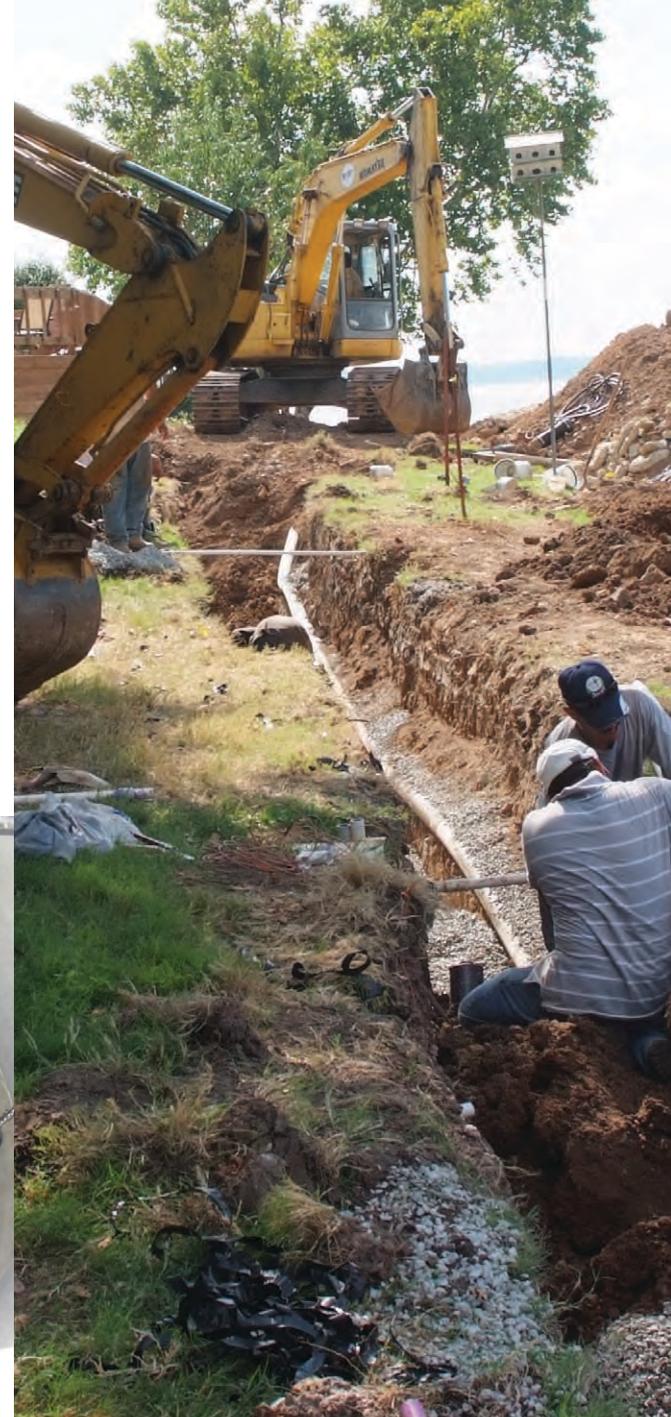
BARTLESVILLE MUNICIPAL AUTHORITY

ORF-10-0004-CW

Loan Amount: \$1,700,000.00

Percent Complete: Withdrawn

Bartlesville Municipal Authority owns and operates a sanitary sewer system, consisting of collection lines and lift stations, that serves a population of approximately 35,250. The collection system consists of about 273 miles of gravity sewer mains that range from 6 through 30-inches in diameter. The collection system has been experiencing a high infiltration and inflow problem due to the age of the pipes. To solve the problem, the Authority conducted a sanitary sewer evaluation survey and identified lines that need replacement or rehabilitation. The project consisted of replacing approximately 11,747 feet of lines ranging in size from 4 to 12 inches, approximately eight manholes, pre-video inspection, and all related necessary construction and appurtenances.



TULSA METROPOLITAN UTILITY AUTHORITY

ORF-11-0003-CW

Loan Amount: \$23,480,000.00

Percent Completion: 0%

The CWSRF loan will be utilized to fund several projects within the Tulsa Metropolitan Utility Authority Wastewater System.

Northside WWTP - Construction, Inspection, and Engineering Costs Funding:

Loan funds will be used to fund construction, inspection, and engineering costs for the NorthSide Wastewater Treatment Plant rehabilitation and improvements. Three separate projects when combined include: rehabilitation of anaerobic digesters 3 and 4, rehabilitation/replacement of digester covers and associated equipment, addition of a nonpotable water system, and chlorine basin and related equipment improvements.

Southside WWTP - Construction and Inspection Costs Funding:

Loan monies will be used to fund construction and inspection costs directly related to the addition of a belt filter press, sludge pumps, and other associated equipment at the Southside Wastewater Treatment Plant.

Northside WWTP, and Citywide WWTP and Lift Station Improvements – Engineering and Inspection Costs Funding:

CWSRF funding will be used for engineering and inspection costs for Northside Wastewater Treatment Plant improvements including: headworks replacement including influent bar screens replacement and including grit processing

modifications, and sludge handling improvements including decant lines for sludge lagoons, de-gritting of vector waste and sludge loading, and rehabilitation of the gravity thickener. Engineering and inspection costs associated with annual citywide wastewater treatment plant rehabilitation projects, as well as citywide mechanical and structural modifications to wastewater lift stations.



EUFAULA REGION

OKMULGEE MUNICIPAL AUTHORITY

ORF-10-0013-CW

Loan Amount: \$650,000.00

Percent Completion: 60%

Green Project

Okmulgee Municipal Authority owns and operates a water and wastewater system that serves the City of Okmulgee. The authority contracted with Honeywell to install ten variable frequency drives (VFDs) in the head works building to serve the existing aerator motors, install five new dissolved oxygen transmitters, and program the existing programmable logic controller (PLC). The PLC will be programmed such that the aerators slow down or turn off, then turn on again in response to both timing and dissolved oxygen. The installation in this scope of work will meet or exceed existing operating control at the wastewater plant and provide reliable treatment performance and optimum energy efficiency under widely variable operating conditions.



CWSRF Projects 2011

- Traditional
- Green Project Reserve
- Refinance



FORT GIBSON UTILITIES AUTHORITY

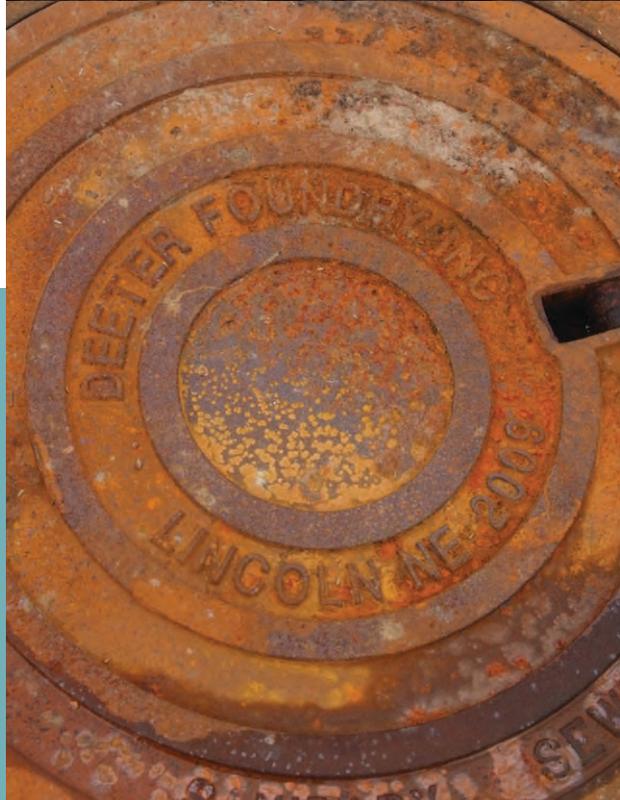
ORF-11-0004-CW

Loan Amount: \$980,000.00

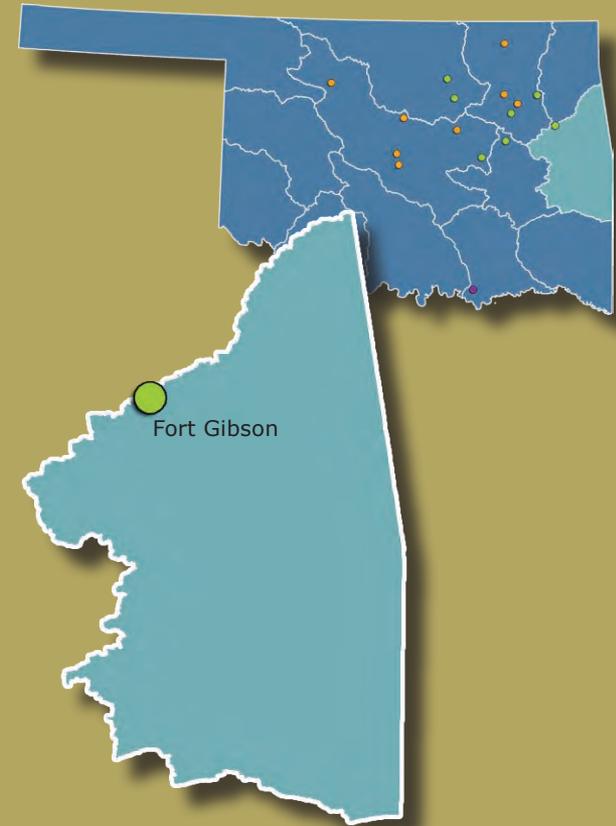
Percent Complete: 10%

Green Project

The Fort Gibson Utilities Authority owns and operates the Fort Gibson Wastewater Treatment Plant. The treatment plant consists of a three cell aerated lagoon system followed by a submerged rock filter. The project consists of replacing high speed surface aerators with a high efficient fine bubble diffused aeration system to effectively treat and discharge the wastewater, and other related construction and appurtenances.



LOWER ARKANSAS REGION



CWSRF Projects 2011

- Traditional
- Green Project Reserve
- Refinance

BLUE-BOGGY REGION



CWSRF Projects 2011

- Traditional
- Green Project Reserve
- Refinance

CALERA PUBLIC WORKS AUTHORITY

ORF-10-0010-CW

Loan Amount: \$4,985,000.00

Percent Complete: 100%

Refinance

The Calera Public Works Authority used the CWSRF loan proceeds, along with other funds, to refinance the Authority's Series 2007 Revenue Bond Issue and related costs of issuance. The Series 2007 Revenue Bond Issue was used to construct a new 0.25 MGD sequential batch reactor/oxidation ditch type wastewater treatment plant to replace the old three-cell lagoon treatment plant, for replacement of an existing lift station, and to construct a new lift station and forcemain to serve a previously unsewered area east of town. The original project was constructed in compliance with CWSRF requirements and the majority of the improvements were necessary to meet an ODEQ Consent Order.





LOAN ADJUSTMENTS FOR FY 2011 BINDING COMMITMENTS

Pawnee Public Works Authority was approved by OWRB for funding in December 2010. An April 2011 funding increase adjustment of \$405,000 to the original binding commitment amount of \$6,550,000 was necessary after bids on the project came in higher than initially estimated.

Yale Water and Sewage Trust was approved by OWRB for funding in the amount of \$2,585,000

in March of 2011. An April 2011 funding increase adjustment of \$405,000 was necessary after bids on the project came in higher than initially estimated.

Bartlesville Municipal Authority was approved by OWRB for funding in July 2010. The Authority later determined that it would be more cost effective to utilize cash on hand to fund the project



Photo courtesy HUB Engineering

INTENDED USE PLAN

Status and Changes

The FY 2011 Intended Use Plan (IUP) was amended five 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, and to include the new FY 2012 appropriation requirements. A public notice was released prior to all amendments and no other projects targeted for funding were impacted.

Total funds of approximately \$132 million were required for the 32 projects included on the fundable portion of the July 2011 IUP.

Amendment I

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

Addition of New Projects - The entities of Moore Public Works Authority, Owasso Public Works Authority, Altus Municipal Authority, Tuttle Public Works Authority, Okmulgee Municipal Authority, Fort Gibson Utility Authority, and Norman Utilities Authority were added to be considered for loan funding.

Removal of Projects - The Muskogee Utilities Authority will use a utility/sales tax note to fund the Coody Creek Interceptor project that was listed on the FY 2010 Fundable Portion on the PPL.

Other changes - Several entities with projects listed on the FY 2011 CWSRF PPL requested changes due to revised project items or construction estimates and/or target project approval dates. With Amendment I, total funds required for projects yet to be funded in FY 2011 equaled \$155,175,479.

Amendment II

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

Addition of New Projects - The entities of Broken Arrow Municipal Authority and Glenpool Utility Service Authority submitted requests to be considered for loan funding.

Removal of Projects - The Piedmont Municipal Authority determined it is necessary to defer the Green Streets Project which was listed on the PPL.

Other changes - Several entities with projects listed on the FY 2011 CWSRF PPL requested changes due to revised project items or construction estimates and/or target project approval dates. With Amendment II, total funds required for projects yet to be funded in FY 2011 equaled \$96,793,479.

Amendment III

GPR Priority List with Additional Subsidization – The OWRB identified seven (7) projects eligible for GPR subsidization.

Addition of New Project - The Tulsa Metropolitan Utility Authority submitted a request to be considered for loan funding.

Other changes - Several entities with projects listed on the FY 2011 CWSRF PPL requested changes due to revised project items or construction estimates and/or target project approval dates. With Amendment III, total funds required for projects yet to be funded in FY 2011 equaled \$65,443,479.

Amendment IV

GPR Priority List with Additional Subsidization – The OWRB identified seven (7) projects eligible for GPR subsidization.

FY 2011 Capitalization Grant Partial Award – OWRB received a partial award of \$3,271,860 (\$2,726,550 federal and \$545,310 match) for the FY 2011 Capitalization Grant on May 3, 2011.

Other changes - The GPR Priority List with Additional Subsidization was modified based on final bid/contract amounts. The final FY 2011 IUP/PPL GPR amount is \$4,287,251 with additional subsidization totaling \$1,955,087.

Amendment V

GPR Priority List with Additional Subsidization – The OWRB has identified seven (7) projects eligible for GPR subsidization.

Other changes - The GPR Priority List with Additional Subsidization was modified based on final available subsidization. The final FY 2011 IUP/PPL GPR amount is \$4,287,251 with additional subsidization totaling \$1,967,220.

INTENDED USE PLAN

Goals and Accomplishments

Goals and objectives provide a road map for activities conducted throughout the year. The FY 11 Intended Use Plan set out eleven (11) short-term and five (5) 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: Twelve (12) of the fifteen (15) projects funded during FY 2011 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 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 ground water quality standards.

STATUS: Once constructed, all funded projects will contribute to the long-term elimination of pollution to surface and ground waters. 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). Fifteen (15) 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 NPS, 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 2000 - 2015. Prior to funding a NPS Project, however, State law requires that the Oklahoma Conservation Commission (OCC) must 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 needed to comply with the NPS Management Program; 3) is designed to prevent, reduce, or halt pollution of the waters of the state; 4) be cost-effective; and 5) be awarded on a costshare basis, as required. As appropriate, OWRB consults with OCC as the lead NPS agency.

4 Meet the needs of current and potential borrowers by developing and implementing a CWSRF Market Strategy based upon the customer satisfaction survey conducted in FY 2007.

STATUS: Although the vast majority of the feedback to the surveys was positive, the OWRB Financial Assistance Division identified four key areas of improvement: outreach, financing strategies, application assistance, and program efficiencies. Projects relating to these four focus areas have been identified and assigned. Each project varies in length from one to three years and has been incorporated into the Division's marketing goals and objectives, which are reviewed and evaluated on an ongoing basis.

To address the communities' need for further assistance in developing the CWSRF application, OWRB developed a project entitled the "Application Assistance Program." This program was vital to ensuring projects were able to meet the expeditious requirements under ARRA. The purpose of the program is to implement individual training or pre-application meetings for applicants when needed. An environmental specialist, a financial analyst, and an engineer will visit an applicant and review the loan process in detail. The team members then follow up with the applicant on a monthly basis to determine if they need further guidance.

5 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: Sixty percent (60%) of FY 2011 binding commitments for long-term, low-interest loans were made to Oklahoma's small communities, totaling approximately \$27.5 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.

6 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

7 Gain approval of applications for the FY 2011 CWSRF capitalization grant appropriations and have grant funds awarded within the 2nd quarter FFY 2011.

STATUS: The FY 2010 CWSRF capitalization grant was awarded on September 23, 2010. FY 2011 CWSRF capitalization grant was awarded on May 3, 2011 with a budget/project period beginning on July 1, 2011.

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

STATUS: During FY 2011, \$5.9 million in state match monies for the 2010 and 2011 capitalization grants were provided by the Series 2011A Revenue Bond Issue. Based on a detailed projected cash flow of the Bond Issue provided by First Southwest, the Board's Financial Advisor, the state match debt was structured to coincide with the repayment of the bonds. To ensure adequate coverage, the intention was for total income to be slightly in excess of debt service. 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 as well as the additional flexibility to transfer CW funds to the DW Program when necessary.

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.

9 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 \$29.9 million. It is anticipated that an additional \$9.3 million will be available through the FY 11 DWSRF Capitalization Grant.

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

STATUS: The FY 2011A Bond Issue was closed on April 13, 2011 in the amount of \$85 million.

11 Solicit projects that address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities.

STATUS: OWRB's open solicitation resulted in the identification of seven (7) projects that qualified as green under the Green Project Reserve Guidance. The FY 2010 Appropriations act goal of \$3.2 million was exceeded by almost \$1 million in OWRB approved green components.



Photo courtesy of ODEQ

INTENDED USE PLAN

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 2011 eighty-six percent (86%) 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 2011 IUP, but were not ready to proceed to loan commitments during the year. Many of the projects not funded in FY 2011 have been moved to the FY 2012 IUP and are scheduled to be funded during FY 2012.

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 2011 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 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. Along with providing construction and refinancing loan funds toward this goal, the Board continues to support its CWSRF Water Quality Standards Implementation Plan ("WQS Plan").

CWSRF Water Quality Standards Implementation Plan – As part of a long-term State initiative, the CWSRF maintains a plan detailing how the program supports Oklahoma's WQS. As detailed in the Plan, the primary function of the program is to fund wastewater projects that 1) maintain water quality where beneficial uses are supported; 2) remove threats to water quality where beneficial uses are in danger of not being supported; and 3) restore water quality where beneficial uses are not being supported. Program activities or processes supporting OWQS include project prioritization, planning and environmental document review/ approval, and design and construction review and oversight. Updates to the Plan included the addition of Oklahoma's integrated priority rating system used to rank projects on the basis of environmental benefits, including 1) a water quality protection factor (preventative measures against degradation of high-quality water bodies and waters meeting beneficial uses); 2) a water quality restoration

factor (restorative measures on waters not meeting beneficial uses); 3) project type factor (whether the project will eliminate a documented health threat), and 4) a general readiness to proceed factor.

The rating system works with other state agencies priority water protection plans by the integration of non-point source priority watersheds and other approved water quality remediation plans, TMDLs, or 208 water quality management plans.

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. Opportunities for further identifying priority projects include 1) attending Water Quality Standards rules revision meetings, 2) involvement with Oklahoma's NRCS State Technical Committee, 3) meetings with the OCC and NRCS to identify NPS funding gaps and ODEQ and Oklahoma Corporation Commission to identify stormwater and Brownfields projects, and 4) presenting at annual conferences including but not limited to the Brownfields Conference, Oklahoma Clean Lakes and Watersheds Association, and Natural Resources Management Conference.

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 a Cash Flow Model, which demonstrates perpetuity (see Attachment No. 16 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 2011, 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 a 18% cumulative retained earnings as a percentage of contributed capital (Attachment 9).



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 15 projects, and a decrease in funds to four (4) projects from previous years. Assistance to Section 212 sewer construction and refinancing projects, including adjustments, totaled over \$88.6 million. FY11 binding commitments (excluding interim refinancing loans) reportable to EPA's National Information Management System (NIMS) totaled over \$89.4 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 \$143.9 million. Federal funds are drawn as construction is completed and reimbursement requests are submitted and will continue to be 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 \$118.3 million. A series 2011A Bond Issue closed in the fourth quarter of FY 2011. No funds were used for guarantees. See Attachment 4a and Attachment 14 for additional details.

3 Program Capacity – 30 Year Financing

The OWRB and First Southwest 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 2011 indicates (see Attachment 17), the degradation to overall program capacity, as a result of the extended term financing approved in FY 2011, resulted in a loss of less than 0.5% over a 60 year period.

4 A-133 Audit, Compliance and Financial Audits

Arledge & Associates Inc., Certified Public Accountants were retained to audit FY 11 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 is included as Attachments 23 and 24. An A-133 Audit was also conducted for SFY 2011 and is included as Attachment 25.

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. Although the CWSRF bonds carry an average interest rate of 4.65%, 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 though maturity with 55 basis points added to compensate for risk. The interest rate is calculated 10 days prior to loan closing and is provided to communities regardless of credit quality. On average our interest rates have stayed

similar to past CWSRF interest rates and have averaged 2.1% - 2.8% range.

This way of calculating interest rates provides an interest rate savings of approximately 2.8% for communities that could obtain the same interest rate as the OWRB. For communities that cannot obtain such a high credit rating, the market interest rate available to them is higher and therefore the 2.8% loan rate offers a greater subsidy in comparison to the market. Subsidies ranged from 1.3% for high investment grade communities to 2.4% for non-investment grade communities as shown in the table. The market rates listed are those that were available at the time the CWSRF bonds were sold. During the two-year period since the bonds were sold when market rates were higher, the subsidy was even larger. If interest rates rise, the size of the subsidy provided will grow.



STATE MATCHING FUNDS

Through FY 2011, Oklahoma received federal capitalization grant awards totaling \$272.5 million, matched in previous years by \$48.5 million in State funds. Attachment 12 lists sources of State match funding for FFY capitalization grants awarded through the Clean Water Act from 1988 through 2010. As a part of the Series 2011 Bond Issue, \$5.9 million in bonds were designated to provide State matching funds to cover the 20% match for anticipated FY 2010 and a portion of the FY 2011 capitalization grants.

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 2011.

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.

New software was purchased at the beginning of early 2011 and the system was designed and configured specifically to accommodate CWSRF files. Document imaging began in early May 2011 with four (4) project files selected by EPA for their mid-year program review. Document retrieval queries were customized for reviewers to easily access the documents they needed. Following this successful pilot system roll out, imaging other existing CWSRF files was initiated as well as all incoming and outgoing new documents.

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.



RULES CHANGES

Title 785 of the Oklahoma Administrative Code, Chapter 50 Subsection 9 contains regulations for Oklahoma's CWSRF Program. Changes were made during SFY 2011 to provide clarification and minor revisions related to EPA's NEPA process. The changes were approved by the Oklahoma Legislature and became effective on July 1, 2011.

"Without the availability of CWSRF low interest funding, Oklahoma Communities will find it more expensive or even unable to fund these infrastructure improvements. OWRB has helped many municipalities in Oklahoma qualify for the low interest loan program. More specifically, it has enabled the City of Moore to begin construction on the \$50 million Wastewater Treatment Plant (WWTP) that will better serve the existing customers, allow the City to handle the new growth they have been experiencing, and protect the Water Quality Standards in the Canadian River system. The experienced staff at the OWRB are knowledgeable, easy to work with, and are most helpful in making the new WWTP a reality for the Community of Moore as well other communities in Oklahoma."

- Satish Dasharathy, P.E., Eagle Consultants, Inc.



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 2011.

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 2011, 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 Spring and Fall Conferences
- Oklahoma Municipal League Water Summit
- Oklahoma Rural Water Association Convention
- Governor's Water Conference
- Water Day at the Capitol
- Drug Free Workplace
- Fact Meeting (Qtrly)
- Council of Infrastructure Financing Authorities Fall and Spring Conferences
- EPA/State Workgroup Meetings (Fall/Spring)
- ArcGIS Demo

- Municipal Stormwater Management Conference
- ASDO Conference
- Construction Training Seminar at OU
- Various "Green" Webinars
- FACT Water and Wastewater Engineers Conference
- 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

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).

PROVISIONS OF THE OPERATING AGREEMENT AND GRANT CONDITIONS

9 State Matching Funds

The OWRB issued \$5.9 million in bonds to provide match for the FFY 2010 and a portion of FFY 2011 capitalization grants.

10 Binding Commitments

By the end of FY 2011, cumulative binding commitments of large- and small-community construction and refinancing of non-CWSRF debt totaled over \$800.8 million, 282% above the minimum required commitments of \$320.6 million as detailed in Attachment 6.

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 Attachment 9.

16 Intended Use Plan (IUP)

OWRB followed Oklahoma Administrative Code Title 785 Chapter 50 in preparing the FY 2011 IUP and subsequent amendments.

17 Capitalization Grant

The FY 2009/2010 CWSRF capitalization grant was awarded on September 23, 2010. FY 2011 CWSRF capitalization grant was awarded on May 3, 2011 with a budget/project period starting 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 2011 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 1 and Table 2 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.

Table 1

Minority Business Enterprise				
FY11 MBE/WBE for Project Procurement (based on 120% of CAP Grant)				
Category	Construction	Equipment	Services	Supplies
GOAL	10.62%	11.48%	16.84%	12.00%
PROCUREMENT AMOUNT	\$1,056,817	\$132,500	\$65,274	\$2,737,049
% ACHIEVED	17.45%	2.19%	1.08%	45.20%

Table 2

Women Owned Business Enterprise				
FY11 MBE/WBE for Project Procurement (based on 120% of CAP Grant)				
Category	Construction	Equipment	Services	Supplies
GOAL	9.01%	13.51%	30.94%	31.00%
PROCUREMENT AMOUNT	\$869,100	\$0	\$65,000	\$1,178,131
% ACHIEVED	14.35%	0.00%	1.07%	19.45%

PROVISIONS OF THE OPERATING AGREEMENT AND GRANT CONDITIONS

27 Environmental Review

The OWRB conducted environmental reviews 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 3. In addition to these environmental decisions, the OWRB initiated several planning and environmental reviews that will result in environmental decisions being issued in FY 2011.

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 26 and 27.

Table 3

CWSRF Environmental Decisions in 2011				
Community	Loan No.	Enforcement Schedule Order	Decision Type	Date
Broken Arrow MA	ORF-09-0033-CW	NO	FNSI/EA	07/13/10
Bartlesville MA	ORF-10-0004-CW	NO	CE	07/13/10
OKC Water Trust	ORF-10-0011-CW	YES	FNSI/EA & CE	10/12/10
Okemah UA	ORF-10-0007-CW	YES	CE	11/09/10
Stroud UA	ORF-10-0015-CW	YES	CE	12/14/10
Pawnee PWA	ORF-10-0003-CW	YES	FNSI/EA	12/14/10
Okmulgee MA	ORF-10-0013-CW	YES	CE	12/14/10
Guthrie PWA	ORF-10-0008-CW	YES	CE	12/14/10
Fairview UA	ORF-10-0009-CW	YES	CE	12/14/10
Inola PWA	ORF-06-0011-CW	YES	FNSI/EA	02/08/11
Bixby PWA	ORF-10-0006-CW	NO	CE	02/08/11
Yale W&ST	ORF-10-0001-CW	YES	CE	03/09/11
Tulsa MUA	ORF-10-0003-CW	YES	CE	04/12/11
Fort Gibson UA	ORF-10-0004-CW	YES	CE	04/12/11

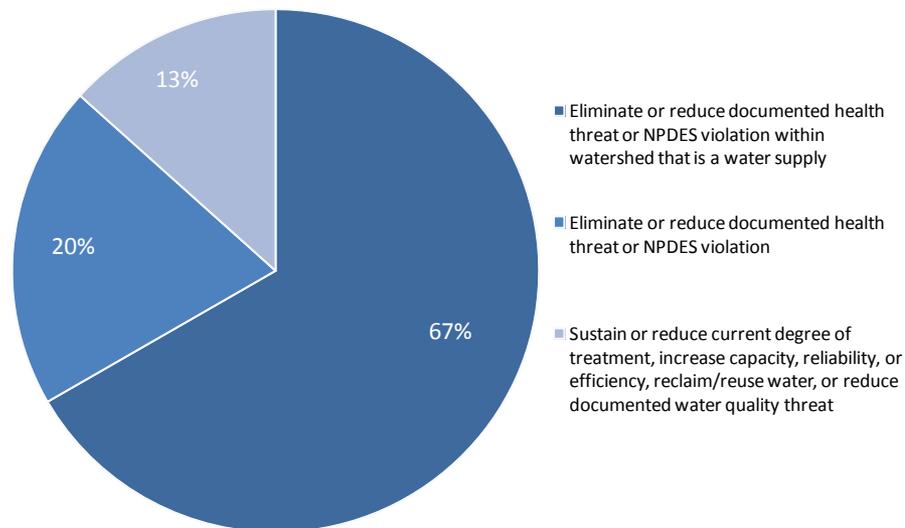
ENVIRONMENTAL BENEFIT AND PERFORMANCE

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 included in Part II of this report.

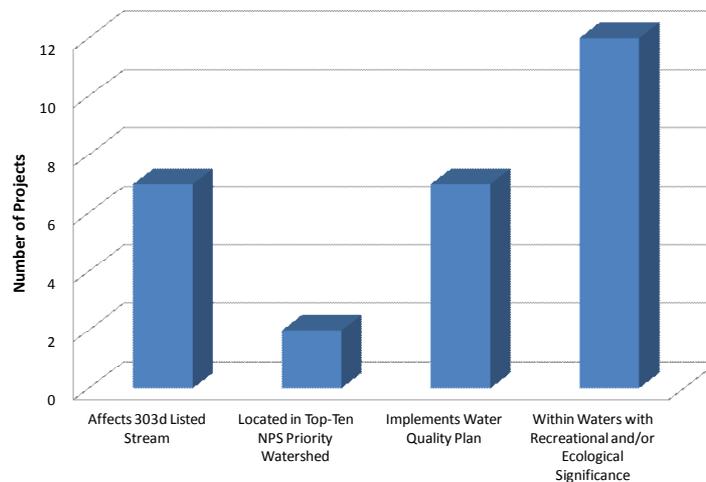
Nine (9) of the 15 projects approved for funding during FY 2011 were proposed as a result of a documented public health threat and/or NPDES discharge permit violation and would fund construction to allow borrowers to come into permit compliance.

Seven (7) projects would 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.

FY 2011 CWSRF Project Environmental Benefits



Water Quality Restoration/Protection Factors



CURRENT 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 2012, 23 communities have made requests for 28 wastewater construction projects, refinancing, and nonpoint source pollution control projects totaling over \$301 million through 2016. 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.

Addressing Oklahoma’s Burgeoning Water and Wastewater Project Need (from OCWP)

To address Oklahoma’s considerable drinking water and wastewater infrastructure need and the inability of current programs to meet that need, the OWRB is coordinating with a team of infrastructure financing professionals to investigate development of a more robust state funding program to meet the state’s projected water and wastewater infrastructure need between now and 2060. Any potential program(s) should include a specific mechanism to address the significant financing requirement of small communities in the state, as well as encourage regionalization of water/wastewater systems, where appropriate.

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 approximately 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, let alone the needs for upgrades and improvements to meet increasingly stringent Federal standards and the demands of a growing population. Existing financing programs will lack the capacity to meet all—or even a significant portion—of that demand.

To ensure that publicly owned water and wastewater systems have the financing opportunities necessary to secure clean and reliable water supplies for current and future generations, Oklahoma must consider at least the following options for addressing this mounting infrastructure need:

- Additional State investments
- Creation of a state-backed credit reserve enhancement program.
- Creation of new or restructured FAP Loan Program
- Creation of a small issuer loan initiative
- Maintain Gross Production Tax revenue for water and wastewater infrastructure.
- Encourage maintaining or increasing Federal SRF funding
- Consider necessity of subsidy reduction
- Working with members of the team of infrastructure financing professionals and the Funding Agency Coordinating Team, develop new methods to encourage regionalization of water and wastewater supply systems.
- Working with the team of infrastructure financing professionals, identify other state funding sources.
- Working with the team of infrastructure financing professionals, explore new alternative funding sources.

Estimated Cost

Table 4

DRINKING WATER INFRASTRUCTURE NEED			
(All shown in Millions of 2007 Dollars)*			
Present to 2020	2021 – 2040	2041 – 2060	Total Period
\$9,682	\$10,688	\$17,531	\$37,901

*Over the next 10 years and based on current leveraging and subsidy levels, the average capital/equity investment reserve needed to meet 60% of the infrastructure demand is \$185.6 million per year. In years 2023 through 2040, no additional contributions are needed due to the revolving nature of the program. An additional \$6.4 million is needed in years 2041 through 2060.

Table 5

WASTEWATER INFRASTRUCTURE NEED			
(All shown in Millions of 2010 Dollars)**			
Present to 2020	2021 – 2040	2041 – 2060	Total Period
\$12,590	\$23,040	\$8,520	\$44,150

**Over the next 10 years and based on current leveraging and subsidy levels, the average capital/equity investment reserve needed to meet 60% of the infrastructure demand is \$290 million per year. In years 2023 through 2040, an additional \$44 million per year is needed. No additional reserve is necessary in 2041 through 2060 due to the revolving nature of the program.

In order to address the future infrastructure need, OWRB will be convening an advisory team of infrastructure financing professionals to investigate potential funding mechanisms to meet drinking water and wastewater project needs. Recommendations from the advisory team will be presented to the OWRB Board for consideration and ultimately to the Oklahoma Legislature.

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 to address their infrastructure needs for this generation and the next 50 years!

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, 2011:

- 27 of the 33 projects had expended 100% of the ARRA subsidized funding amount
- 23 of the 33 projects have all construction contracts completed





Ardmore DWSRF - Photo courtesy of ODEQ





Bartlesville - Photo courtesy of Atlas General Contractors



Acknowledgements

The Financial Assistance Division would like to thank our FY 2011 assistance recipients as well as past recipients for helping making Oklahoma's Clean Water State Revolving Fund Program a success.

Thank you to the FAD staff for their assistance in preparing the report but more importantly for their dedication and hard work of the last year. Special thanks to Owen Mills and James Leewright for their vision with the formatting of this report.