

State of Kansas
Department of Health and Environment
Division of Environment
Bureau of Water

Intended Use Plan
for
The Kansas Water Pollution
Control Revolving Loan
Program

Final State Fiscal Year 2012

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Intended Use Plan

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I. INTRODUCTION

Section 606(c) of the Water Quality Act of 1987 requires the states to prepare an annual plan to identify the intended uses of the capitalization grants and other moneys within the states' revolving funds.

The primary purpose of this Intended Use Plan (IUP) is to identify the intended uses of the Kansas Water Pollution Control Revolving Fund (KWPCRF) FY 2011 and remaining FY 2010 available monies. The secondary purpose of this IUP is to supplement the Kansas Capitalization Grant application with prospective projects and program information.

This Final IUP document also provides information and discusses the recent changes to the Kansas Water Pollution Control Revolving Fund (KWPCRF) as a result of the FFY 2010 and FFY 2011 federal appropriations legislation. The KWPCRF had operated for over two decades as a simple and straight forward low interest loan program to municipalities to finance construction improvements. The recent "economic stimulus" funding efforts through the American Recovery and Reinvestment Act (ARRA) are nearly completed with nearly all ARRA funds paid to projects in Kansas. The FFY 2010 and FFY 2011 federal appropriations laws have provided additional funding to the KWPCRF, while also dictating additional administrative requirements, new deadlines, and new policies to encourage different types of projects to be funded.

FFY 2011 and Remaining FFY 2010 Appropriations

The FFY 2010 federal appropriation provided an additional \$18,391,000 to the KWPCRF, and much of this has been provided as loans to projects. KDHE "reserves the right" to utilize 4% of the 2010 Cap Grant amount, \$735,640, for administration costs, from this or future cap grants. The FFY 2011 federal appropriation has provided an additional \$13,328,000 to the KWPCRF. Again, KDHE "reserves the right" to utilize 4% of the 2011 Cap Grant amount, \$533,120, for administration costs, from this or future cap grants. The appropriations bills require the additional administrative requirements for Davis/Bacon prevailing wages, an emphasis to direct at least 20% of the funds (a minimum of \$2,665,600 from the 2011 Cap Grant) to "green" infrastructure designs, and the requirement to provide an "additional subsidy" (principal forgiveness) when funding new projects. The total amount of principal forgiveness required from the 2011 Cap Grant must be a minimum of \$1,235,051 and cannot exceed a maximum of \$4,116,837. The FFY 2010 and FFY 2011 federal appropriations bills do NOT include the administrative requirements for Buy American or jobs created estimates reporting. EPA has clarified the Davis/Bacon requirements apply to any loan dated after October 30, 2009 (the date the 2010 appropriations law was passed) regardless of the source of funding within the SRF. All new loans will include Davis/Bacon requirements, reference Attachment 4 and Attachment 5 of Appendix E.

Twenty percent of the FFY 2011 allocation, \$2,665,600, will be made available for nonpoint source pollution control "green innovative" projects to help assure an adequate amount of projects are funded to fully meet the EPA "green project reserve" requirement.

KDHE will fund all new “traditional” wastewater project loans funded after October 30, 2009, in the following manner:

- All loans continue to receive an interest rate established in accordance with K.A.R. 28-16-113.
- All loans which are provided to projects that do NOT also receive CDBG grant funding receive an “additional subsidy” through principal forgiveness in the amount of 15% of total loan amount, excluding interest during construction and service fee charges during construction, subject to the availability of the funds from the FFY 2010 and FFY 2011 Cap Grants. The Cap Grants are the only source of funding that can provide principal forgiveness from the KWPCRF loans. If the Cap Grant amounts continue to decline in future years the amount of principal forgiveness to individual projects will also need to be reduced. Any loan that “matches” CDBG grant funding for a project cannot also receive principal forgiveness from the KWPCRF loans.
- Any project providing a “green component” in the design will receive an additional 25% “additional subsidy” through principal forgiveness (40% total for qualifying “green component” costs) for the as-bid construction cost of the “green components” of the design and the pro-rated share of design and construction phase engineering including construction oversight, subject to the availability of the funds from the FFY 2010 and FFY 2011 Cap Grants. The Cap Grants are the only source of funding that can provide principal forgiveness from the KWPCRF loans. If the Cap Grant amounts continue to decline in future years the amount of principal forgiveness to individual projects will also need to be reduced. Any loan that “matches” CDBG grant funding for a project cannot also receive principal forgiveness from the KWPCRF loans.

This IUP is based on a total of \$30M fund amount available for direct loans from the remaining 2010 Capitalization Grant funds, the future 2011 Capitalization Grant, the past sale of State Match and Leveraging Bonds, and excess repayments of loan principal and interest as of May 20, 2011. This includes the upcoming 2011 Capitalization Grant of \$13,328,000. The required State Match of \$2,665,600 has been previously provided and utilized in payments to projects. KDHE has provided the entire \$2,665,600 for the 2011 State Match from the December 2010 bond sale, and has also provided an additional \$3,734,955 from this December 2010 bond sale for State Match to anticipated future Cap Grants. Also, the Kansas Department of Health and Environment (KDHE) continues to receive repayments, with the interest portion dedicated to repay State Match borrowing, the interest and principal repay Leveraging Bond borrowing, and the remaining monies are placed in the Fund and available for new Loans. The total anticipated costs of projects wishing to proceed with KWPCRF low interest loans continues to exceed available monies, therefore, KDHE will plan a future sale of additional State Match and leveraging bonds in the future as the need arises.

In accordance with EPA guidance regarding the application of cash draw proportionality requirements for the Clean Water State Revolving Fund Program, and with reference to the August 26, 2011, EPA memo “Clarification of Cash Draw Rules for Leveraged SRF Programs”, the KWPCRF has provided and disbursed the entire State Match for the FFY 2010 and FFY 2011 Cap Grants. Therefore, as the entire State Match has been disbursed first, the federal funds will be drawn for 100% of an eligible incurred construction cost.

With this Final State Fiscal Year 2012 IUP, KDHE is continuing to pursue the funding of the Non-Point Source Pollution Control Projects. The Master Financing Indenture (MFI) developed in conjunction with the December 2010 bond sale now allows the KWPCRF to provide low interest loan funding to non-governmental borrowers and also to provide principal forgiveness to loan agreements in the normal course of business.

KDHE has employed financial advisors and legal counsel to implement the feasibility of continued “leveraging” in the Kansas Water Pollution Control Revolving Fund. “Leveraging” is the process of marketing revenue bonds for State Match and additional funds beyond the minimum 20% required by EPA, up to as much as the market will bear. KDHE has been successful in marketing Leveraging Revenue Bonds many times in the past and continues to study future opportunities.

Congress continues to debate legislation and revise the SRF program, which may include additional funding for the Clean Water State Revolving fund program. The KWPCRF will receive a Cap Grant of \$13,328,000 from the FFY 2011 appropriation and can expect to receive a Cap Grant of approximately \$6.0M from the FY 2012 appropriation. If additional funding is received, it will first be utilized to fund the additional projects included on the Table I “Contingency List”, and then other projects picked up from the Priority List. Any additional selected projects will be presented in a future Amendment to this Intended Use Plan.

II. LIST OF PROJECTS

With the total projected fund amount currently available for the KWPCRF program of \$30M as of May 20, 2011, KDHE is proposing to assist communities and the administration of the Kansas Water Pollution Control Revolving Fund. Table 1 lists projects selected for funding in the near future which includes many projects carried over from the “Final First Amendment to the Intended Use Plan for the Kansas Water Pollution Control Revolving Loan Program – Final State Fiscal Year 2011 - Updated and Final May 12, 2011.” The projects for Bonner Springs, El Dorado, Johnson County Lake Gardner, and Pittsburg are expected to qualify for Green Project Reserve (GPR) status. Additional Non-Point Source Pollution Control Management Plan projects which qualify for GPR status selected to receive funding will be presented in a future Amendment to this Intended Use Plan. Table I also includes a “Contingency List” of projects that may receive the FFY 2011 funding if chosen projects receive low bid prices or are delayed, and will be first priority for FFY 2012 funding. Projects selected to receive funding from FFY 2012 appropriation will be presented in a future Amendment to this Intended Use Plan or in the future SFY 2013 IUP.

The interest rates on all loans are and will continue to be determined in accordance with K.A.R. 28-16-113. In conformance with the intent of the State Legislation establishing the KWPCRF, I will insure a minimum 10% of the total "Basic Program" and "Leveraging Program" monies will be made available to Municipalities of 5,000 population or less.

In accordance with K.A.R. 28-16-113, the KWPCRF interest rate is set at 60% of the previous three month's average Bond Buyers 20 Year Bond Index. All loans executed after October 30, 2009 excluding any loans that provide match to CDBG grant funding, will receive 15% principal forgiveness based on the total design and construction phase engineering cost and the construction contract amount listed on the bid form of the successful bidder. Additionally any Green component or Green Traditional project funded from available funds in the EPA 2011 capitalization grant will receive 25% principal forgiveness based on the total design and construction phase engineering cost and the construction contract amount of the "green components" listed on the bid form of the successful bidder. For traditional projects that contain Green components but are not considered Green projects in their entirety, principal forgiveness will be based on the cost of the Green component amount listed in the bid form of the successful bidder.

Although any eligible recipient of assistance from the KWPCRF may receive the required additional subsidization from the 2011 capitalization grant, EPA's guidance encourages states to give additional subsidy to systems that could not otherwise afford a KWPCRF loan. These communities are generally referred to as disadvantaged communities.

EPA guidance allows the state wastewater SRF programs to independently develop affordability criteria and define disadvantaged systems. These disadvantaged systems are then eligible for loans with principal forgiveness or negative interest rate loans which would in effect give away a portion of the federal grant. No final affordability criteria guidance have been developed for the KWPCRF program. The KWPCRF is structured to use bond proceeds and excess earnings for funding additional loans and to secure the sale of additional bonds for the KWPCRF.

The total estimated cost for projects listed in Table I for 2010 and 2011 exceeds the available fund projection by 50 percent. This "over listing" approach is used to assure that adequate projects are readily available to proceed to utilize funding available from the KWPCRF. Project readiness will determine the assistance order and if a selected project for 2010 or 2011 funding is delayed an additional project can be funded from the "Contingency List". Also the "Contingency List" represents the initial selection of projects to receive FFY 2012 funding. Please note, in past years the policy was to fund all projects on Table I, and to carry unfunded projects forward onto the next year's IUP. Projects were retained on the IUP until funded by the KWPCRF, funded by another source, or the wastewater treatment issue was otherwise resolved. The number and cost of wastewater improvement projects currently necessary and pursuing KWPCRF low interest loan financing continues to exceed available funding.

The added number of required improvement projects is the direct result of new and more stringent regulatory requirements including the 1992 EPA Part 503 Domestic Sewage Sludge Reuse and Disposal regulations, revisions to the Kansas Surface Water Quality Standards regulations, and also continuing growth and replacement needs. The primary source of new funding for KWPCRF loans is Capitalization Grants from EPA. Placing a project on the IUP is the commitment funds are available to that project, and KDHE is making every effort to meet that commitment.

The projects included on Table I below include many small projects in communities with less than 5,000 population as directed by the enabling state legislation. Funding has not been available for several larger cost projects due to reduced Federal Grants and reduced interest earnings of the KWPCRF. The projects are listed in alphabetical order in Table I, and in Priority Order in Appendix A.

To help assure the EPA requirement for 20% of FFY 2010 funding be provided to projects qualifying for the EPA Green Project Reserve, \$2,568,196 remains set aside to fund Non-Point Source Pollution Control Projects through the BOW Watershed Management Section.

Preliminary review for the proposed projects listed in Table I indicates no need for requiring the preparation of an Environmental Impact Statement (EIS) for any of these projects.

TABLE I
KWPCRL PROJECT FUNDING

Remaining Projects Selected to Receive 2010 Funding

<u>Municipality</u>	<u>Proj. No.</u>	<u>Proj. Desc.</u>	<u>Est. Loan Amt.</u>
1. Bonner Springs	1824 01	Eff. Reuse/WWTP (Potential GPR)	351,000
2. El Dorado	1827 01	Alt. Energy (GPR)	1,967,650
3. Hill City *	1801 01	WWTP Repl. (Green)	4,999,110
4. Independence (SE PS)	1915 01	PS Repl	4,000,000
		Interim Total	\$ 11,317,760

Projects Selected to Receive FFY 2010 Funding for NPS Pollution Control

1. Glacial Hills RC & D Holton	1881 01	Urban Stm. Mgmt.	\$ 164,684
2. Pott. Co.	1860 01	Urban Stm. Mgmt.	535,212

3.	Glacial Hills RC & D Delaware River (Ph 3)	1923 01	Comp. Rip. Rehab.	756,000
4.	Flint Hills RC & D	1921 01	Comp. Rip. Rehab.	779,300
			Interim Total	\$ 2,235,196
			2010 Funding Total	\$13,552,956

Projects Selected to Receive 2011 Funding

1.	Assaria * (Match CDBG)	1903 01	WWTP Impvts.	505,020
2.	Chanute (Match CDBG)	1930 01	Sewer Repl.	392,856
3.	Colony	1939 01	Sewer Rehab.	274,725
4.	Edgerton	1926 01	WWTP & Ints.	12,000,000
5.	Ensign (Match CDBG)	1935 01	Lagoon Rehab	340,705
6.	Grainfield	1931 01	Lagoon Rehab	903,594
7.	Iola (Ph I)	1932 01	PS & Sew Rehab	628,364
8.	Jo. Co. Lone Elm	1900 02	GP & LPS Coll. (GPR)	1,405,000
9.	Jo. Co. Lake Gardner	1920 01	GP & LPS Coll. (GPR)	8,332,000
10.	Leon * (Match CDBG)	1914 01	Sewer Rehab	752,219
11.	Lincolnvilleville (Match CDBG)	1929 01	Lag. & Sew Rehab	245,275
12.	Marion *	1924 01	Sewer Rehab	507,500
13.	Pittsburg	1925 01	Coll. Sys. SCADA (GPR)	250,000
14.	Plains	1936 01	Lagoon Rehab	656,191
15.	Robinson (Match CDBG)	1937 01	Sew. & Lag Rehab	123,938
16.	Valley Falls	1927 01	WWTP Impvts (Green)	500,000

17.	Woodston *	1770 01	WWTP Rehab. (Green)	<u>951,000</u>
			2011 Funding Total	\$28,768,387

Additional projects will be funded from FY 2011 KWPCRF repayments funds to match CDBG applications for wastewater projects as these projects are identified throughout the year.

Projects Selected to Receive FFY 2011 Funding for
NPS Pollution Control - \$2,665,600

Additional Non-Point Source Pollution Control projects will be funded from FFY 2011 federal funds to assure the required 20% of federal funds are provided to EPA Green Project Reserve qualifying designs. Additional projects will be selected throughout the year and presented in a future Amendment to this Intended Use Plan.

2010 and 2011 Funding Total \$44,986,943 **

Funds Available for New Loans as of May 20, 2011 Including 2011 Cap Grant and Funds Available from Repayments \$30 M

* 5000 or Less Population

** \$ 150% of Program Available Funding of \$30.0 M as of May 20, 2011

2011 Contingency List

	<u>Municipality</u>	<u>Proj. No.</u>	<u>Proj. Desc.</u>	<u>Est. Loan Amt.</u>
1.	Alden *	1766 01	PS Repl.	100,000
2.	Arlington *	1771 01	I/I Corr.	300,000
3.	Atchison (Dis)	1787 01	WWTP Impvts.	2,500,000
4.	Baxter Springs * (Match CDBG)	1755 01	WWTP Impvts.	700,000
5.	Bison *	1911 01	WWTP Impvts.	396,055
6.	Coolidge *	1703 01	WWTP Impvts.	400,000
7.	Douglass *	1788 01	I/I Corr.	300,000
8.	Enterprise	1922 01	WWTP	1,000,000
9.	Eudora	1938 01	PS Upgrade	800,000
10.	Fall River	1933 01	Lagoon Rehab	200,000

11.	Goodland *	1383 01	WWTP Impvts.	2,500,000
12.	Hiawatha	1940 01	I/I Corr.	500,000
13.	Horton *	1665 01	WWTP Impvts.	1,727,300
14.	Iola (Ph II)	1932 02	Sewer Rehab	2,023,700
15.	K.C. – CSO (Ph 2)	1596 02	CSO Separation	15,000,000
16.	K.C. Plt #1 (Dis)	1730 01	WWTP Impvts	7,775,000
17.	Leavenworth (Dis)	1729 01	WWTP Impvts.	6,648,000
18.	Liberal	1391 01	WWTP Impvts.	12,000,000
19.	Natoma *	1714 01	WWTP Impvts.	1,100,000
20.	Olathe (H.S. Des.)	1815 01	Design WWTP Rehab	550,000
21.	Ottawa E & NE Ints.	1928 01	Ints.	5,000,000
22.	Rush Center *	1400 01	WWTP Impvts. (Green)	1,671,300
23.	Silver Lake	1934 01	PS Repl.	400,000
24.	Spivey *	1715 01	I/I Corr.	100,000
			Interim Total	\$63,691,355

List of Acronyms and Abbreviations

Proj. No.	- Project Number
Proj. Desc.	- Project Description
Est. Loan Amt.	- Estimated Loan Amount
CDBG	- Community Development Block Grant
WWTP	- Waste Water Treatment Plant
Impvts.	- Improvements
Eff. Reuse	- Effluent Reuse
GPR	- Green Project Reserve, a Federal Policy
Green	- Qualifying for Additional Principal Forgiveness, Under the KDHE policy
PS Repl	- Pump Station Replacement
Sewer Rehab	- Sewer Rehabilitation
GP	- Grinder Pumps
LPS	- Low Pressure Sewers
Ints.	- Interceptors

SCADA	- Supervisory Control And Data Acquisition System
I/I Corr.	- Infiltration/Inflow Correction
Urban Stm. Mgmt.	- Urban Stormwater Management
Comp. Rip. Rehab	- Comprehensive Streambank and Riparian Rehabilitation

The KWPCRF must designate in the Intended Use Plan a project or group of projects equal to the capitalization grant amount that will be required to submit an audit that complies with the Single Audit Act requirements. Any loan that receives funding directly from the FFY 2010 or FFY 2011 capitalization grant will be required to comply with the Single Audit Act requirements.

III. GOALS OF THE STATE REVOLVING FUND

A. Long-term Goals

1. To maintain a self-supporting revolving loan program through the Kansas Water Pollution Control Revolving Fund in order to improve and protect water quality and public health.

Planned Actions: KDHE Staff have routinely reviewed this issue in the past. In the future KDHE in conjunction with KDFA and the legal and financial consultants to the KWPCRF will continue to review the long-term capabilities of the KWPCRF to meet all financial obligations of the leveraged borrowings and also generate adequate service fee revenue to support the program in the future.

2. To establish and manage an effective and efficient State Revolving Fund Program, provided that it's revolving nature is assured in perpetuity.

Planned Actions: KDHE in conjunction with KDFA and the legal and financial consultants to the KWPCRF have always reviewed this issue in the past in conjunction with each leveraging bond issue. These efforts will continue in the future with every leveraging or State Match bond issue.

KDHE in conjunction with the Kansas Department of Administration has contracted for annual independent audits of the KWPCRF, and will continue into perpetuity. The availability of the Independent Auditors Report is scheduled to allow the Audit Report to be included in the Annual Report.

3. To provide the type and amount of assistance most advantageous to local communities consistent with assuring the long-term purchasing power stability of the fund.

Planning Actions: Continue the current program, which has proven to be useful and successful.

4. To continue to fund water quality improvement, sludge handling improvements, and public health protection projects on a priority basis as presented in the Project Priority List.

Planned Actions: Continue the current program, which is proving successful in resolving water quality impairments, improving compliance with EPA Part 503 regulations, and improving the sanitary conditions of Kansas streams.

5. To support implementation of Water Quality improvements plans as presented within the Kansas Water Plan and TMDL plans written by KDHE and approved by EPA.

Planned Actions: The KWPCRF hopes to increase activity to implement Water Quality improvement plans by utilizing the Environmental Initiatives Fund opportunity to fund Non-Point Source pollution control projects. Funding for water pollution reduction projects as recommended by TMDL plans is being accomplished and will continue into the future.

6. To provide funding to non-traditional borrowers for water quality improvement and public health protection projects, including non-point source pollution control projects.

Planned Actions: In the past, the Environmental Initiatives Fund had been established, and utilized to fund projects for the non-traditional borrowers and projects. Also, the EIF was utilized to provide the ARRA funding and a portion of the FFY 2010 funding to projects which allowed principal forgiveness to be provided. The new Master Financing Indenture adopted December 2010 allows non-traditional borrowers to receive loans and allows principal forgiveness in new loans.

B. Short-term Goals

1. To provide financial assistance to water quality improvement projects for discharge to streams and water bodies within "high quality watersheds" consistent with the provisions of the Project Priority System.

Planned Actions: Continue the successful implementation of this goal.

2. To provide financial assistance for sewerage facilities to municipalities with population less than 5,000.

Planned Actions: Continue the successful implementation of this goal.

3. To assure compliance with Water Quality Standards and effluent limitations through encouraging construction of sewerage improvements in support of KDHE Permitting and Enforcement activities.

Planned Actions: Continue the successful implementation of this goal.

4. To encourage municipalities to use the KWPCRF for solving problems related to public health protection, water quality improvement, sludge handling improvements, and wastewater treatment facilities compliance through the construction of sewerage projects.

Planned Actions: Continue the successful implementation of this goal.

5. To assure compliance with domestic sewage sludge reuse criteria and disposal practices through construction of any necessary sludge handling improvements to comply with the 40 CFR Part 503 EPA regulations.

Planned Actions: Continue the successful implementation of this goal.

6. To develop and implement a linked-deposit procedure to fund projects with non-traditional borrowers.

Planned Actions: KDHE will reconsider the efforts necessary to implement this goal, and renew the effort to develop a linked-deposit procedure.

IV. INFORMATION ON ACTIVITIES TO BE SUPPORTED

Information pertinent to each proposed KWPCRF project to be funded is in Appendix A. As detailed in the Capitalization Grant Application, the State of Kansas intends to use 4% of the federal funds for administering the KWPCRF. A projected payment schedule is listed in Appendix B. Appendix C is a Multi-Year Payment Schedule of Actual and Projected Increases in the SRF Automated Clearinghouse. Appendix D is the sources and Uses of Funds Summary, and Appendix H is the Loan Administration Fees summary.

Interest in use of the SRF continues as shown by the number of loan agreements and the list of projects on Table I. The EPA Domestic Sewage Sludge Reuse and Disposal regulations continue to encourage sludge handling improvement projects, typically completed with a comprehensive project for a mechanical wastewater treatment facility. KDHE continues to adopt revisions to the Surface Water Quality Standards regulations, which are requiring major capital outlays for numerous treatment plant improvement projects. The funds available to the KWPCRF could not meet these projected needs, and so KDHE proceeded to both "leverage", or increase the percentage of State funding in the Program by issuing additional revenue bonds, and also review the status and timing of projects to be included in Table I.

KDHE, in conjunction with the Kansas Development Finance Authority (KDFA), conducted extensive financial and legal analysis of the concept of again "leveraging" additional monies for the Kansas SRF Program, i.e. borrowing more than the basic required 20% State Match to the EPA Capitalization Grant. The KWPCRF has sold Leveraging Bonds many times in the past and will sell additional Leveraging Bonds in

the future as the need arises. Even with efforts to maximize leveraging borrowing of the KWPCRF, many larger projects associated with growth cannot be funded by the KWPCRF, and are not included in this IUP.

V. CRITERIA AND METHODS FOR DISTRIBUTING FUNDS

The Kansas Department of Health and Environment has developed a Final FFY 2012 Project Priority Ranking System and a Final FFY 2012 Project Priority List. These documents provide a clear, objective order of ranking for wastewater facilities projects. Appendix E is by reference the Final FFY 2012 Project Priority Ranking System and Appendix F is by reference the Final FFY 2012 Project Priority List.

The funding order of projects may not be identical to the project ranking in the priority list. Projects that will meet the definition of the EPA Green Project Reserve (GPR) are an over-riding factor however the general order of the priority ranking is followed. There are several reasons "lower ranked" projects from the Priority List are included on the IUP. This is primarily due to the requirement up to 10% of monies in the fund must be made available to Cities of less than 5,000 population (Reference Table I projects noted with an *) and the requirement to place 20% of the FFY 2011 funding into EPA GPR designs. Past KDHE policy was to fund all projects on Table I and so any project included on the Final IUP Table I which did not receive funding this fiscal year would typically be carried over to next year's IUP. Table I has been revised to insure timely use of monies, and funding in priority order. All proposed projects are listed in the priority list.

VI. ASSURANCES AND SPECIFIC PROPOSALS

The Kansas Department of Health and Environment provides the necessary assurances and certifications in detail within the Operating Agreement. The Operating Agreement also includes the following requirements reiterated here:

1) 602(a) - Environmental Review

The KDHE will conduct environmental reviews in accordance with K.A.R. 28-16-13 the Kansas Environmental Review Procedure.

2) 602(b)(3) - Binding Commitment

The KDHE will enter into binding commitments equal to at least 120% of each quarterly capitalization grant payment within one year after receipt of the payment.

3) 602(b)(4) - Expeditious and Timely Expenditures

The KDHE will expend all funds in the KWPCRLF in an expeditious and timely manner.

4) 602(b)(5) - First Use for Enforceable Requirements

Funds will first be used to assure maintenance of progress toward compliance with enforceable deadlines, goals and requirements of the Clean Water Act.

5) 602(b)(6) - Compliance with Title II Requirements

EPA has clarified the "Title II Requirements" of Section 602(b)(6) are no longer applicable for loan projects executed after October 1, 1994. There are no projects included in Appendix A that include "Title II Reqmts."

6) Other Federal Requirements (Cross cutters)

EPA has also clarified the Federal "Cross Cutting" authorities (that is, other Federal laws and authorities that apply by their own terms in Federal financial assistance programs) are separate issues. Even though the "Title II Requirements" have now "sunsetting", all projects funded with funds "directly made available by" capitalization grants must also comply with these Federal "Cross Cutting" laws and authorities. These "Cross Cutters" are listed in the October 2003 Cross-Cutting Federal Authorities Handbook.

The KWPCRF project requirements to manage a loan project have been updated. The KWPCRLF "Procurement Procedures" were recently reviewed and revised dated May 3, 2010, and loan projects must continue to comply with the "Cross Cutters" as listed in the October 2003 Cross-Cutting Federal Authorities Handbook, including new DBE regulations, as additional Federal monies has increased the amounts of funds "directly made available by" EPA capitalization grants. Therefore, all projects in this IUP are identified as required to comply with "Cross Cutters". Also, FFY 2011 funded projects must include Davis/Bacon requirements, reference Attachment 4 of Appendix E.

7) Environmental Benefits Reporting

The KDHE will provide Environmental Benefits reporting to EPA by completing the "one-pager" information submittal to the web-based information collection system, and add this spreadsheet as an Appendix to the Annual Report.

8) Cross Collateralization

Between the two Kansas SRF bond resolutions and the new indenture of the Kansas SRF programs, there are two methods for cross-collateralization to provide security for bond issues. The Kansas Public Water Supply Loan Fund (KPWSLF) originally issued bonds through the Kansas Development Finance Authority (KDFA) Bond Resolution No. 106 and the Kansas Water Pollution Control Revolving Loan Fund (KWPCRLF) originally issued bonds through the KDFA Bond Resolution No. 37. In 2006, Kansas Statutes were amended to allow assets of either fund to be used as revenue to secure payment of principal and interest of the corresponding fund.

The actual mechanism for this cross-collateralization is found in Section 805 of the KPWSLF Bond Resolution and Section 709 of the KWPCRF Bond Resolution (excerpted below). The only funds allowed to be used as revenue for the corresponding program are excess revenue as determined after the annual bond principal payment and these funds can only be used by the corresponding program to prevent a leveraged bond default. Furthermore if any

funds are used by the corresponding program they are to be paid back without interest once that program has excess revenues. No debt service coverage levels or reserve accounts from the corresponding program are presented to potential bond holders as security to secure the issue of bonds because there is no guarantee that the other program will be able to provide revenue to the cross-collateralization account or even provide such revenue in a timely manner to prevent a default.

“After all payments and credits required at the time to be made under the provisions of this Section and the preceding Sections, have been made, all moneys remaining in the Principal Account following the final Principal Payment Date in each Fiscal Year shall, subject to the delivery of a Projected Revenue Certificate prepared in accordance with the last sentence of this Section, be paid and credited to the DW Cross-Collateralization Account to the extent necessary to: (a) prevent a monetary default on the CW Leveraged Bonds, or to the extent permitted by the Federal Act and the CW Act, any other CW Bonds; (b) replenish the Bond Reserve Fund for the CW Bonds in accordance with the requirements of the CW Bond Resolution; or (c) make repayments of CW Transferred Deposits, without interest, to the CW Revenue Fund.

All moneys remaining in the Recycled Loan Account following any Payment Date, subject to the delivery of a Projected Revenue Certificate prepared in accordance with in the last sentence of this subsection (d), be paid and credited to the CW Cross-Collateralization Account to the extent necessary to: (i) prevent a monetary default on the DW Leveraged Bonds, or to the extent permitted by the Federal Act and the DW Act, any other DW Bonds; (ii) replenish the Leveraged Reserve Fund for the DW Bonds in accordance with the requirements of the DW Bond Resolution; or (iii) make repayments of DW Transferred Deposits, without interest, to the DW Revenue Fund. To the extent that moneys in the Recycled Loan Account are not paid and credited to the CW Cross-Collateralization Account as set forth above.”

The new bond indenture, the Master Financing Indenture (MFI), was established in 2010 by KDFA Bond Resolution No.287 and combines both the KPWSLF and KWPCRF programs as one entity for the purpose of interfacing with the capital market. All bonds issued in 2010 and after will be under the MFI. The entire MFI is structured as a cross collateralization mechanism as all interest revenues are pledged to the State Match bonds and all other revenues are pledged to the Leveraged Bonds.

The MFI interface provides for an easier understanding to bond holders as to how debt service will be paid. However, as indicated in Section 903 of the MFI, the KPWSLF and KWPCRF will maintain and operate the loan programs as separate entities with separate accounting of all loan disbursements, interest revenues, principal revenues, State Match debt service, Leveraged debt service, State Match bond issuance amounts, Leveraged bond issuance amounts, State Match bond proceeds, Leveraged bond proceeds, and any other fund or account established in the MFI.

In the event that cross-collateralization is used to pay debt service on bonds, KDHE accounting will show revenue from one program was needed to pay debt service of the other program. That amount will be treated as a loan (without interest) to be repaid once the borrowing program has available funds in its portion of the Program Equity Fund. In the unlikely event that State Match debt service could not be paid using the corresponding program's portion of interest revenues in the MFI, an amount necessary needed to pay the State Match debt service of the program would be transferred from the corresponding program's Service Fee account to the State Match debt service account (Service Fees are a interest component of the loan repayments). This will assure that the assets of one program are not used, even temporarily, to pay for the other program's State Match.

Furthermore, the MFI will not issue any bonds unless it can show that the program which receives bond proceeds can pay 100% of the debt service of the corresponding bonds (in other words, without using cross-collateralization), reference Section 208 (a) of the MFI.

VII. PUBLIC REVIEW AND COMMENT

A public hearing was held at 10:00 A.M. on August 10, 2011 in the Azure Conference Room, 4th Floor, Curtis Building, 1000 SW Jackson, Topeka, Kansas, and comments were received on the Priority System, Priority List, and IUP. A summary of the hearing and other appropriate comments was forwarded to EPA.

APPENDIX A

KWPCRF PROJECT INFORMATION
PROJECTS TO BE FUNDED
WITH FFY 2010 FUNDS

LISTED ALPHABETICALLY

Application Name	Project Number	Loan Amount	Priority Points
Bonner Springs	1824 01	351,000	15.00
El Dorado	1827 01	1,967,650	5.00
Flint Hills RC&D	1921 01	779,300	NA
Glacial Hills RC&D Holton	1881 01	164,684	NA
Glacial Hills RC&D Delaware R. Ph 3	1923 01	756,000	NA
Hill City *	1801 01	4,999,110	29.00
Independence (SE PS)	1915 01	4,000,000	33.00
Pottawatomie Co.	1860 01	535,212	NA

APPENDIX A

KWPCRF PROJECT INFORMATION
PROJECTS TO BE FUNDED
WITH FFY 2011 FUNDS

LISTED ALPHABETICALLY

Assaria *	1903 01	505,020	57.00
Chanute (Match CDBG)	1930 01	392,856	10.00
Colony	1939 01	274,725	10.00
Edgerton	1926 01	12,000,000	10.00
Ensign (Match CDBG)	1935 01	340,705	14.00
Grainfield	1931 01	903,594	12.00
Iola (Ph I)	1932 01	628,364	30.00
Jo. Co. Lone Elm	1920 02	1,405,000	10.00
Jo. Co. Lake Gardner	1920 01	8,332,000	10.00
Leon *	1914 01	752,219	5.00

Lincolntonville (Match CDBG)	1929 01	245,275	12.00
Marion *	1924 01	507,500	5.00
Pittsburg	1925 01	250,000	40.00
Plains	1936 01	656,191	10.00
Robinson (Match CDBG)	1937 01	123,938	12.00
Valley Falls *	1927 01	500,000	12.00
Woodston *	1770 01	951,000	14.00

KWPCRF PROJECT INFORMATION
2011 CONTINGENCY LIST

LISTED ALPHABETICALLY

Alden *	1766 01	100,000	24.00
Arlington *	1771 01	300,000	48.00
Atchison (Dis)	1787 01	2,500,000	76.42
Baxter Springs *	1755 01	700,000	77.00
Bison *	1911 01	396,055	10.00
Coolidge *	1703 01	400,000	42.00
Douglass *	1788 01	300,000	70.00
Enterprise	1922 01	1,000,000	10.00
Eudora	1938 01	800,000	25.00
Fall River	1933 01	200,000	12.00
Goodland *	1383 01	2,500,000	15.00
Hiawatha	1940 01	500,000	30.00
Horton *	1665 01	1,727,300	51.21
Iola (Ph. II)	1932 02	2,023,700	30.00
K. C. Plt #1 Dis	1730 01	7,775,000	71.42
K.C. – CSO (Ph 2)	1596 02	15,000,000	88.00

Leavenworth (Dis)	1729 01	6,648,000	71.42
Liberal	1391 01	12,000,000	63.00
Natoma *	1714 01	1,100,000	46.47
Olathe (H.S. Des.)	1815 01	550,000	36.00
Ottawa E & NE Ints	1928 01	5,000,000	10.00
Rush Center *	1400 01	1,671,300	15.00
Silver Lake	1934 01	400,000	10.00
Spivey *	1715 01	100,000	35.00

APPENDIX B

Proposed Payment Schedule
(Increases in ACH Ceiling)
FFY 2011 Cap Grant

Quarter (FFY)	Month/Yr.	Administration	Project	Total
4th - 2011	Sept. 2011	533,120		533,120
4th - 2011	Sept. 2011		12,794,880	12,794,880
<hr/>				
TOTALS		533,120	12,794,880	13,328,000

APPENDIX C: MULTI-YEAR PAYMENT SCHEDULE OF ACTUAL
AND PROJECTED INCREASES IN SRF AUTOMATED CLEARINGHOUSE (ACH) (\$000)

		ACH Payments															
TOTAL		FY 1989 (A)				FY 1990 (A)				FY 1991 (A)				FY 1992 (A)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
89 GRANT OFFER & AMENDMENT NO. 1	8,783			9		4,740	3,751			283							
90 GRANT OFFER & AMENDMENT NO. 1	9,077							6,558	1,667	571				281			
91 GRANT OFFER	18,524											5,140	4,400	8,984			
92 GRANT OFFER	17,538																17,538

		ACH Payments															
TOTAL		FY 1993 (A)				FY 1994 (A)				FY 1995 (A)				FY 1996 (A)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
93 GRANT OFFER	17,349				4,000			5,100		5,100	3,194						
94 GRANT OFFER	10,764											5,000	5,764				
95 GRANT OFFER	11,117											500		10,617			
96 GRANT OFFER	18,211															6,471	5,212

		ACH Payments															
		FY 1997 (A)				FY 1998 (A)				FY 1999 (A)				FY 2000 (A)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
96 GRANT OFFER		1,873	4,655														
97 GRANT OFFER				4,482				1,100									
98 GRANT OFFER								12,154									
99 GRANT OFFER												9,845		2,310	381		
00 GRANT OFFER																	12,155

ACH Payments																
	FY 2001 (A)				FY 2002 (A)				FY 2003 (A)				FY 2004 (A)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
01 GRANT OFFER	12,007															
02 GRANT OFFER					12,033											
03 GRANT OFFER									3,665 8,291							
04 GRANT OFFER													504 11,458			

ACH Payments																
	FY 2005 (A)				FY 2006 (A)				FY 2007 (A)				FY 2008 (A)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
05 GRANT OFFER	11,500															
06 GRANT OFFER					7,884											
07 GRANT OFFER													5,900 6,758			
08 GRANT OFFER													6,104			

ACH Payments												
	FY 2009 (A)				FY 2010 (A)				FY 2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 (A)	Q2	Q3	Q4 (P)
09 GRANT OFFER	2,651 3,453											
10 GRANT OFFER					12,801				5,590			
11 GRANT OFFER									13,328			

(A) - Actual
(P) - Projected

APPENDIX D

KWPCRF
Sources and Uses of Funds
For Program Year 2010
As of May 20, 2011

Sources:

Capitalization Grants Received FY 2009 and Prior Years *	\$ 3,581,958
FFY 2010 Cap. Grant (w/o 604b - \$183,910) Remaining	\$ 11,575,000
State Match for 2010 Cap. Grant Remaining	\$ 0
FFY 2011 Cap Grant (w/o 604b - \$135,000)	\$ 13,328,000
State Match for 2011 Cap Grant Remaining	\$ 0
State Match for Future Cap Grants Remaining	\$ 0
Recycled Loan Account	<u>\$ 5,100,000</u>
	\$ 33,584,958

Uses:

2009 and Prior Years State Management [603(d)(7)] *	\$ 3,581,958
2010 State Management [603(d)(7)]	\$ 735,640
2010 Cap. Grant - New Loans - Remaining	\$ 10,834,360
2011 State Management [603(d)(7)]	\$ 533,120
2011 Cap Grant – Loans	\$ 12,794,880
Recycled Loan Fund – Loans	<u>\$ 5,100,000</u>
	\$ 33,584,958 **

* As of July 12, 2011

** Total Amount Available for New Loans as of 05/20/11 is \$30,003,000.

Appendix E

Principal Forgiveness and Green Project Reserve
Policy and Procedures Applicable to the FFY 2010 and FFY 2011
Federal Funding Provided to the Kansas Water Pollution
Control Revolving Fund
July 12, 2010, Updated May 20, 2011

The total FFY 2010 and FFY 2011 Federal funding available to the Kansas Water Pollution Control Revolving Fund (KWPCRF) is \$30,003,000 as of May 20, 2011. The 2010 and 2011 Federal appropriations laws require a portion of these funds be provided as an “additional subsidization” to loan recipients, and for the KWPCRF this “additional subsidization” is provided as “principal forgiveness” in the loans. For the 2011 KWPCRF program funding as a whole, the total amount of principal forgiveness cannot be less than \$1,235,051 and cannot be more than \$4,116,837. (See Attachment #3.) The Federal law encourages the additional subsidization be directed toward “communities that could not otherwise afford such projects”, and to encourage “sustainability of projects” such as “natural” or “green” systems designs. Also, the 2011 Federal appropriations laws require a minimum 20% of these funds be made available to fund “Green Infrastructure” designs as defined by EPA guidance, which is an amount of \$2,665,600. A copy of the applicable Required Grant Conditions that will be included in the FFY 2011 EPA Capitalization Grant to KDHE are presented in Attachment No. 1. Item 3 of Attachment No. 1 addresses additional subsidization and Item 4 of Attachment No. 1 addresses Green Infrastructure.

The Federal law does not require the additional subsidization be “targeted” for certain projects based on affordability criteria or “green design” components, but this is encouraged. The Federal Law does require a portion of the funding be “targeted” for certain types of “green infrastructure” projects based on water-efficiency goals, energy efficiency goals, stormwater run-off mitigation, or other “environmentally innovative” projects. The purpose of this document is to establish these policies and procedures for the 2011 Federal funding program. The “green infrastructure” funding can be as loans, additional subsidization, or a combination of the two. More than the 20% up to the entire 100% of the 2011 appropriation can be used for “green infrastructure” as can the entire amount available for principal forgiveness, and KDHE is encouraging the use of this additional funding in the wastewater SRF program be utilized for both “across the board” principal forgiveness to be made available to every 2011 KWPCRF program Loan Recipient to assure the minimum amount is provided, and to also encourage “green infrastructure” to the maximum extent possible. There is an additional restriction on the use of principal forgiveness. Any 2011 KWPCRF program loan provided to a community project to “match” funding to a CDBG grant cannot receive principal forgiveness. Therefore the 2011 KWPCRF program loans provided to community projects that also receive a CDBG grant will be 100% low interest loan funding.

Principal Forgiveness to all Projects (except CDBG matching loans):

To help assure the minimum amount of additional subsidization as required by the Federal law is provided, KDHE will provide a minimum of 15% principal forgiveness to every KWPCRF Loan provided after October 30, 2009, (the date the 2010 Federal appropriations law was signed by the President), except community projects that also receive CDBG funding.

The Federal appropriations to the Clean Water SRF program have recently declined, with the amounts allowed for principal forgiveness also declining. We expect the 15% principal forgiveness will need to be reduced for new loans in the future, and KDHE will make this change as the need arises.

Principal Forgiveness and “Green” Infrastructure:

EPA has also provided guidance for the types and components of projects that qualify as “Green Project Reserve” (GPR) designs. A copy of the 2011 Green Project Reserve policy is presented as Attachment No. 2. Only the 14 pages applicable to the Clean Water SRF program are included, the additional 9 pages applicable to the Drinking Water SRF program are not included.

KDHE is also establishing the recommended types of projects, or portions of projects, and the extent of principal forgiveness for these projects that qualify as green infrastructure in Kansas, such as water efficiency and reuse, energy efficiency and on-site energy production, mitigation of adverse water quality impacts of stormwater runoff, or that are “environmentally innovative” projects. EPA requests the states solicit green infrastructure design projects before finalizing the 2012 Intended Use Plan, and KDHE has many qualifying green infrastructure and EPA Green Project Reserve design projects now developing applications and design plans and specifications. The guidance provided by EPA for the 2010 Federal legislation provides the new requirements to be followed to identify Green Project Reserve designs. The KDHE policy to provide additional subsidization to “traditional green” designs includes the list of recommended municipal wastewater types of projects and is Attachment #6. The list of examples of “green innovative” infrastructure recommended types of projects are provided in a separate document prepared by the Watershed Management Section of BOW/KDHE and is Attachment #7.

When providing funding for “green traditional” infrastructure projects the principal forgiveness will be an additional 25% of the as-bid cost of design, construction, and equipment costs for the qualifying “green components” of the design, in addition to the 15% “across the board” principal forgiveness. When providing funding for “green innovative” infrastructure projects, the principal forgiveness will be as provided in the guidance as prepared by the Watershed Management Section of BOW/KDHE. The 20% minimum amount of the FFY 2011 EPA Capitalization Grant is “set aside” to fund the “green innovative” applications to help assure the Federal GPR requirement is met.

The additional Federal funds available for principal forgiveness up to the maximum amount allowed will be provided to wastewater treatment and “green traditional” design projects. The Loan Agreement will provide 100% of allowable costs as the Loan Amount. Engineering cost estimates will be utilized to present the estimated construction cost of the “green traditional” infrastructure components of the project and the estimated amount of principal forgiveness will also be presented in the Loan Agreement. After the project has opened bids a loan amendment will be processed to adjust the loan amount and principal forgiveness. After project construction is complete and the final project cost has been paid, KDHE in conjunction with the Loan recipient will determine the actual costs of the “green traditional” infrastructure components, and process a loan amendment to reduce the loan amount thru principal forgiveness in an amount equal to 15% of the entire project cost plus 25% of the “green traditional” infrastructure components.

The Federal appropriations to the Clean Water SRF program have recently declined, with the amounts allowed for principal forgiveness also declining. We expect the 25% principal forgiveness will need to be reduced for new loans in the future, and KDHE will make this change as the need arises.

ATTACHMENT 1

Required Grant Conditions

1. The recipient of funds for the State Revolving Funds from P.L. 112-10, the FY 2011 Full-Year Continuing Appropriation, agrees to comply with all requests for data related to the use of the funds under Subchapter VI of the Clean Water Act (CWA) or Section 1452 of the Safe Drinking Water Act (SDWA), and to report all uses of the funds no less than quarterly, as EPA specifies for the CWSRF Benefits Reporting database and the Drinking Water Project Benefits Reporting database. This reporting shall include but not be limited to data with respect to compliance with the Green Project Reserve and additional subsidization requirements as specified in the FY 2010 Interior and Environment Appropriation Act and the Conference Report (H. Rpt. 111-316) and as outlined in the FY 2011 Procedures document, and other data as necessary to carry out the authorities cited in this Grant Condition.

2. In accordance with 40 CFR 31.40, 40 CFR 35.3165, and 40 CFR 35.3570, the recipient agrees to provide in its Annual Report information regarding key project characteristics, milestones, and environmental/public health protection results in the following areas: 1) achievement of the outputs and outcomes established in the Intended Use Plan; 2) the reasons for delays if established outputs or outcomes were not met; 3) any additional pertinent information on environmental results; 4) compliance with the Green Project Reserve requirement as outlined in the FY 2011 Procedures document; and 5) compliance with the additional subsidization requirement as described in the FY 2011 Procedures document.

3. Preamble:

The 2011 Full-Year Continuing Appropriation to the CWSRF and DWSRF programs requires that a portion of the capitalization grant funds be used to provide additional subsidization, while relying on the purposes of the Funds in their underlying acts.

The application of the additional subsidies – in the form in which they are authorized in the FY 2011 Full-Year Continuing Appropriation – to the base SRF programs raises important issues for the underlying SRF programs. While the DWSRF program has since its inception offered discretion to States to provide additional subsidization, that authority was closely circumscribed by requirements that communities assisted meet the State’s definition of “disadvantaged,” and that the subsidies provided in any year could not exceed 30 percent of the capitalization grant. In contrast, the FY 2011 Full-Year Continuing Appropriation requires States to provide a minimum of 30 percent up to the entire amount of their DWSRF capitalization grants as additional subsidies. For the CWSRF, not less than 30 percent of the States total capitalization grants that exceed \$1,000,000,000 must be used for additional subsidies. For both programs, additional subsidies can be provided to “any eligible” recipient of SRF assistance, although priority for additional subsidies should be given to communities that could not otherwise afford eligible projects (see section 3b).

Moreover, the similar provision in ARRA was in a one-time, supplemental appropriation that was in addition to the base SRF program appropriation for FY 2009. The additional subsidization provision in FY 2011 comes in the appropriation for the base SRF programs. By authorizing States to provide up to 30.89 percent (CWSRF) or 100 percent (DWSRF) of the base SRF program capitalization grant in additional subsidies, this FY 2011 provision contemplates the possibility that, for the first time, only a portion or none of these base program capitalization grant funds will be repaid into the State Revolving Funds.

Under these circumstances, in which a large amount of base program capitalization grant funds will not revolve, it is prudent to include additional specifications in the capitalization agreements with States that ensure that the subsidies are funding infrastructure that is sustainable (not enabling the expansion of centralized infrastructure to accommodate growth while failing to adequately repair, replace, and upgrade infrastructure in existing communities who are not otherwise able to afford such projects). Section 602(a) of the CWA and section 1452(a)(3)(A)(i) of SDWA gives the authority to add such specifications to the capitalization grant. CWA Section 602(a)

specifies that the “State shall enter into an agreement with the Administrator which shall include but not be limited to the specifications set forth in subsection (b)...” SDWA Section 1452(g)(3)(A) authorizes EPA to publish guidance “to ensure that each state commits and expends funds allotted to the State under this section as efficiently as possible.” Therefore, EPA is adding a grant condition to all FY 2011 CWSRF and DWSRF capitalization grants.

a. The recipient agrees to use funds provided by this grant to provide additional subsidization in the form of principal forgiveness, negative interest rate loans, or grants, in accordance with P.L. 112-10 as follows:

(1) Clean Water State Revolving Fund capitalization recipients agree to use at least 9.27 percent, and no more than 30.89 percent of the funds provided by this grant to provide additional subsidization in accordance with P.L. 112-10. (For the exact amount, see Attachment 3 to the 2011 Procedures.)

(2) Drinking Water State Revolving Fund capitalization grant recipients agree to use at least 30 percent of the funds provided by this grant to provide additional subsidization in accordance with P.L. 112-10.

b. Priority for additional subsidies should be given to communities that could not otherwise afford such projects. To further ensure sustainability of projects receiving additional subsidies, these subsidies should be directed to: 1) repair, replacement, and upgrade of infrastructure in existing communities; 2) investigations, studies, or plans that improve the technical, financial and managerial capacity of the assistance recipient to operate, maintain, and replace financed infrastructure; and/or 3) preliminary planning, alternatives assessment and eligible capital projects that reflect the full life cycle costs of infrastructure assets, conservation of natural resources, and alternative approaches to integrate natural or “green” systems into the built environment. The recipient agrees to provide in its Annual Report an explanation as to how they did or did not address this provision.

4. The recipient agrees to make a timely and concerted solicitation for projects that address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities. The recipient agrees to include in its IUP such qualified projects, or components of projects, that total an amount at least equal to 20% of its capitalization grant. If there are not sufficient qualified projects or components already in the IUP that total 20% of the FY2011 funds available, the recipient agrees to conduct additional solicitation, to amend its project list to include any such qualified projects thus identified, and to provide not less than 20% of such FY 2011 funds available to such projects on its amended project list. If there are not sufficient qualified projects or components on the amended project list after such additional solicitation, the recipient may if necessary submit a waiver request to EPA in accordance with the FY 2011 Procedures.

5. Wage Rate Requirements:

a. CWSRF: The recipient agrees to include in all agreements to provide assistance for the construction of treatment works carried out in whole or in part with such assistance made available by a State water pollution control revolving fund as authorized by title VI of the Federal Water Pollution Control Act (33 U.S.C. 1381 et seq.), or with such assistance made available under section 205(m) of that Act (33 U.S.C. 1285(m)), or both, a term and condition requiring compliance with the requirements of section 513 of that Act (33 U.S.C. 1372) in all procurement contracts and sub-grants, and require that loan recipients, procurement contractors and sub-grantees include such a term and condition in subcontracts and other lower tiered transactions. All contracts and subcontracts for the construction of treatment works carried out in whole or in part with assistance made available as stated herein shall insert in full in any contract in excess of \$2,000 the contract clauses as attached hereto entitled "Wage Rate Requirements Under FY 2011 Full-Year Continuing Appropriation." This term and condition applies to all agreements to provide assistance under the authorities referenced herein, whether in the form of a loan, bond purchase, grant, or any other vehicle to provide financing for a project, where such agreements are executed on or after October 30, 2009 and before October 1, 2011.

b. DWSRF: The recipient agrees to include in all agreements to provide assistance for any construction project carried out in whole or in part with such assistance made available by a drinking water treatment revolving loan fund as authorized by section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12), a term and condition requiring compliance with the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C.300j-9(e)) in all procurement contracts and sub-grants, and require that loan recipients, procurement contractors and sub-grantees include such a term and condition in subcontracts and other lower tiered transactions All contracts and subcontracts for any construction project carried out in whole or in part with assistance made available as stated herein shall insert in full in any contract in excess of \$2,000 the contract clauses as attached hereto entitled “Wage Rate Requirements Under FY 2011 Full-Year Continuing Appropriation.” This term and condition applies to all agreements to provide assistance under the authorities referenced herein, whether in the form of a loan, bond purchase, grant, or any other vehicle to provide financing for a project, where such agreements are executed on or after October 30, 2009 and before October 1, 2011.

ATTACHMENT 2

2011 Clean Water and Drinking Water State Revolving Fund 20% Green Project Reserve: Guidance for Determining Project Eligibility

I. Introduction: The Fiscal Year (FY) 2011 Full-Year Continuing Appropriation Act (P.L. 112-10) included additional requirements affecting both the Clean Water and the Drinking Water State Revolving Fund (SRF) programs. This attachment is included in the *Procedures for Implementing Certain Provisions of EPA's Fiscal Year 2011 Full-Year Continuing Appropriation Affecting the Clean Water and Drinking Water State Revolving Fund Programs*. Because of differences in project eligibility for each program, the Clean and Drinking Water SRFs have separate guidance documents that identify specific goals and eligibilities for green infrastructure, water and energy efficient improvements, and environmentally innovative activities. Part A includes the details for the Clean Water SRF program, and Part B the Drinking Water SRF program.

Public Law 112-10 carries forward language from the FY 2010 Appropriation that states: "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 and not less than 20 percent of the funds made available under this title to each State for Drinking 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." These four categories of projects are the components of the Green Project Reserve (GPR).

II. GPR Goals: Congress' intent in enacting the GPR is to direct State investment practices in the water sector to guide funding toward projects that utilize green or soft-path practices to complement and augment hard or gray infrastructure, adopt practices that reduce the environmental footprint of water and wastewater treatment, collection, and distribution, help utilities adapt to climate change, enhance water and energy conservation, adopt more sustainable solutions to wet weather flows, and promote innovative approaches to water management problems. Over time, GPR projects could enable utilities to take savings derived from reducing water losses and energy consumption, and use them for public health and environmental enhancement projects. Additionally, EPA expects that green projects will help the water sector improve the quality of water services without putting additional strain on the energy grid, and by reducing the volume of water lost every year.

III. Background: For the FY 2010 GPR Guidance, EPA used an inclusive approach to determine what is and is not a 'green' water project. Wherever possible, this guidance references existing consensus-based industry practices to provide assistance in developing green projects. Input was solicited from State-EPA and EPA-Regional workgroups and the water sector. EPA staff also reviewed approaches promoted by green practice advocacy groups and water associations, and green infrastructure implemented by engineers and managers in the water sector. EPA also

assessed existing 'green' policies within EPA and received input from staff in those programs to determine how EPA funds could be used to achieve shared goals.

The FY 2011 SRF GPR Guidance provides States with information needed to determine which projects count toward the GPR requirement. The intent of the GPR Guidance is to describe projects and activities that fit within the four specific categories listed in the FY 2010 Appropriations Act which also apply to the FY 2011 Full-Year Continuing Appropriation. This guidance defines each category of GPR projects and lists projects that are clearly eligible for GPR, heretofore known as categorically eligible projects. For projects that do not appear on the list of categorically projects, they may be evaluated for their eligibility within one of the four targeted types of GPR eligible projects based upon a business case that provides clear documentation (see the *Business Case Development* sections in Parts A & B below).

GPR may be used for planning, design, and/or building activities. Entire projects, or the appropriate discrete components of projects, may be eligible for GPR. Projects do not have to be part of a larger capital project to be eligible. All projects or project components counted toward the GPR requirement must clearly advance one or more of the objectives articulated in the four categories of GPR discussed below.

The Green Project Reserve sets a new precedent for the SRFs by targeting funding towards projects that States may not have funded in prior years. Water quality benefits from GPR projects rely on proper operation and maintenance to achieve the intended benefits of the projects and to achieve optimal performance of the project. EPA encourages states and funding recipients to thoroughly plan for proper operation and maintenance of the projects funded by the SRFs, including training in proper operation of the project. It is noted, however, that the SRFs cannot provide funding for operation and maintenance costs, including training, in the SRF assistance agreements. Some of these costs may, however, be funded through appropriate DWSRF set-asides under limited conditions.

PART A – CWSRF GPR SPECIFIC GUIDANCE

CWSRF Eligibility Principles

State SRF programs are responsible for identifying projects that count toward GPR. The following overarching principles, or decision criteria, apply to all projects that count toward GPR and will help states identify projects.

- 0.1 All GPR projects must otherwise be eligible for CWSRF funding. The GPR requirement does not create new funding authority beyond that described in Title VI of the CWA. Consequently, a subset of 212, 319 and 320 projects will count towards the GPR. The principles guiding CWSRF funding eligibility include:
 - 0.2 All Sec 212 projects must be consistent with the definition of “treatment works” as set forth in section 212 of the Clean Water Act (CWA).
 - 0.2-1 All section 212 projects must be publicly owned, as required by CWA section 603(c)(1).
 - 0.2-2 All section 212 projects must serve a public purpose.
 - 0.2-3 POTWs as a whole are utilized to protect or restore water quality. Not all portions of the POTW have a direct water quality impact in and of themselves (i.e. security fencing). Consequently, POTW projects are not required to have a direct water quality benefit, though most of them will.
 - 0.3 Eligible nonpoint source projects implement a nonpoint source management program under an approved section 319 plan or the nine element watershed plans required by the 319 program.
 - 0.3-1 Projects prevent or remediate nonpoint source pollution.
 - 0.3-2 Projects can be either publicly or privately owned and can serve either public or private purposes. For instance, it is acceptable to fund land conservation activities that preserve the water quality of a drinking water source, which represents a public purpose project. It is also acceptable to fund agricultural BMPs that reduce nonpoint source pollution, but also improve the profitability of the agricultural operation. Profitability is an example of a private purpose.
 - 0.3-3 Eligible costs are limited to planning, design and building of capital water quality projects. The CWSRF considers planting trees and shrubs, purchasing equipment, environmental cleanups and the development and initial delivery of education programs as capital water quality projects. Daily maintenance and operations, such as expenses and salaries are not considered capital costs.
 - 0.3-4 Projects must have a direct water quality benefit. Implementation of a water quality project should, in itself, protect or improve water quality. States should be able to estimate the quantitative and/or qualitative water quality benefit of a nonpoint source project.
 - 0.3-5 Only the portions of a project that remediate, mitigate the impacts of, or prevent water pollution or aquatic or riparian habitat degradation should be funded. Where water quantity projects improve water quality (e.g. reduction of flows from impervious surfaces that adversely affect stream health, or the modification of

irrigation systems to reduce runoff and leachate from irrigated lands), they would be considered to have a water quality benefit. In many cases, water quality protection is combined with other elements of an overall project. For instance, brownfield revitalization projects include not only water quality assessment and cleanup elements, but often a redevelopment element as well. Where the water quality portion of a project is clearly distinct from other portions of the project, only the water quality portion can be funded by the CWSRF.

- 0.3-6 Point source solutions to nonpoint source problems are eligible as CWSRF nonpoint source projects. Section 319 Nonpoint Source Management Plans identify sources of nonpoint source pollution. In some cases, the most environmentally and financially desirable solution has point source characteristics and requires an NPDES discharge permit. For instance, a septage treatment facility may be crucial to the proper maintenance and subsequent functioning of decentralized wastewater systems. Without the septage treatment facility, decentralized systems are less likely to be pumped, resulting in malfunctioning septic tanks.

- 0.4 Eligible projects under section 320 implement an approved section 320 Comprehensive Conservation Management Plan (CCMP).
 - 0.4-1 Section 320 projects can be either publicly or privately owned.
 - 0.4-2 Eligible costs are limited to capital costs.
 - 0.4-3 Projects must have a direct benefit to the water quality of an estuary. This includes protection of public water supplies and the protection and propagation of a balanced, indigenous population of shellfish, fish, and wildlife, and allows recreational activities, in and on water, and requires the control of point and nonpoint sources of pollution to supplement existing controls of pollution.
 - 0.4-4 Only the portions of a project that remediate, mitigate the impacts of, or prevent water pollution in the estuary watershed should be funded.

- 0.5 GPR projects must meet the definition of one of the four GPR categories. The Individual GPR categories do not create new eligibility for the CWSRF. The projects that count toward GPR must otherwise be eligible for CWSRF funding.

- 0.6 GPR projects must further the goals of the Clean Water Act.¹

¹ Drinking Water Utilities can apply for CWSRF funding

CWSRF Technical Guidance

The following sections outline the technical aspects for the CWSRF Green Project Reserve. It is organized by the four categories of green projects: green infrastructure, water efficiency, energy efficiency, and environmentally innovative activities. Categorically green projects are listed, as well as projects that are ineligible. Design criteria for business cases and example projects that would require a business case are also provided.

1.0 GREEN INFRASTRUCUTRE

- 1.1 Definition: Green stormwater infrastructure includes a wide array of practices at multiple scales that manage wet weather and that maintain and restore natural hydrology by infiltrating, evapotranspiring and harvesting and using stormwater. On a regional scale, green infrastructure is the preservation and restoration of natural landscape features, such as forests, floodplains and wetlands, coupled with policies such as infill and redevelopment that reduce overall imperviousness in a watershed. On the local scale green infrastructure consists of site- and neighborhood-specific practices, such as bioretention, trees, green roofs, permeable pavements and cisterns.

- 1.2 Categorical Projects
 - 1.2-1 Implementation of green streets (combinations of green infrastructure practices in transportation rights-of-ways), for either new development, redevelopment or retrofits including: permeable pavement², bioretention, trees, green roofs, and other practices such as constructed wetlands that can be designed to mimic natural hydrology and reduce effective imperviousness at one or more scales. Vactor trucks and other capital equipment necessary to maintain green infrastructure projects.
 - 1.2-2 Wet weather management systems for parking areas including: permeable pavement², bioretention, trees, green roofs, and other practices such as constructed wetlands that can be designed to mimic natural hydrology and reduce effective imperviousness at one or more scales. Vactor trucks and other capital equipment necessary to maintain green infrastructure projects.
 - 1.2-3 Implementation of comprehensive street tree or urban forestry programs, including expansion of tree boxes to manage additional stormwater and enhance tree health.
 - 1.2-4 Stormwater harvesting and reuse projects, such as cisterns and the systems that allow for utilization of harvested stormwater, including pipes to distribute stormwater for reuse.
 - 1.2-5 Downspout disconnection to remove stormwater from sanitary, combined sewers and separate storm sewers and manage runoff onsite.

² The total capital cost of permeable pavement is eligible, not just the incremental additional cost when compared to impervious pavement.

- 1.2-6 Comprehensive retrofit programs designed to keep wet weather discharges out of all types of sewer systems using green infrastructure technologies and approaches such as green roofs, green walls, trees and urban reforestation, permeable pavements and bioretention cells, and turf removal and replacement with native vegetation or trees that improve permeability.
 - 1.2-7 Establishment or restoration of permanent riparian buffers, floodplains, wetlands and other natural features, including vegetated buffers or soft bioengineered stream banks. This includes stream day lighting that removes natural streams from artificial pipes and restores a natural stream morphology that is capable of accommodating a range of hydrologic conditions while also providing biological integrity. In highly urbanized watersheds this may not be the original hydrology.
 - 1.2-8 Projects that involve the management of wetlands to improve water quality and/or support green infrastructure efforts (e.g., flood attenuation).³
 - 1.2-8a Includes constructed wetlands.
 - 1.2-8b May include natural or restored wetlands if the wetland and its multiple functions are not degraded and all permit requirements are met.
 - 1.2-9 The water quality portion of projects that employ development and redevelopment practices that preserve or restore site hydrologic processes through sustainable landscaping and site design.
 - 1.2-10 Fee simple purchase of land or easements on land that has a direct benefit to water quality, such as riparian and wetland protection or restoration.
- 1.3 Projects That Do Not Meet the Definition of Green Infrastructure
- 1.3-1 Stormwater controls that have impervious or semi-impervious liners and provide no compensatory evapotranspirative or harvesting function for stormwater retention.
 - 1.3-2 Stormwater ponds that serve an extended detention function and/or extended filtration. This includes dirt lined detention basins.
 - 1.3-3 In-line and end-of-pipe treatment systems that only filter or detain stormwater.
 - 1.3-4 Underground stormwater control and treatment devices such as swirl concentrators, hydrodynamic separators, baffle systems for grit, trash removal/floatables, oil and grease, inflatable booms and dams for in-line underground storage and diversion of flows.
 - 1.3-5 Stormwater conveyance systems that are not soil/vegetation based (swales) such as pipes and concrete channels. Green infrastructure projects that include pipes to collect stormwater may be justified as innovative environmental projects pursuant to Section 4.4 of this guidance.
 - 1.3-6 Hardening, channelizing or straightening streams and/or stream banks.
 - 1.3-7 Street sweepers, sewer cleaners, and vactor trucks unless they support green infrastructure projects.

³ Wetlands are those areas that are inundated or saturated by surface or groundwater at a frequency and duration sufficient to support, and that under normal circumstances do support, a prevalence of vegetation typically adapted for life in saturated soil conditions. Wetlands generally include swamps, marshes, bogs, vernal pools, and similar areas.

- 1.4 Decision Criteria for Business Cases
 - 1.4-1 Green infrastructure projects are designed to mimic the natural hydrologic conditions of the site or watershed.
 - 1.4-2 Projects that capture, treat, infiltrate, or evapotranspire water on the parcels where it falls and does not result in interbasin transfers of water.
 - 1.4-3 GPR project is in lieu of or to supplement municipal hard/gray infrastructure.
 - 1.4-4 Projects considering both landscape and site scale will be most successful at protecting water quality.
 - 1.4-5 Design criteria are available at:
<http://cfpub.epa.gov/npdes/greeninfrastructure/munichandbook.cfm> and
<http://cfpub.epa.gov/npdes/greeninfrastructure/technology.cfm>
- 1.5 Examples of Projects Requiring A Business Case
 - 1.5-1 Fencing to keep livestock out of streams and stream buffers. Fencing must allow buffer vegetation to grow undisturbed and be placed a sufficient distance from the riparian edge for the buffer to function as a filter for sediment, nutrients and other pollutants.

2.0 WATER EFFICIENCY

- 2.1 Definition: EPA's WaterSense program defines water efficiency as the use of improved technologies and practices to deliver equal or better services with less water. Water efficiency encompasses conservation and reuse efforts, as well as water loss reduction and prevention, to protect water resources for the future.
- 2.2 Categorical Projects
 - 2.2-1 Installing or retrofitting water efficient devices, such as plumbing fixtures and appliances
 - 2.2-1a For example -- shower heads, toilets, urinals and other plumbing devices
 - 2.2-1b Where specifications exist, WaterSense labeled products should be the preferred choice (<http://www.epa.gov/watersense/index.html>).
 - 2.2-1c Implementation of incentive programs to conserve water such as rebates.
 - 2.2-2 Installing any type of water meter in previously unmetered areas
 - 2.2-2a If rate structures are based on metered use
 - 2.2-2b Can include backflow prevention devices if installed in conjunction with water meter
 - 2.2-3 Replacing existing broken/malfunctioning water meters, or upgrading existing meters, with:
 - 2.2-3a Automatic meter reading systems (AMR), for example:
 - 2.2-3a(i) Advanced metering infrastructure (AMI)
 - 2.2-3a(ii) Smart meters
 - 2.2-3b Meters with built in leak detection
 - 2.2-3c Can include backflow prevention devices if installed in conjunction with water meter replacement

- 2.2-4 Retrofitting/adding AMR capabilities or leak detection equipment to existing meters (not replacing the meter itself).
 - 2.2-5 Water audit and water conservation plans, which are reasonably expected to result in a capital project.
 - 2.2-6 Recycling and water reuse projects that replace potable sources with non-potable sources,
 - 2.2-6a Gray water, condensate and wastewater effluent reuse systems (where local codes allow the practice)
 - 2.2-6b Extra treatment costs and distribution pipes associated with water reuse.
 - 2.2-7 Retrofit or replacement of existing landscape irrigation systems with more efficient landscape irrigation systems, including moisture and rain sensing equipment.
 - 2.2-8 Retrofit or replacement of existing agricultural irrigation systems with more efficient agricultural irrigation systems.
- 2.3 Projects That Do Not Meet the Definition of Water Efficiency
- 2.3-1 Agricultural flood irrigation.
 - 2.3-2 Lining of canals to reduce water loss.
 - 2.3-3 Replacing drinking water distribution lines. This activity extends beyond CWSRF eligibility and is more appropriately funded by the DWSRF.
 - 2.3-4 Leak detection equipment for drinking water distribution systems, unless used for reuse distribution pipes.
- 2.4 Decision Criteria for Business Cases
- 2.4-1 Water efficiency can be accomplished through water saving elements or reducing water consumption. This will reduce the amount of water taken out of rivers, lakes, streams, groundwater, or from other sources.
 - 2.4-2 Water efficiency projects should deliver equal or better services with less net water use as compared to traditional or standard technologies and practices
 - 2.4-3 Efficient water use often has the added benefit of reducing the amount of energy required by a POTW, since less water would need to be collected and treated; therefore, there are also energy and financial savings.
- 2.5 Examples of Projects Requiring a Business Case.
- 2.5-1 Water meter replacement with traditional water meters (see AWWA M6 *Water Meters – Selection Installation, Testing, and Maintenance*).
 - 2.5-2 Projects that result from a water audit or water conservation plan
 - 2.5-3 Storage tank replacement/rehabilitation to reduce loss of reclaimed water.
 - 2.5-4 New water efficient landscape irrigation system (where there currently is not one).
 - 2.5-5 New water efficient agricultural irrigation system (where there currently is not one).

3.0 ENERGY EFFICIENCY

- 3.1 Definition: Energy efficiency is the use of improved technologies and practices to reduce the energy consumption of water quality projects, use energy in a more efficient way, and/or produce/utilize renewable energy.
- 3.2 Categorical Projects
- 3.2-1 Renewable energy projects such as wind, solar, geothermal, micro-hydroelectric, and biogas combined heat and power systems (CHP) that provide power to a POTW. (<http://www.epa.gov/cleanenergy>). Micro-hydroelectric projects involve capturing the energy from pipe flow.
- 3.2-1a POTW owned renewable energy projects can be located onsite or offsite.
- 3.2-1b Includes the portion of a publicly owned renewable energy project that serves POTW's energy needs.
- 3.2-1c Must feed into the grid that the utility draws from and/or there is a direct connection.
- 3.2-2 Projects that achieve a 20% reduction in energy consumption are categorically eligible for GPR⁴. Retrofit projects should compare energy used by the existing system or unit process⁵ to the proposed project. The energy used by the existing system should be based on name plate data when the system was first installed, recognizing that the old system is currently operating at a lower overall efficiency than at the time of installation. New POTW projects or capacity expansion projects should be designed to maximize energy efficiency and should select high efficiency premium motors and equipment where cost effective. Estimation of the energy efficiency is necessary for the project to be counted toward GPR. If a project achieves less than a 20% reduction in energy efficiency, then it may be justified using a business case.
- 3.2-3 Collection system Infiltration/Inflow (I/I) detection equipment
- 3.2-4 POTW energy management planning, including energy assessments, energy audits, optimization studies, and sub-metering of individual processes to determine high energy use areas, which are reasonably expected to result in a capital project are eligible. Guidance to help POTWs develop energy management programs, including assessments and audits is available at http://www.epa.gov/waterinfrastructure/pdfs/guidebook_si_energymanagement.pdf.

⁴ The 20% threshold for categorically eligible CWSRF energy efficiency projects was derived from a 2002 Department of Energy study entitled *United States Industrial Electric Motor Systems Market Opportunities Assessment, December 2002* and adopted by the Consortium for Energy Efficiency. Further field studies conducted by Wisconsin Focus on Energy and other State programs support the threshold.

⁵ A unit process is a portion of the wastewater system such as the collection system, pumping stations, aeration system, or solids handling, etc.

- 3.3 Projects That Do Not Meet the Definition of Energy Efficiency
 - 3.3-1 Renewable energy generation that is *privately* owned or the portion of a publicly owned renewable energy facility that does not provide power to a POTW, either through a connection to the grid that the utility draws from and/or a direct connection to the POTW.
 - 3.3-2 Simply replacing a pump, or other piece of equipment, because it is at the end of its useful life, with something of average efficiency.
 - 3.3-3 Facultative lagoons, even if integral to an innovative treatment process.
 - 3.3-4 Hydroelectric facilities, except micro-hydroelectric projects. Micro-hydroelectric projects involve capturing the energy from pipe flow.

- 3.4 Decision Criteria for Business Cases
 - 3.4-1 Project must be cost effective. An evaluation must identify energy savings and payback on capital and operation and maintenance costs that does not exceed the useful life of the asset.
http://www.epa.gov/waterinfrastructure/pdfs/guidebook_si_energymanagement.pdf
 - 3.4-2 The business case must describe how the project maximizes energy saving opportunities for the POTW or unit process.

 - 3.4-3 Using existing tools such as Energy Star's Portfolio Manager (http://www.energystar.gov/index.cfm?c=evaluate_performance.bus_portfoliomanager) or Check Up Program for Small Systems (CUPSS) (<http://www.epa/cupss>) to document current energy usage and track anticipated savings.

- 3.5 Examples of Projects Requiring a Business Case
 - 3.5-1 POTW projects or unit process projects that achieve less than a 20% energy efficiency improvement.
 - 3.5-2 Projects implementing recommendations from an energy audit that are not otherwise designated as categorical.
 - 3.5-3 Projects that cost effectively eliminate pumps or pumping stations.
 - 3.5-4 Infiltration/Inflow (I/I) correction projects that save energy from pumping and reduced treatment costs and are cost effective.
 - 3.5-4a Projects that count toward GPR cannot build new structural capacity. These projects may, however, recover existing capacity by reducing flow from I/I.
 - 3.5-5 I/I correction projects where excessive groundwater infiltration is contaminating the influent requiring otherwise unnecessary treatment processes (i.e. arsenic laden groundwater) and I/I correction is cost effective.
 - 3.5-6 Replacing pre-Energy Policy Act of 1992 motors with National Electric Manufacturers Association (NEMA) premium energy efficiency motors.
 - 3.5-6a NEMA is a standards setting association for the electrical manufacturing industry (<http://www.nema.org/gov/energy/efficiency/premium/>).
 - 3.5-7 Upgrade of POTW lighting to energy efficient sources such as metal halide pulse start technologies, compact fluorescent, light emitting diode (LED).
 - 3.5-8 SCADA systems can be justified based upon substantial energy savings.

3.5-9 Variable Frequency Drive can be justified based upon substantial energy savings.

4.0 ENVIRONMENTALLY INNOVATIVE

- 4.1 Definition: Environmentally innovative projects include those that demonstrate new and/or innovative approaches to delivering services or managing water resources in a more sustainable way.
- 4.2 Categorical Projects
- 4.2-1 Total/integrated water resources management planning likely to result in a capital project.
- 4.2-2 Utility Sustainability Plan consistent with EPA SRF's sustainability policy.
- 4.2-3 Greenhouse gas (GHG) inventory or mitigation plan and submission of a GHG inventory to a registry (such as Climate Leaders or Climate Registry)
- 4.3-3a Note: GHG Inventory and mitigation plan is eligible for CWSRF funding.
- 4.2-3b EPA Climate Leaders:
<http://www.epa.gov/climateleaders/basic/index.html>
Climate Registry: <http://www.theclimateregistry.org/>
- 4.2-4 Planning activities by a POTW to prepare for adaptation to the long-term effects of climate change and/or extreme weather.
- 4.2-4a Office of Water – Climate Change and Water website:
<http://www.epa.gov/water/climatechange/>
- 4.2.5 Construction of US Building Council LEED certified buildings or renovation of an existing building on POTW facilities.
- 4.2-5a Any level of certification (Platinum, Gold, Silver, Certified).
- 4.2-5b All building costs are eligible, not just stormwater, water efficiency and energy efficiency related costs. Costs are not limited to the incremental additional costs associated with LEED certified buildings.
- 4.2-5c U.S. Green Building Council website:
<http://www.usgbc.org/displaypage.aspx?CategoryID=19>
- 4.2-6 Decentralized wastewater treatment solutions to existing deficient or failing onsite wastewater systems.
- 4.2-6a Decentralized wastewater systems include individual onsite and/or cluster wastewater systems used to collect, treat and disperse relatively small volumes of wastewater. An individual onsite wastewater treatment system is a system relying on natural processes and/or mechanical components, that is used to collect, treat and disperse or reclaim wastewater from a single dwelling or building. A cluster system is a wastewater collection and treatment system under some form of common ownership that collects wastewater from two or more dwellings or buildings and conveys it to a treatment and dispersal system located on a suitable site near the dwellings or buildings. Decentralized projects may include a combination of these systems. EPA recommends that decentralized systems be managed under a central management entity with enforceable program requirements, as stated in the *EPA Voluntary Management Guidelines*.
http://www.epa.gov/owm/septic/pubs/septic_guidelines.pdf

4.2-6b Treatment and Collection Options: A variety of treatment and collection options are available when implementing decentralized wastewater systems. They typically include a septic tank, although many configurations include additional treatment components following or in place of the septic tank, which provide for advanced treatment solutions. Most disperse treated effluent to the soil where further treatment occurs, utilizing either conventional soil absorption fields or alternative soil dispersal methods which provide advanced treatment. Those that discharge to streams, lakes, tributaries, and other water bodies require federal or state discharge permits (see below). Some systems promote water reuse/recycling, evaporation or wastewater uptake by plants. Some decentralized systems, particularly cluster or community systems, often utilize alternative methods of collection with small diameter pipes which can flow via gravity, pump, or siphon, including pressure sewers, vacuum sewers and small diameter gravity sewers. Alternative collection systems generally utilize piping that is less than 8 inches in diameter, or the minimum diameter allowed by the state if greater than 8 inches, with shallow burial and do not require manholes or lift stations. Septic tanks are typically installed at each building served or another location upstream of the final treatment and dispersal site. Collection systems can transport raw sewage or septic tank effluent. Another popular dispersal option used today is subsurface drip infiltration. Package plants that discharge to the soil are generally considered decentralized, depending on the situation in which they are used. While not entirely inclusive, information on treatment and collection processes is described, in detail, in the “*Onsite Wastewater Treatment Technology Fact Sheets*” section of the EPA Onsite Manual http://www.epa.gov/owm/septic/pubs/septic_2002_osdm_all.pdf and on EPA’s septic system website under Technology Fact Sheets. http://cfpub.epa.gov/owm/septic/septic.cfm?page_id=283

4.3 Projects That Do Not Meet the Definition of Environmentally Innovative

- 4.3-1 Air scrubbers to prevent nonpoint source deposition.
- 4.3-2 Facultative lagoons, even if integral to an innovative treatment processes.
- 4.3-3 Surface discharging decentralized wastewater systems where there are cost effective soil-based alternatives.
- 4.3-4 Higher sea walls to protect POTW from sea level rise.
- 4.3-5 Reflective roofs at POTW to combat heat island effect.

4.4 Decision Criteria for Business Cases

- 4.4-1 State programs are allowed flexibility in determining what projects qualify as innovative in their state based on unique geographical or climatological conditions.
 - 4.4-1a Technology or approach whose performance is expected to address water quality but the actual performance has not been demonstrated in the state;

- 4.4-1b Technology or approach that is not widely used in the State, but does perform as well or better than conventional technology/approaches at lower cost; or
- 4.4-1c Conventional technology or approaches that are used in a new application in the State.

4.5 Examples of Projects Requiring a Business Case

- 4.5-1 Constructed wetlands projects used for municipal wastewater treatment, polishing, and/or effluent disposal.
 - 4.5-1a Natural wetlands, as well as the restoration/enhancement of degraded wetlands, may not be used for wastewater treatment purposes and must comply with all regulatory/permitting requirements.
 - 4.5-1b Projects may not (further) degrade natural wetlands.
- 4.5-2 Projects or components of projects that result from total/integrated water resource management planning consistent with the decision criteria for environmentally innovative projects and that are Clean Water SRF eligible.
- 4.5-3 Projects that facilitate adaptation of POTWs to climate change identified by a carbon footprint assessment or climate adaptation study.
- 4.5-4 POTW upgrades or retrofits that remove phosphorus for beneficial use, such as biofuel production with algae.
- 4.5-5 Application of innovative treatment technologies or systems that improve environmental conditions and are consistent with the Decision Criteria for environmentally innovative projects such as:
 - 4.5-5a Projects that significantly reduce or eliminate the use of chemicals in wastewater treatment;
 - 4.5-5b Treatment technologies or approaches that significantly reduce the volume of residuals, minimize the generation of residuals, or lower the amount of chemicals in the residuals. (National Biosolids Partnership, 2010; *Advances in Solids Reduction Processes at Wastewater Treatment Facilities Webinar*; http://www.e-wef.org/timssnet/meetings/tnt_meetings.cfm?primary_id=10CAP2&Action=LONG&subsystem=ORD%3cbr).
 - 4.5-5b(i) Includes composting, class A and other sustainable biosolids management approaches.
- 4.5-6 Educational activities and demonstration projects for water or energy efficiency.
- 4.5-7 Projects that achieve the goals/objectives of utility asset management plans (http://www.epa.gov/safewater/smallsystems/pdfs/guide_smallsystems_assetmanagement_bestpractices.pdf; <http://www.epa.gov/owm/assetmanage/index.htm>).
- 4.5-8 Sub-surface land application of effluent and other means for ground water recharge, such as spray irrigation and overland flow.
 - 4.5-8a Spray irrigation and overland flow of effluent is not eligible for GPR where there is no other cost effective alternative.

Business Case Development

This guidance is intended to be comprehensive: however, EPA understands our examples projects requiring a business case may not be all inclusive. A business case is a due diligence document. For those projects, or portions of projects, which are not included in the categorical projects lists provided above, a business case will be required to demonstrate that an assistance recipient has thoroughly researched anticipated ‘green’ benefits of a project. Business cases will be approved by the State (see section III.A. in the *Procedures for Implementing Certain Provisions of EPA’s Fiscal Year 2011 Full-Year Continuing Appropriation Affecting the Clean Water and Drinking Water State Revolving Fund Programs*). An approved business case must be included in the State’s project files and contain clear documentation that the project achieves identifiable and substantial benefits. The following sections provide guidelines for business case development.

5.0 Length of a Business Case

5.0-1 Business cases must address the decision criteria for the category of project

5.0-2 Business cases should be adequate, but not exhaustive.

5.0-2a There are many formats and approaches. EPA does not require any specific one.

5.0-2b Some projects will require detailed analysis and calculations, while others many not require more than one page.

5.0-2c Limit the information contained in the business case to only the pertinent ‘green’ information needed to justify the project.

5.0-3 A business case can simply summarize results from, and then cite, existing documentation – such as engineering reports, water or energy audits, results of water system tests, etc.

5.1 Content of a Business Case

5.1-1 Quantifiable water and/or energy savings or water loss reduction for water and energy efficiency projects should be included.

5.1-2 The cost and financial benefit of the project should be included, along with the payback time period where applicable. (NOTE: Clean Water SRF requires energy efficiency projects to be cost effective.)

5.2 Items Which Strengthen Business Case, but Are Not Required

5.2-1 Showing that the project was designed to enable equipment to operate most efficiently.

5.2-2 Demonstrating that equipment will meet or exceed standards set by professional associations.

5.2-3 Including operator training or committing to utilizing existing tools such as Energy Star’s Portfolio Manager or CUPSS for energy efficiency projects.

5.3 Example Business Cases Are Available at <http://www.srfbusinesscases.net/>.

ATTACHMENT 3
FY 2011 Additional Subsidization and Green Project Reserve Requirements

	FY 2011 Capitalization Grant (Allotment Less 604(b)) ¹	Additional Subsidization ²		Green ³
		Minimum Amount that <i>must be provided</i> as Additional Subsidization	Maximum Amount that <i>may be provided</i> as Additional Subsidization	Minimum Amount that <i>must be provided</i> for Green Projects
Region 1				
Connecticut	\$18,090,000	\$1,676,326	\$5,587,754	\$3,618,000
Maine	\$11,431,000	\$1,059,264	\$3,530,880	\$2,286,200
Massachusetts	\$50,136,000	\$4,645,898	\$15,486,326	\$10,027,200
New Hampshire	\$14,757,000	\$1,367,471	\$4,558,236	\$2,951,400
Rhode Island	\$9,915,000	\$918,782	\$3,062,608	\$1,983,000
Vermont	\$7,222,000	\$669,233	\$2,230,777	\$1,444,400
Region 2				
New Jersey	\$60,342,000	\$5,591,646	\$18,638,819	\$12,068,400
New York	\$162,993,000	\$15,103,893	\$50,346,311	\$32,598,600
Puerto Rico	\$19,259,000	\$1,784,653	\$5,948,842	\$3,851,800
Region 3				
Delaware	\$7,222,000	\$669,233	\$2,230,777	\$1,444,400
Maryland	\$35,714,000	\$3,309,470	\$11,031,567	\$7,142,800
Pennsylvania	\$58,492,000	\$5,420,214	\$18,067,380	\$11,698,400
Virginia	\$30,220,000	\$2,800,364	\$9,334,545	\$6,044,000
West Virginia	\$23,019,000	\$2,133,076	\$7,110,255	\$4,603,800
Region 4				
Alabama	\$16,511,000	\$1,530,007	\$5,100,022	\$3,302,200
Florida	\$49,845,000	\$4,618,932	\$15,396,440	\$9,969,000
Georgia	\$24,967,000	\$2,313,590	\$7,711,965	\$4,993,400
Kentucky	\$18,794,000	\$1,741,563	\$5,805,210	\$3,758,800
Mississippi	\$13,304,000	\$1,232,827	\$4,109,424	\$2,660,800
North Carolina	\$26,650,000	\$2,469,546	\$8,231,821	\$5,330,000
South Carolina	\$15,127,000	\$1,401,757	\$4,672,524	\$3,025,400
Tennessee	\$21,451,000	\$1,987,776	\$6,625,921	\$4,290,200
Region 5				
Illinois	\$66,784,000	\$6,188,600	\$20,628,665	\$13,356,800
Indiana	\$35,588,000	\$3,297,794	\$10,992,647	\$7,117,600
Michigan	\$63,494,000	\$5,883,729	\$19,612,429	\$12,698,800
Minnesota	\$27,141,000	\$2,515,045	\$8,383,484	\$5,428,200
Ohio	\$83,129,000	\$7,703,224	\$25,677,413	\$16,625,800
Wisconsin	\$39,921,000	\$3,699,315	\$12,331,052	\$7,984,200
Region 6				
Arkansas	\$9,657,000	\$894,875	\$2,982,915	\$1,931,400
Louisiana	\$16,233,000	\$1,504,246	\$5,014,152	\$3,246,600
New Mexico	\$7,222,000	\$669,233	\$2,230,777	\$1,444,400
Oklahoma	\$11,930,000	\$1,105,504	\$3,685,014	\$2,386,000
Texas	\$67,492,000	\$6,254,207	\$20,847,357	\$13,498,400
Region 7				
Iowa	\$19,985,000	\$1,851,928	\$6,173,093	\$3,997,000
Kansas	\$13,328,000	\$1,235,051	\$4,116,837	\$2,665,600
Missouri	\$40,936,000	\$3,793,371	\$12,644,571	\$8,187,200
Nebraska	\$7,529,000	\$697,682	\$2,325,605	\$1,505,800
Region 8				
Colorado	\$11,812,000	\$1,094,570	\$3,648,565	\$2,362,400
Montana	\$7,222,000	\$669,233	\$2,230,777	\$1,444,400
North Dakota	\$7,222,000	\$669,233	\$2,230,777	\$1,444,400
South Dakota	\$7,222,000	\$669,233	\$2,230,777	\$1,444,400
Utah	\$7,759,000	\$718,995	\$2,396,649	\$1,551,800
Wyoming	\$7,222,000	\$669,233	\$2,230,777	\$1,444,400
Region 9				
Arizona	\$9,973,000	\$924,157	\$3,080,523	\$1,994,600
California	\$105,610,000	\$9,786,446	\$32,621,486	\$21,122,000
Hawaii	\$11,436,000	\$1,059,727	\$3,532,424	\$2,287,200
Nevada	\$7,222,000	\$669,233	\$2,230,777	\$1,444,400
Region 10				
Alaska	\$8,827,000	\$817,962	\$2,726,540	\$1,765,400
Idaho	\$7,222,000	\$669,233	\$2,230,777	\$1,444,400
Oregon	\$16,681,000	\$1,545,760	\$5,152,533	\$3,336,200
Washington	\$25,680,000	\$2,379,660	\$7,932,201	\$5,136,000
Total	\$1,446,940,000	\$134,082,000	\$446,940,000	\$289,388,000
Total Amount Applicable to the Additional Subsidization Requirement	\$446,940,000			

1. Does not include DC and the Territories (American Samoa, Guam, Northern Marianas, and the Virgin Islands).

2. Not less than 30% of the funds made available to each State for CWSRF 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. However, this requirement only applies to the portion of the CWSRF capitalization grant appropriation that exceeds \$1 Billion.

3. To the extent that there are sufficient eligible projects, not less than 20% of the funds made available to each State for CWSRF capitalization grants shall be used by the State for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

MAY 20 2011

OFFICE OF
WATERMEMORANDUM

SUBJECT: Application of Davis-Bacon Act Wage Requirements to FY 2011 Clean Water and Drinking Water State Revolving Fund Assistance Agreements

FROM: James A. Hanlon, Director
Office of Wastewater Management (4201M)

Cynthia C. Dougherty, Director
Office of Groundwater and Drinking Water (4601M)

TO: Water Management Division Directors
Regions I-X

This is to advise that the Davis-Bacon Act wage requirements apply to all assistance provided by the Clean Water Act State Revolving Fund and the Safe Drinking Water Act State Revolving Fund through September 30, 2011.

On April 15, 2011, the President signed the Department of Defense and Full-Year Continuing Appropriations Act, 2011, P.L. 112-10 (the final FY 2011 Continuing Resolution (CR)). This law extends funding for both the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF) through September 30, 2011.

As you are aware, language in the FY 2010 Appropriations Act, P.L. 111-88, "Making Appropriations for the Department of Interior, Environment, and Related Agencies for the Fiscal Year Ending September 30, 2010," required states to include in all assistance agreements executed on or after October 30, 2010, for the construction of treatment works under the CWSRF or for any construction under the DWSRF, a provision requiring the application of the Davis-Bacon Act requirements for the entirety of the construction activities financed by the assistance agreement through the completion of construction, no matter when construction commences. This requirement was to continue through FY 2010, which ended on September 30, 2010.

The FY 2011 Full-Year Continuing Appropriations Act directs the Agency to continue implementing the provisions specified in the FY 2010 Appropriation Act in FY 2011 unless expressly directed otherwise in the final FY 2011 CR. The final FY 2011 CR includes the following language in Section 1101(a): "Such amounts [are appropriated] as may be necessary, at the level specified in subsection (c) and *under the authority and conditions provided in applicable appropriations Acts for fiscal year 2010*, for projects and activities . . . for which

ATTACHMENT 4

appropriations, funds, or other authority were made available in . . . The Department of Interior, Environment, and Related Agencies Appropriations Act, 2010 (division A of Public Law 111-88)."(emphasis added). This language requires the Agency to carry forward the conditions that were applicable to the FY10 SRF appropriated funds. In addition, section 1104 of the final FY 2011 CR states that "[e]xcept as otherwise expressly provided in this division [Division B], the requirements, authorities, conditions, limitations, and other provisions of the appropriations Acts referred to in section 1101(a) shall continue in effect through the date specified in section 1106 [September 30, 2011]." The language in Division B of the final FY 2011 CR appropriates funds for the SRF capitalization grants at a lower amount for FY11 than provided in FY 2010. But, the final FY 2011 CR – specifically, Division B – does not expressly alter the SRF provisions of the FY 2010 Appropriation Act concerning the tribal and territorial set-asides, additional subsidy, Green Project Reserve, or Davis-Bacon. After consultation with the Office of General Council, we have determined that the above cited provisions in the FY 2011 Full-Year Continuing Appropriation require the Agency to carry forward the conditions that were made applicable by the language of the FY 2010 Appropriations Act through FY 2011. Therefore, all assistance agreements entered into during the time period covered by the Continuing Resolution must include the application of Davis-Bacon requirements.

Please contact either of us or have your staff contact Jordan Dorfman at (202) 564-0614 if you have questions.

Attachment 5



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

NOV 30 2009

OFFICE OF
WATER

MEMORANDUM

SUBJECT: Application of Davis-Bacon Act Wage Requirements to Fiscal Year 2010 Clean Water State Revolving Fund and Drinking Water State Revolving Fund Assistance Agreements

FROM: Peter S. Silva *Michael Shynis for*
Assistant Administrator

TO: Water Management Division Directors
Regions I - X

On October 30, 2009, P.L. 111-88, "Making appropriations for the Department of the Interior, environment, and related agencies for the fiscal year ending September 30, 2010, and for other purposes," was enacted. This law provides appropriations for both the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF) for Fiscal Year 2010, while adding new requirements to these already existing programs. One new requirement, and the focus of this memorandum, requires the application of Davis-Bacon Act requirements.

P.L. 111-88 includes the following language in Title II under the heading, "Administrative Provisions, Environmental Protection Agency,"

For fiscal year 2010 the requirements of section 513 of the Federal Water Pollution Control Act (33 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 (33 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.

For fiscal year 2010 the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) shall apply to any construction project carried out in whole or in part with assistance made available by a drinking water treatment revolving loan fund as authorized by section 1452 of that Act (42 U.S.C. 300j-12).

In order to comply with this provision, States must include in all assistance agreements, whether in the form of a loan, bond purchase, grant, or any other vehicle to provide financing for a project, executed on or after October 30, 2009 (date of enactment of P.L. 111-88), and prior to

Attachment 5

2

October 1, 2010, for the construction of treatment works under the CWSRF or for any construction under the DWSRF, a provision requiring the application of Davis-Bacon Act requirements for the entirety of the construction activities financed by the assistance agreement through completion of construction, no matter when construction commences.

Application of the Davis-Bacon Act requirements extend not only to assistance agreements funded with Fiscal Year 2010 appropriations, but to all assistance agreements executed on or after October 30, 2009 and prior to October 1, 2010, whether the source of the funding is prior year's appropriations, state match, bond proceeds, interest earnings, principal repayments, or any other source of funding so long as the project is financed by an SRF assistance agreement. If a project began construction prior to October 30, 2009, but is financed or refinanced through an assistance agreement executed on or after October 30, 2009 and prior to October 1, 2010, Davis-Bacon Act requirements will apply to all construction that occurs on or after October 30, 2009, through completion of construction.

Notably, there is no application of the Davis-Bacon Act requirements where such a refinancing occurs for a project that has completed construction prior to October 30, 2009. This provision does not apply to any project for which an assistance agreement was executed prior to October 30, 2009, no matter when construction occurs.

Further information may be provided in the form of "Questions and Answers" if necessary.

We fully understand the complexity of this provision and the difficulties involved in its application. If you have any question, please contact us, or have your staff contact Jordan Dorfman, Attorney-Advisor, State Revolving Fund Branch, Municipal Support Division, at (202) 564-0614, or Philip Metzger, Attorney-Advisor, Infrastructure Branch, Drinking Water Protection Division, at (202) 564-3776.

Attachment 6

Treatment and Reuse Concepts for Kansas “Traditional Green” Designs Qualifying for the Additional 25% Principal Forgiveness Loans based on As-Bid Design, Construction, and Equipment Costs FFY 2010 and FFY 2011 Federal Appropriations Act

The intent of this guidance document is to stimulate projects in Kansas to be funded by the 2010 and 2011 KWPCRF program which reduce energy use, reduce water use and/or reuse effluent “gray water”, and reuse biosolids nutrients. In all cases the attached “Project Description – Green Traditional Projects” form must be completed by the consulting engineer for the project to quantify energy savings and/or water reuse. In some cases following review of the “Project Description” form, a “Business Case” may also be requested. A project design, or the design of an individual unit of a treatment plant, can be considered “categorically green” if the energy savings is 20% or more as compared to the current design in use.

Please note, federal grant funds cannot be used to match other federal grant funds. Therefore, any project receiving CDBG grant funding cannot receive principal forgiveness in the matching KWPCRF low interest loan. The KWPCRF loan funding to match the CDBG grant funding is provided from the KWPCRF non-federal funds “basic program”. However, a specific project may receive an “earmark grant” from EPA and also receive “principal forgiveness” with FFY 2010 and FFY 2011 Federal loan funding, if the “earmark grant” funds receive low interest loan match funding from the KWPCRF non-federal funds “basic program”.

Project designs that qualify for “traditional green” additional 25% principal forgiveness includes:

- Non-overflowing or discharging lagoons to replace existing mechanical treatment facilities.
- Expansion of an existing discharging lagoon system to become non-overflowing.
- The addition of solar powered or wind-driven mixers to existing or new wastewater treatment lagoons.
- Collection System I/I detection equipment. (Categorically green.) However sewer rehabilitation and repair design and construction does not qualify.
- Irrigation and other effluent reuse, including additional required treatment (if any) and storage prior to reuse, pumping and piping to off-plant reuse and/or irrigation sites. ** (Categorically green.) Irrigation equipment for effluent reuse on publically- owned land application sites is also an allowable cost.
- Land application of biosolids for reuse, including plant site storage and pumping facilities and piping to off-plant reuse site(s), or bio-solids hauling equipment.

- Sludge and/or biosolids composting prior to land application reuse.
- Sludge dewatering or drying prior to landfill disposal.
- Biosolids dewatering or drying prior to land application reuse.
- Energy efficient retrofits and upgrades to pumps and treatment processes. As an example, replacing standard motors with VFDs (or AFDs) in existing facilities qualifies, but simply specifying VFDs (or AFDs) in new facility designs does not qualify. (If the project achieves a 20% reduction in energy consumption it is categorically green.) (If the project achieves less than 20% reduction in energy consumption, a business case is required.)
- Energy audit studies of existing pumping and treatment facilities.
- Rehabilitation and upgrade of existing anaerobic digestion systems for methane recovery and reuse, including gas cleaning and dehydration facilities, on-site reuse equipment such as piping, boilers, engines and generators, and pumping and piping to off-plant reuse site(s). *** Also note, biogas powered combined heat and power (co-gen) should be considered.
- Septage and grease receiving facilities located at the wastewater treatment plant site, including pumping, piping, storage, and conditioning facilities. Municipally-owned grease storage and transfer facilities located at a site(s) remote from the wastewater treatment facility.
- Renewable energy production projects such as wind, solar, geothermal micro-hydroelectric, and biogas combined heat and power system (CHP) that provide power to a POTW. These may be located off the WWTP site. However the allowable cost is the pro-rated capacity necessary for the wastewater and/or water supply utility(s) only.
- Downspout disconnection to remove stormwater from sanitary and combined sewer systems. (Categorically green.)
- Installing or retrofitting water efficiency devices, such as plumbing fixtures and appliances. The use of "Water Sense" labeled products is the preferred choice. (Categorically green.)
- Water audits, and water conservation plans; recycling and water reuse projects that replace potable sources with non-potable sources. (Categorically green.)
- Retrofit or replace existing irrigation systems on publically-owned sites to more efficient landscape irrigation systems, including moisture and rain sensing controllers. (Categorically green.)

- * Please note – in all cases the purchase of land or easements is not an allowable cost for funding.
- ** Irrigation equipment on privately-owned land application site is not an allowable cost for funding.
- *** Methane gas utilization equipment and piping at the off-site location is not an allowable cost for funding.

Project Description
Green Traditional Projects
Kansas Water Pollution Control Revolving Fund

Applicant Name:

Project Type:

Project Description:

Traditional Green Aspect: (yes/no)

- Energy Efficiency:
- Water Reuse:

Description of Green Infrastructure Component:

Calculation of Energy Savings: (Kwh/yr elec., MCF gas, or gallons of Fuel)

- Amount of energy saved:
- Value of energy reduction: \$ (attach calculations)
- % reduction for entire wastewater utility:

Total Project Cost Est. – Construction and Design Only:

Green Infrastructure Component Cost Est. – Construction and Design Only:

Prepared by: _____ Date: _____

Attachment 7

Non-Point Source Projects
and Green Project Reserve
FFY 2011 Federal Appropriations Act

The FFY 2011 Federal appropriation to the Clean Water State Revolving Fund programs provides \$13,328,000 for water quality projects through the Kansas Water Pollution Control Revolving Fund. KDHE proposes to reserve no less than twenty percent (\$2,665,600) of this funding toward projects that will qualify toward the Green Project Reserve (GPR). To the extent possible, KDHE will fulfill GPR requirements through Non-Point Source projects, or components of projects, that will manage and treat stormwater on site, maintain or restore the natural hydrology of an area, and demonstrate more sustainable water management. Non-Point Source projects are projects implemented under 319 authority and designed to control pollution from a non-point source as identified in the pollutant source categories of the Kansas Non-Point Source Pollution Management Plan, 2010 update. Non-Point Source projects implemented under 319 authority cannot serve to fulfill requirements of National Pollutant Discharge Elimination System General Permits.

The FFY 2011 program builds on the initial successes of the American Recovery and Reinvestment Act (ARRA) funding and the FFY 2010 efforts. Several previously developed non-point source / green infrastructure projects had applied for ARRA funding and these and other projects will now receive funding from the FFY 2010 program with funding amounts and principal forgiveness amounts similar to the ARRA funding program. These projects to be funded and the estimated costs are:

Project:	Total \$:
Glacial Hills RC&D – City of Holton	
Loan Amount	\$164,684
Green Project Reserve	\$164,684
Principal Forgiveness	\$164,684
 Glacial Hills RC&D – Delaware River Ph 3	
Loan Amount	\$756,300
Green Project Reserve	\$756,300
Principal Forgiveness	\$756,300
 Pottawatomie County	
Loan Amount	\$535,212
Green Project Reserve	\$535,212
Principal Forgiveness	\$401,409
 Flint Hills RC&D	
Loan Amount	\$779,300
Green Project Reserve	\$779,300
Principal Forgiveness	\$779,300

In addition to these FFY 2010 funds projects, the KDHE Bureau of Water will seek additional project proposals in the near future that address water quality through non-point source practices.

Eligible projects will include (but are not limited to):

- Urban non-point source practices: bioretention cells, constructed wetlands (or wetland restoration), green roofs, native vegetation installation, permeable pavement and pavers, rain gardens, riparian area restoration or establishment (including vegetated buffers and/or bioengineered streambank restoration), stormwater harvesting and reuse, tree box expansion, vegetated swales.
- Rural and agricultural non-point source practices: bioretention, constructed wetlands (or wetland restoration), fencing to exclude livestock from riparian buffer areas, filter strips, native vegetation installation, riparian area restoration or establishment (including vegetated buffers and/or bioengineered streambank restoration), and floodplain restoration.

In the event that the non-point source request for proposals and other Green Traditional design projects do not provide an adequate number of projects to fulfill the GPR requirement, the KDHE Bureau of Water will initiate another Request for Proposals cycle for both Green Traditional and Non-Point Source designs until the entire 2011 GPR funding amount of \$2,665,600 is completely utilized.

Projects funded with FFY 2010 and FFY 2011 funds must have an environmental review and must comply with all applicable state and federal regulations including Disadvantaged Business Enterprise solicitation. Davis-Bacon Act requirements apply only to the construction of "treatment works" as defined by the Clean Water Act and EPA and therefore will not be applicable to non-point source pollution control projects implemented under 319 authority. Buy American and the requirements for Jobs Created/Retained reporting, which applied to 2009 ARRA funds, will not be applicable to FFY 2010 and 2011 funding. Additional information on eligible projects and applicants, how to submit an application, and other program details will be posted at <http://www.kdheks.gov/nps/> in the near future.

The additional projects selected to receive FFY 2011 funding for non-point source projects will be presented for public comment on a date, time, and location yet to be determined.

APPENDIX H
Estimated Service Fee Income From the FFY 2011 Capitalization Grant

Est. Program Income Earned During the Grant Period – 07/01/10 – 06/30/16 \$90,000

Est. Program Income Earned After the Grant Period – 07/01/16 – 06/30/31 \$243,000

Est. Non-Program Income Earned From the FFY 2011 Capitalization Grant - \$0

Prepared by
Rod Geisler
05/11/11

K.A.R. 28-16-113 establishes the method for the KWPCRF to collect service fees for administration costs of the KWPCRF. A portion of the interest rate charges of the loans, 0.25%, is collected as a service fee. The (gross) interest rates on the loans are established in accordance with K.A.R. 28-16-133.