



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of Environmental Quality

Alan Matheson
Executive Director

DIVISION OF WATER QUALITY
Erica Brown Gaddis, PhD
Director

Water Quality Board
Myron E. Bateman, Chair
Jennifer Grant, Vice-Chair
Steven K. Earley
Gregg A. Galecki
Michael D. Luers
Alan Matheson
Dr. James VanDerslice
James Webb
Dr. Erica Brown Gaddis
Executive Secretary

Utah Water Quality Board Meeting
Dixie Convention Center
1835 South Convention Center Drive
St. George, UT 84790
April 10, 2019

Board Meeting Begins @ 8:30 a.m.

AGENDA

- A. **Water Quality Board Meeting – Roll Call**
- B. **Minutes:**
 - Approval of Minutes for March 13, 2019 Water Quality Board Meeting Myron Bateman
- C. **Executive Secretary’s Report.....**Erica Gaddis
- D. **Funding:**
 - 1. SRF 2018 Annual ReportEmily Cantón
 - 2. SRF 2019 Intended Use Plan: Request for Public Comment Emily Cantón
 - 3. State Nonpoint Source Program Signatories Emily Cantón
- E. **Rulemaking:**
 - 1. Introduction to Graywater Rule Modification John Mackey
- F. **Other Business:**
 - 1. Utah Lake Water Quality Study Update Scott Daly
 - 2. Recognition of Service on the Wastewater Operator Certification Council – Award to Kerry EppichMyron Bateman
 - 3. Wastewater Operator Certification Council Annual Report for 2018 Giles Demke
- G. **Public Comment Period**
- H. **Meeting Adjournment**

Next Meeting May 22, 2019
DEQ Board Room 1015
195 North 1950 West
Salt Lake City, UT 84116

Revised 4/3/2019

In compliance with the American Disabilities Act, individuals with special needs (including auxiliary communicative aids and services) should contact Larene Wyss, Office of Human resources, at (801) 536-4281, TDD (801) 536-4284, or by email at lwys@utah.gov, at least five working days prior to the scheduled meeting.

195 North 1950 West • Salt Lake City, UT
Mailing Address: PO Box 144870 • Salt Lake City, UT 84114-4870
Telephone (801) 536-4300 • Fax (801) 536-4301 • TDD (801) 536-4284
www.deq.utah.gov

Printed on 100% recycled paper



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of Environmental Quality

Alan Matheson
Executive Director

DIVISION OF WATER QUALITY
Erica Brown Gaddis, PhD
Director

Water Quality Board
Myron E. Bateman, Chair
Jennifer Grant, Vice-Chair
Steven K. Earley
Gregg A. Galecki
Michael D. Luers
Alan Matheson
Dr. James VanDerslice
James Webb
Dr. Erica Brown Gaddis
Executive Secretary

MINUTES

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY

UTAH WATER QUALITY BOARD

195 North 1950 West
Salt Lake City, UT 84116
March 13, 2019

UTAH WATER QUALITY BOARD MEMBERS PRESENT

| | |
|---------------|---------------|
| Myron Bateman | Mike Luers |
| Steven Early | Gregg Galecki |
| Jim Webb | Alan Matheson |

| | |
|----------|-----------------|
| Excused: | Jennifer Grant |
| | Jim Vanderslice |

DIVISION OF WATER QUALITY STAFF MEMBERS PRESENT

| | | |
|----------------|------------------|--------------|
| Skyler Davies | Kim Shelley | Clanci Hawks |
| Jim Harris | Ken Hoffman | Jerry Rogers |
| Brenda Johnson | Jeff Ostermiller | |
| Jodi Gardberg | Chris Bittner | |
| Erica Gaddis | Beth Wondimu | |

OTHERS PRESENT

| <u>Name</u> | <u>Organization Representing</u> |
|--------------------|--|
| Bruce Hicken | KID |
| Pamela Gill | KID |
| Greg Anderson | KID |
| Jay Olsen | UDAF |
| Leland Myers | WFWQC |
| Alex Buxton | ZBPF |
| Scott Baird | Department of Environmental Quality |
| Thomas Bosteels | Great Salt Lake Brine Shrimp Cooperative |

Mr. Bateman called the Board meeting to order at 8:30 AM and took roll call for the members of the Board and audience.

APPROVAL OF MINUTES OF JANUARY 23, 2019 MEETING

Motion: Mr. Luers moved to approve the minutes of the January 23, 2019 meeting with a corrected header date of the December 3, 2018 minutes from October 24, 2018 to December 3, 2018. Mr. Early seconded the motion. The motion passed unanimously.

EXECUTIVE SECRETARY REPORT

National Level

- Dr. Gaddis reported that the President's new budget was released which includes an approximate 30% budget cut to the EPA. This budget cut could impact State grants. The budget also prioritizes infrastructure, which should help keep the SRF program on track.
- The EPA has released a PFAS (Per- and Polyfluoroalkyl) Substances Action Plan which includes:
 - mitigation options
 - monitoring method development
 - recommendations for enforcement
- Two Water Quality staff members attended a PFAS workshop in Denver for training. Water Quality can now develop a Reconnaissance Monitoring Plan.

State Level

- Dr. Gaddis reported that there are two budget items on the legislative schedule.
 - \$200,000 ongoing request for continued funding of the Harmful Algal Blooms (HABs) program.
 - \$200,000 for funding of water quality studies. The governor increased the amount to a one-time \$1 million funding. It does not appear that legislature will approve the increase.
- HB32 (Nutrient Standards) is progressing forward.
- HB321 appears to be moving forward.
- SB144 is a bill asking the Department of Environmental Quality to conduct monitoring of air and water quality associated with the Inland Port.

Dr. Gaddis welcomed Mr. James Webb, a new Water Quality Board member. Mr. Webb will be representing agricultural interests. Dr. Gaddis also reported that Mr. Luers and Mr. Early were reappointed to their current board positions.

Dr. Gaddis requested that a hearing officer be selected from the board or a Water Quality staff member be appointed for the Headwater Criteria Public Meeting that will take place on May 1, 2019.

Motion: Mr. Galecki moved that a Water Quality staff member be selected as a hearing officer. Mr. Luers seconded the motion. The motion passed unanimously.

Dr. Gaddis reported that there was a gasoline release in Layton City that has affected the groundwater. The release has caused vapors to appear in the storm drain system and into resident's homes. The Division of Environmental Remediation and Response (DERR) has taken the lead on the investigation. A source has not yet been confirmed. However, there are two possible sources nearby.

Dr. Gaddis also reported that there was a spill in the San Juan River. It was approximately 200 barrels of crude oil combined with produced water. The company was very responsive and reported it immediately to the Division and the EPA. The EPA dispatched a team and the spill was cleaned up very quickly.

Dr. Gaddis asked the Board to nominate a small committee to help with the annual Sudweeks Award. Mr. Luers, Mr. Early and Mr. Bateman agreed to be on the committee.

RULE MAKING

Proposed Revisions to Standards of Water Quality for the State UAC R317-2: Headwater Nutrient Criteria: Mr. Ostermiller presented the request for approval to initiate rulemaking for the proposed numeric nutrient criteria for headwater streams.

Motion: **Mr. Luers moved to approve the Proposed Revisions to Standards of Water Quality for the State UAC R317-2: Headwater Nutrient Criteria as written. Mr. Webb seconded the motion. The motion passed unanimously.**

OTHER BUSINESS

Proposed SRF Funding Cycle Changes: Mr. Davies presented the Water Quality staff recommendations for changing the approach used by the Board and Division staff for introducing and authorizing SRF construction assistance loans and grants and to solicit Board input and recommendations for funding cycle changes through FY2023.

Motion: **Mr. Luers moved to approve a semi-annual Funding Cycle beginning June 1, 2019 for the first round of applications deadline then continuing with the next round of applications deadline beginning December 1, 2019. Mr. Early seconded the motion. The motion passed unanimously.**

Public Comments:

- Mr. Leland Meyers with WFWQC commented in support of the proposed revisions to the UAC R317-2 rule.
- Mr. Jay Olsen with UDAF commented in support of the proposed revisions to UAC R317-2 rule.
- Mr. Thomas Bosteels with Great Salt Lake Brine Shrimp Cooperative commented

in support of the proposed revisions to UAC R317-2 rule.

- Mr. Bruce Hickman with Kearns Improvement District commented on SRF Funding Cycle Changes.

Meeting Adjournment

Motion: **Mr. Bateman moved to adjourn the meeting. Mr. Early seconded the motion. The motion passed unanimously.**

To listen to the full recording of the Board meeting go to: <http://www.utah.gov/pmn/index.html>

Next Meeting – April 10, 2019

Dixie Convention Center
1835 Convention Center Drive
St. George, UT 84790

Myron Bateman, Chair
Utah Water Quality Board



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of
Environmental Quality

Alan Matheson
Executive Director

DIVISION OF WATER QUALITY
Erica Brown Gaddis, PhD
Director

Water Quality Board
Myron E. Bateman, Chair
Jennifer Grant, Vice-Chair
Steven K. Earley
Gregg A. Galecki
Michael D. Luers
Alan Matheson
Dr. James VanDerslice
James Webb
Dr. Erica Brown Gaddis
Executive Secretary

MEMORANDUM

TO: Utah Water Quality Board

THROUGH: Erica Brown Gaddis, PhD

FROM: Jerry Rogers

DATE: April 10, 2019

SUBJECT: FY 2018 Clean Water SRF Annual Report

As a condition of CWSRF funding, the U.S. Environmental Protection Agency requires that the State of Utah provide an annual report. The report summarizes program accomplishments, financial activity for federal funds, status of operating agreement conditions, and progress of meeting additional subsidy and green project reserve requirements for the period of July 1, 2017 thru June 30, 2018.

Highlights for FY 2018 include:

- \$12.3 million obligated for construction projects in Morgan, Blanding, Roosevelt and Summit County
- \$11.6 million disbursed to current loan recipients with projects in active construction
- \$1.98 million in principal forgiveness disbursements
- \$1.2 million disbursed for hardship grants
- \$16.1 million received from loan principal, interest, and penalty payments
- \$1.2 million received from hardship assessment payments

The Annual Report was submitted to the EPA on Feb 22, 2019 and will be posted to the Division of Water Quality Financial Assistance web page.

DWQ-2019-001961



**WATER
QUALITY**

2018 SRF Annual Report

MISSION:

**Safeguarding and improving Utah's water
through balanced regulation.**

TABLE OF CONTENTS

| | |
|---|----|
| EXECUTIVE SUMMARY..... | 3 |
| PROGRAM HISTORY | 3 |
| MISSION STATEMENT | 4 |
| PROGRAM GOALS..... | 5 |
| PROGRAM ACCOMPLISHMENTS | 7 |
| OPERATING AGREEMENT CONDITIONS..... | 10 |
| ADDITIONAL SUBSIDIZATION | 11 |
| GREEN PROJECT RESERVE | 12 |
| A/E PROCUREMENT | 12 |
| CURRENT PROGRAM STATUS..... | 12 |
| CLEAN WATER SRF FINANCIAL STATEMENTS..... | 17 |
| NOTES TO CLEAN WATER SRF FINANCIAL STATEMENTS | 17 |
| CLEAN WATER SRF COMBINING FINANCIAL STATEMENTS..... | 25 |
| CLEAN WATER SRF BENEFITS REPORTING SUMMARY-.. .. | 28 |
| TABLE 1 – UTAH SRF FINANCIAL ASSISTANCE | 29 |
| TABLE 2 – UTAH SRF CASH DRAW SCHEDULE..... | 29 |

STATE OF UTAH WATER QUALITY STATE REVOLVING FUND

ANNUAL REPORT & FINANCIAL STATEMENTS

EXECUTIVE SUMMARY

The Utah Water Quality Board (the Board) administers financial assistance programs through the Division of Water Quality including the Clean Water State Revolving Fund, the Utah Wastewater Loan Fund, and the Hardship Grant Funds. The Board is comprised of nine members who are appointed by the Governor. The Board's primary responsibilities in administering financial assistance funds include developing administrative rules for program implementation, authorizing loan, hardship grant and principal forgiveness amounts, and determining interest rates and loan terms.

The Division of Water Quality (DWQ) serves as staff for the Board and manages the day-to-day operations of the financial assistance programs. Those responsibilities include administering loans, providing construction assistance, and managing fund transactions. DWQ coordinates their efforts with the Department of Environmental Quality - Office of Support Services, the Utah Division of Finance, the Utah Attorney General's Office, and the State Treasurer's Office in order to meet all federal and state requirements. DEQ's Mission, Vision, and Values are our guiding principles.

Both direct and indirect costs are incurred by DWQ for the administration of the financial assistance programs. Those costs are funded with revenues from Clean Water State Revolving Fund (SRF) administrative dollars and loan origination fees. DWQ employees charge time for eligible administrative work on the SRF program. Those employees are covered by the State of Utah personnel benefits plan. Indirect costs for general state expenses are also charged through a cost allocation plan.

PROGRAM HISTORY

Utah's Clean Water SRF was established pursuant to Title VI of the Federal Clean Water Act of 1987. The SRF provides low interest rate loans for the funding of water quality and wastewater infrastructure projects in Utah. The State of Utah – Department of Environmental Quality receives Capitalization Grants from the Environmental Protection Agency (EPA) and provides 20% in state matching funds for awarded grants. The SRF receives revenue from principal loan repayments, interest payments, and interest earned on the investment fund. Expenses for projects under construction are then disbursed from the SRF.

DWQ also operates a state loan program, which provides an alternative source of funding for certain water quality projects. The state loan program provides additional flexibility for project development without some of the funding conditions or restrictions that accompany the SRF funds. State matching funds for the SRF are generated from this state loan program.

With approval from the EPA, the State of Utah established a Federal Hardship Grant Program in 1993. This grant program is funded through hardship assessment fees charged in lieu of interest on SRF loans. The hardship grant assessment fees are deposited into a Federal Hardship Grant Fund, which is separate from the SRF. These monies are used to provide grants to communities with a demonstrated economic hardship and that are otherwise unable to implement clean water projects through the loan programs.

Water Quality Mission, Vision and Values

MISSION:

Safeguarding and improving Utah's water through balanced regulation

VISION:

Clean water for a healthy and prosperous Utah

VALUES:

Exceptional Service

We are public servants committed to the people of Utah and our customers. We solve problems, actively engage stakeholders, and are professional, responsive and fair.

Commitment to Employees

We value our dedicated employees as our greatest asset. We treat each other with respect, foster professional development, and celebrate our individual and collective contributions.

Credibility and Trust

We earn the public's trust by showing we care, demonstrating expertise in our work, and basing our decisions on science and the law. We act with integrity and make accurate and reliable information accessible to the public.

Continuous Improvement

We are accountable for taxpayer dollars. We improve our performance and implement innovations that advance quality, efficiency and effectiveness.

PROGRAM GOALS

Projects in the state that protect and enhance water quality are considered for financial assistance. Eligible projects include construction of publicly owned treatment works (POTWs), nonpoint source projects, storm water projects, energy and water efficiency initiatives, construction of publicly or privately owned decentralized systems, and technical assistance in support of these projects.

Long-Term Program Goals

1. Provide a permanent funding source for water quality construction projects that supplement a community's own resources and/or other funding sources.
 - All projects receiving loans through the SRF are required to make an annual repayment of principal beginning one year after project construction is complete. Cash flow projections indicate that the fund will continue to generate a revenue stream for future projects.
2. Distribute SRF funds to projects with the highest water quality and infrastructure needs by evaluating and prioritizing proposed projects throughout the state.
 - All construction projects presented to the Water Quality Board for funding receive a ranking on the Project Priority List. The Board balances project water quality impacts and financial need when determining authorization for funding.
3. Support EPA's Sustainability Policy by balancing a community's economic and water quality needs with the perpetuity of the SRF program.
 - All projects receiving funding through the SRF are evaluated for their ability to solve critical public health and water quality needs while recognizing community economic conditions. Projects are funded in a manner that will be protective of the environment, affordable to the community, and consistent with EPA's Sustainability Policy.
 - DWQ conducts financial feasibility reviews of all proposed projects that are based on engineering studies and facility plans conducted by SRF applicants prior to requesting Water Quality Board authorization of funding. The review includes an analysis of the value and priority of each project, the construction loan amount, and interest rate that should be applied. The result of these reviews ensures that all funded projects will use loan funds effectively and that the applicants can reasonably afford to repay their loans while properly maintaining the constructed system and meeting water quality objectives.
 - The Hardship Grant Program was created specifically to provide supplemental funding for important water quality projects where the applicants are not able to secure sufficient loan funds due to financial hardship or other constraints.
4. Assist communities with all phases of a project, including sufficient planning, project design, environmental work, and construction.
 - The Water Quality Board assists communities to address the need for adequate wastewater infrastructure. In so doing, the Board recognizes that wastewater facilities must meet community and water quality needs throughout the design life and that the facilities must be flexible to accommodate growth and changing requirements within that period. Therefore, the

Board supports and requires strong community planning efforts to establish financial sustainability, coordinated growth, and cost-effective development and provision of wastewater services.

Short-Term Program Goals

1. Present eligible projects to the Water Quality Board for authorization by increasing the profile of the SRF program as a potential funding source and by assisting communities through the application and award process.
 - Engineering Section staff works closely with communities to ensure facility planning satisfies water quality needs and program requirements. Staff supports applicants during application preparation to simplify the process, reduce paperwork, and minimize delays.
2. Collaborate with other agencies (i.e. Utah Permanent Community Impact Board, U.S. Department of Agriculture Rural Development, and U.S. Army Corps of Engineers) to sufficiently fund projects.
 - Engineering Section staff assists each community from the beginning stages of application, planning, and design. Staff coordinates funding partnerships, particularly for large projects, with other public and private funding entities.
3. Solicit and fund eligible nonpoint source and storm water projects
 - Engineering Section, Watershed Management Section, and Storm Water Section staffs work together with communities and land owners to identify and develop important water quality projects that are eligible for SRF funding.
4. Provide funding, equal to at least ten percent (10%) of the capitalization award, for recycled water and water reuse projects.
 - Engineering Section and UPDES Permitting Section staff work with community's water and wastewater utilities to identify and develop water conservation, land treatment/disposal, and reuse opportunities that protect state waters and/or provide an alternative source for secondary water.



Salem City Groundbreaking Ceremony for new Wastewater Treatment Plant

PROGRAM ACCOMPLISHMENTS

During FY18, the Water Quality Board authorized construction assistance for three new projects and closed loans for four projects. These projects are described below. In addition, the Water Quality Board authorized \$203,000 in advances to one community.

Clean Water State Revolving Fund and Utah Wastewater Loan Fund loans are not fully obligated until bonds are purchased by the Water Quality Board, i.e., the loan is closed. Funds for construction are not available to communities until loan closing occurs.

AUTHORIZED FUNDING:**Grantsville City**

On December 4, 2017, the Water Quality Board authorized low interest construction assistance loans for water quality improvement projects. The total cost of this project is \$5,494,000 with Grantsville City contributing over \$600,000 in cash to the project. The City will use this funding to upgrade its Main Street sewer trunk line, several other sewer lines, and a pump station. The new sewerage systems will overcome major bottlenecks in the original 1950's era infrastructure and will provide modern, efficient service for this growing community. The City is coordinating this and a similar drinking water improvement project with UDOT's planned improvement of Highway 138 (Main Street). This coordination of projects by the City will save money for the City, minimize construction-related highway delays, protecting both public health and safety. In making its assistance award, the Water Quality Board commended the City for its proactive planning of these projects and its stewardship.

Project Cost: \$5,494,000

WQB Assistance Amount: \$4,880,000

Loan Interest Rate: 1.75 % annual

Loan Term: 30 years

Non-Point Source Project Cost: \$2,500,000

Morgan City

The Water Quality Board authorized a loan to Morgan City for construction assistance. The total cost of this project is \$3,546,000 with Morgan City contributing over \$700,000 in cash to the project. Morgan City will use this funding to construct a new headworks facility, a new disinfection system, and upgrade a critical pump station. These new and renewed facilities will ensure a high level of sewer service for the community, improve the performance of its existing facilities, provide efficient, cost effective disinfection, and protect water quality in the Weber River. The City is coordinating this project as part of its master capital facilities improvement plan.

Project Cost: \$3,546,000

WQB Assistance Amount: \$2,830,000

Loan Interest Rate: 1.5 % annual

Loan Term: 20 years

Salem City

The Water Quality Board authorized a low interest loan to support Salem City to upgrade their wastewater plant capabilities. The Board authorized a loan of \$20 million to Salem at an interest rate of 1.15 percent and a term of 30 years to construct a new mechanical treatment plant that will meet the community's needs for wastewater disposal as residential and commercial growth expands and water quality requirements become more challenging to meet. At the same meeting, the Board authorized a hardship advance in the amount \$202,000 to Kane County Water Conservation District for purchase of wastewater inland and infrastructure from the USDA Forest Service. This purchase is part of the District's master plan to implement sewer service in the community of Duck Creek, which will resolve many challenges to public health that are associated with malfunctioning septic systems in the town's center.

Project Cost: \$21,161,143

WQB Assistance Amount: \$20,000,000

Loan Interest Rate: 1.15 % annual

Loan Term: 30 years

PROJECT CLOSINGS:

Morgan City

The Water Quality Board authorized a loan to Morgan City for construction assistance. The total cost of this project is \$3,546,000 with Morgan City contributing over \$700,000 in cash to the project. Morgan City will use this funding to construct a new headworks facility, a new disinfection system, and upgrade a critical pump station. These new and renewed facilities will ensure a high level of sewer service for the community, improve the performance of its existing facilities, provide efficient, cost effective disinfection, and protect water quality in the Weber River. The City is coordinating this project as part of its master capital facilities improvement plan.

Project Cost: \$3,546,000

WQB Assistance Amount: \$2,830,000

Loan Interest Rate: 1.5 % annual

Loan Term: 20 years



Salem City Wastewater Treatment Plant Construction

Roosevelt City

DWQ closed a low interest construction loan funding package for Roosevelt City to construct a new sewerage system that will connect the Stonegate subdivision to the regional wastewater treatment plant in Roosevelt, Utah. The loan amount includes \$2,000,000 in “principal forgiveness” that the community will not be required to repay. This project will enable the City to assist its Stonegate citizens in overcoming adverse public health conditions that have resulted from failing septic tanks in the area. Further, the project will enable the City to provide municipal services to the growing Hancock Cove area, and providing long-term, permanent sanitation solution for this community. Skyler Davies, P.E., has expertly managed this complex and important project.

Project Cost: \$5,667,000

WQB Assistance Amount: \$3,167,000

Loan Interest Rate: 0.0 % annual

Loan Term: 30 years

Blanding City

DWQ closed a construction assistance loan for Blanding City construction of a new east side sewer trunk that will relieve capacity limitations currently experienced on the existing trunk line, allow the City to eliminate three lift stations, and extend the City’s service area. The Board recognized financial hardships within a significant percentage of Blanding’s population and provided an extended loan term of 30 years with an interest rate of 1.5 percent, keeping the expected sewer rates well within the Board’s affordability criteria.

Project Cost: \$2,757,000

WQB Assistance Amount: \$2,557,000

Loan Interest Rate: 1.5 % annual

Loan Term: 30 years

Summit County

DWQ closed a low interest construction assistance loan to Summit County. The proposed new sewer segment will connect the Silver Creek Subdivision with the Snyderville Water Reclamation District and will eliminate septic tank discharges in the headwaters of East Canyon Creek, which is impaired due to nutrient pollution, and will enable new sewer development that is protective of water quality to proceed.

Project Cost: \$1,030,000

WQB Assistance Amount: \$841,000

Loan Interest Rate: 0.0 % annual

Loan Term: 20 years

OPERATING AGREEMENT CONDITIONS

The State of Utah has twenty-four conditions in the SRF Operating Agreement with the EPA that set forth program, management, and financial policies and procedures to be implemented. The first twelve conditions have been met and no status update is required. These include: Agreement to Accept Payments, State Laws and Procedures, State Accounting and Auditing Procedures, Recipient Accounting and Auditing Procedures, Use of the Automated Standard Application for Payments (ASAP), Repayments, Annual Audit, Annual Report, Annual Review, Anti-lobbying, Drug Free Workplace, Rural Area Business Enterprise Development Plan.

The remaining twelve conditions in the Operating Agreement have also been met, but require an annual update. These are described below:

1. **Provide State Match** - State match funds are derived from sales tax dollars that are deposited into the Utah Wastewater Loan Fund. As prescribed in the Intended Use Plan, the Division of Water Quality uses the total amount of state match required toward eligible project costs before making draws from the EPA Capitalization Grant award.
2. **Repayment Begins within One Year of Construction End** – Principal and interest repayments of loans made through the SRF begin within one year of construction completion. This time allows revenue accumulation for one annual loan repayment.
3. **Extended Term Financing** – Utah ensures that the long-term revolving nature of the fund is protected. Based on Clean Water NIMS data, the three-year rolling average of annual loan commitments for 2016, 2017, and 2018 is \$29,125,666, which is greater than the established baseline of \$10,770,155.
4. **Expeditious and Timely Expenditure** - Utah has disbursed all cash draws in a timely and expeditious manner. Construction has begun on all SRF projects within a short period after loans are closed. For details on federal cash draw details, please see Table 2 on page 30.
5. **First Use for Enforceable Requirements** - Prior to receiving the Capitalization Grant, Utah had met the requirements of Section 1382(b) (5) of the Clean Water Act. This section requires that all Capitalization Grant funds be used in a manner that assures maintenance of progress toward compliance with enforceable deadlines, goals, and requirements of the Clean Water Act.
6. **Eligible Activities of the Fund** - All projects that have received SRF loans have expended loan proceeds for eligible costs.
7. **Compliance with Title II Requirements** - In accordance with Section 1382 (b) (6) of the Clean Water Act, the SRF is required to meet sixteen specific Title II “equivalency” requirements for wastewater treatment projects under Section 212 which have been constructed, in whole or part, before October 1, 1994, with funds “directly made available by the Capitalization Grant.” The State has met equivalency requirements up to October 1, 1994 and documented that compliance in previous annual reports. Since there was no requirement under this statute beyond the October 1, 1994 date, there has been no additional reporting for equivalency in this report.
8. **DBE Requirements** - The State negotiated fair share utilization goals with Region VIII for participation on activities financed by the SRF. During the state fiscal year, the SRF program has met or exceeded the minimum Disadvantaged Business Enterprise (DBE) utilization program requirements. Construction projects have either implemented fair share utilization goals for DBE participation or have demonstrated that a good faith effort was made to provide opportunity for qualified DBE involvement.

9. Other Federal Authorities - The State and all recipients of SRF funds, which were made available directly by the Capitalization Grant, have complied with applicable federal authorities. Recipients of SRF assistance agreed to this as a condition of the bond agreement between the loan recipient and the State.
10. State Environmental Review Process - During the fiscal year, the State was actively involved in assisting potential SRF projects with planning. Environmental impacts are being carefully considered with each plan. No loans are closed with a community until a Categorical Exclusion, Finding of No Significant Impact, or Environmental Impact Statement is issued.
11. Cash Draw Procedures - Table 2 of this report includes the amount of funds drawn from the EPA Capitalization Grants and from the state match for loan projects and administration during the fiscal year.
12. Outlay Projections - The FY18 Intended Use Plan (IUP) projected draws for loans from the EPA Capitalization Grants equal to \$6,699,000. During SFY 2018 a total of \$6,043,915 was actually drawn.

ADDITIONAL SUBSIDIZATION

The 2015, 2016, and 2017 Clean Water SRF capitalization grant awards contain programmatic requirements for State to provide additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants. Utah's program provides additional subsidy in the form of principal forgiveness. The table below outlines the additional subsidization requirement by award year and summarizes progress in meeting the requirement. The program will continue to provide information regarding additional subsidization projects in subsequent Intended Use Plans and Annual Reports. (Utah's 2018 award was received after June 30, 2018; therefore, reporting has not been included in the FY18 Annual Report.)

| Additional Subsidization Requirements | | | | | |
|---------------------------------------|----------------|----------------|-------------|----------------|-----------------------|
| Award Year | Minimum Amount | Maximum Amount | Status | Project | Principal Forgiveness |
| 2015 | \$0 | \$2,197,200 | In progress | Roosevelt City | \$1,627,000 |
| 2016 | \$701,100 | \$2,103,300 | In progress | | |
| 2017 | \$695,600 | \$2,086,800 | In progress | | |



Central Valley WRF's Clarifier Project

GREEN PROJECT RESERVE

To the extent that there are sufficient eligible projects, not less than 10% of the funds made available through the 2014 through 2018 Clean Water SRF capitalization grants shall be used for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. The table below outlines the minimum amounts to be used toward the green project reserve requirement and projects funded to meet the requirement. Utah has met the requirement for the 2014 award. Potential projects for the 2015 and 2016 requirements are identified in Intended Use Plans and will be reported once funds are expended by projects during the construction phase.

| Green Project Reserve Requirements | | | |
|------------------------------------|-----------------|-----------------------------|----------------------|
| Award Year | Amount Required | Project | Credit |
| 2015 | \$732,400 | Moab City, Duchesne City | \$503,000 590,000 |
| 2016 | \$701,100 | South Davis | |
| 2017 | \$696,600 | Moab City, Duchesne City | |

A/E PROCUREMENT

Beginning with capitalization grants awarded after October 1, 2014, architectural and engineering (A/E) contracts for projects using funds directly made available by a capitalization grant must comply with the elements of procurement processes for A/E services as identified in 40 U.S.C. 1101 or an equivalent State qualifications-based requirement. To date, projects funded directly from Utah capitalization grant awards have used other funding sources for A/E services.

CURRENT PROGRAM STATUS

Since its inception, the State Revolving Fund has been steadily increasing and has grown into a permanent source of financial assistance for the construction of water quality projects throughout the State of Utah. Each year, there are water quality projects in Utah that do not receive funding directly from the SRF. Utah encourages community self-reliance through prudent planning and cooperative efforts to utilize other sources of available financial assistance.

Many of the larger wastewater treatment facilities located in high population areas of the State are able to afford construction financing without utilization of the State Revolving Fund. Medium-sized communities rely heavily on the SRF to provide additional assistance, making wastewater treatment affordable to their citizens. To achieve efficient and affordable public health and water quality solutions, communities with small populations use the USDA Rural Development and Utah Wastewater Project Assistance Program financing for loans and grants for their wastewater projects. The Utah Community Impact Board funding is used by communities located within impacted (mineral extracting) counties.

DWQ continues to work with communities to provide construction assistance and to improve water quality for the State of Utah. Key program results are illustrated in Figure 1.

Salem City Groundbreaking Ceremony



**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED STATEMENT OF NET ASSETS
June 30, 2018**

ASSETS

CURRENT ASSETS

| | |
|-------------------------|-------------------|
| Cash & Cash Equivalents | \$ 128,405,731 |
| Receivables: | |
| Amount due from EPA | 33,263 |
| Amount due from State | - |
| Loan interest | 660,062 |
| Hardship assessments | 386,504 |
| Loans Receivable | <u>10,183,459</u> |
| Total current assets | 139,669,019 |

NONCURRENT ASSETS

| | |
|------------------|--------------------|
| Loans receivable | <u>136,571,077</u> |
|------------------|--------------------|

| | |
|---------------------|--------------------|
| TOTAL ASSETS | <u>276,240,096</u> |
|---------------------|--------------------|

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

| | |
|--------------------|----------------|
| Deposits | - |
| Due to State | 109,553 |
| Due to Other Funds | - |
| Accounts Payable | <u>110,032</u> |

| | |
|--------------------------|---------|
| TOTAL LIABILITIES | 219,585 |
|--------------------------|---------|

NET ASSETS

| | |
|--------------|--------------------|
| Unrestricted | <u>276,020,511</u> |
|--------------|--------------------|

| | |
|-------------------------|------------------------------|
| TOTAL NET ASSETS | <u><u>\$ 276,020,511</u></u> |
|-------------------------|------------------------------|

The accompanying notes are an integral part of the financial statements.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
June 30, 2018**

| | Total |
|---|------------------------------|
| OPERATING REVENUES | |
| Loan interest | \$ 626,096 |
| Hardship assessments | 1,167,337 |
| Late Fees | 473 |
| EPA Program Administration Fees | 343,038 |
| Loan Origination Fees | - |
| Total Operating Revenues | <u>2,136,944</u> |
| OPERATING EXPENSES | |
| Hardship grants | 1,298,895 |
| Principal Forgiveness | 1,983,915 |
| EPA Program Administration | 473,699 |
| Total Operating Expenses | <u>3,756,509</u> |
| OPERATING INCOME (LOSS) | <u>(1,619,565)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment income | 2,181,233 |
| EPA capitalization grants - Loans | 4,060,000 |
| EPA capitalization grants - Principal Forgiveness | 1,983,915 |
| State match | 7,930 |
| Transfers in | 90,000 |
| Transfers out | (90,000) |
| Total nonoperating revenues(expenses) | <u>8,233,078</u> |
| CHANGE IN NET ASSETS | <u>6,613,513</u> |
| NET ASSETS, BEGINNING OF YEAR | <u>269,406,998</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 276,020,511</u></u> |

The accompanying notes are an integral part of the financial statements.

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED STATEMENT OF CASH FLOWS
June 30, 2018**

| | Total |
|--|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from loan interest and penalties | \$ 602,871 |
| Cash received from hardship assessments | 1,222,330 |
| Loan origination fees received | 27,000 |
| Loans disbursed | (11,570,000) |
| Hardship grants disbursed | (1,172,033) |
| Principal received on loans receivable | \$15,481,915 |
| Principal forgiveness disbursed | (1,983,915) |
| Grant awards | 365,026 |
| Program administration | (464,764) |
| Charges for services | - |
| Project administration | - |
| Net cash (required) by operating activities | <u>2,508,430</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Funds received from EPA capitalization grants - Loans | 4,060,000 |
| Funds received from EPA capitalization grants - Principal Forgiveness | 1,983,915 |
| Transfers in | 90,000 |
| Transfers out | (90,000) |
| Funds received from State of Utah | 7,930 |
| Net cash provided by noncapital financing activities | <u>6,051,845</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Net investment income received | <u>2,181,232</u> |
| Net cash provided by investing activities | <u>2,181,232</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 10,741,507 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>117,664,224</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 128,405,731</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income (loss) | \$ (1,619,565) |
| Changes in assets and liabilities related to operations: | |
| (Increase)/Decrease in loan interest receivable | (23,698) |
| (Increase)/Decrease in hardship assessments receivable | 54,993 |
| (Increase)/Decrease in amount due from EPA | 21,987 |
| (Decrease)/Increase in amount due from State | - |
| (Decrease)/Increase accounts payable | 126,825 |
| (Decrease)/Increase in amount deposits | - |
| (Decrease)/Increase in amount due to State | (23,758) |
| (Decrease)/Increase in amount due to Other Funds | 0 |
| (Increase)/Decrease accounts receivable | 27,000 |
| (Increase)/Decrease loans receivable | 3,944,646 |
| Net cash (required) by operating activities | <u><u>\$ 2,508,430</u></u> |

The accompanying notes are an integral part of the financial statements.

NOTES TO CLEAN WATER SRF FINANCIAL STATEMENTS

NOTE 1 – DEFINITION OF REPORTING ENTITY

The Utah Department of Environmental Quality, Division of Water Quality - State Revolving Fund (SRF or Fund) program was established pursuant to federal action in order to provide low interest rate loans to public wastewater systems for preservation and protection projects that meet eligibility requirements. The United States Environmental Protection Agency (EPA) allows for reasonable costs of administering the program to be funded by the SRF Capitalization Grant. The maximum annual amount may be the greatest of the following:

- An amount equal to 4 percent of all grant award received by a State CWSRF less any amounts that have been used in previous years to cover administrative expenses;
- \$400,000; or
- 1/5 percent of the current valuation of the fund

The Division of Water Quality currently uses \$400,000 for annual administrative costs incurred by the program. Funding from the administrative portion of the capitalization grant and from the collection of loan origination fees allows for the supervision of the SRF program as well as for oversight of individual projects.

The Water Quality Board (the Board) is comprised of nine members appointed by the Governor. The Board develops policies and procedures for program implementation and authorizes loans under the SRF program. The Utah Department of Environmental Quality (DEQ) and the Board jointly manage the SRF program. DEQ - Division of Water Quality reviews loan applications for eligibility, prioritizes eligible projects, monitors loan disbursements and repayments, and conducts project inspections. Through the Utah Code, the legislature has given the Board rule making authority that meets federal law requirements. The Board reviews each loan applicant to determine its ability to repay the loan, its readiness to proceed with the project, and its ability to complete the project.

The SRF program receives assistance and support from the Department of Environmental Quality - Office of Support Services, the Department of Administrative Services - Division of Finance, the Utah Attorney General's Office, and the State Treasurer's Office. Salaries and benefits of employees as well as indirect costs based on direct salary costs are accumulated in the state's general fund and charged to the SRF based on actual time spent on SRF activities. Employees who charge time to the SRF are covered by the State of Utah personnel benefits plan.

The SRF program is funded by a series of capitalization grant awards from EPA. Grant conditions require States to provide twenty percent (20%) matching funds to the federal Capitalization Grant.

The Fund follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The SRF program and activities are included in the Utah Comprehensive Annual Financial Report (CAFR) as part of the Proprietary Funds (Water Loan Programs). The SRF assets, liabilities, and net assets are combined with other state programs and are not separately identifiable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fund conform to generally accepted accounting principles as applicable to a governmental unit accounted for as a proprietary enterprise fund. The enterprise fund is used since the Fund's powers are related to those operated in a manner similar to a for profit business where an increase in net assets is an appropriate determination of accountability.

Basis of Accounting

The SRF financial statements are presented as an enterprise fund. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. All assets and liabilities associated with the operation of the SRF are included in the statement of net assets. The SRF has elected to follow the accounting pronouncements of the Governmental Accounting Standards Board (GASB), as well as statements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

In accordance with the Money Management Act, Section 51-7 of the Utah Code, the State Treasurer administers cash and manages investments in the State. The Money Management Act specifies the investments that may be made, which are only high-grade securities. Investments include variable rate corporate notes and obligations of U.S. government agencies that base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate. Therefore, there is very little market risk because the investments follow the normal swings of interest rates. Cash equivalents are generally considered short-term highly liquid investments with maturity of three months or less from the purchase date.

All funds deposited with the Treasurer are considered to be cash or cash equivalents regardless of the actual maturities of the underlying investments in the statement of cash flows. Investments in debt and equity securities are reported at fair value in the statement of net assets, and all investment income, including changes in the fair value, are reported in the statement of revenue, expenses, and changes in fund net assets.

Operating Revenues and Expenses

The SRF distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses and changes in net assets. Operating revenues and expenses generally result from carrying out the purpose of the SRF, which is to provide low interest loans to communities and provide assistance for prevention programs and administration. Operating revenues consist of loan and interest payments from borrowers. Operating expenses include direct salary costs and benefits, indirect costs and allowance for bad debt. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

The EPA capitalization grant and the associated State match are recorded as capital contributions, except for principal forgiveness which is reported as non-operating revenue, and the administrative match which is reflected as operating revenue.

When both restricted and unrestricted resources are available for use, it is the Fund's policy to follow the State of Utah's policy as defined in the State of Utah Comprehensive Annual Financial Report.

Hardship Assessments

The Board has the option to charge a hardship assessment in lieu of interest on loans made from the repayment stream, also known as 2nd Round funds. Hardship assessments are calculated and paid in the same manner as interest. The restriction for the use of hardship assessments differs from the restriction for the use of interest. Hardship assessments can be used for purposes other than loans, including grants to disadvantaged communities.

Loan Origination Fee

The Water Quality Board may charge a Loan Origination Fee up to 1% of the principal loan amount. This fee may be used for any allowable activities under the Act and administration of the loan program.

Budgets

The SRF, as an enterprise fund of the State, does not require appropriation. Even so, the legislature reviews SRF amounts and authorizes an annual budget.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes during the reporting period. Actual results could differ from those estimates.

Loans Receivable

Loans are funded by capitalization grants from the EPA, State matching funds, loan repayments and interest earnings. Interest is calculated from the date that funds are advanced. After the final disbursement has been made, the loan agreement is adjusted for the actual amounts disbursed. Loans are amortized for up to 30 years. Loan repayments must begin within one year of construction completion and are made on an annual basis. For projects receiving principal forgiveness, monies are advanced and forgiven as each disbursement occurs. Loan agreements require repayment of the forgiven loan if all program requirements are not met.

Allowance for Bad Debts

The allowance for bad debts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Loans receivable are charged against the allowance for bad debts when management believes that the uncollectibility of the principal is probable. The allowance for bad debts was \$32,700 at June 30, 2018.

NOTE 3 – CASH AND INVESTMENTS

All monies of the SRF are deposited with the Utah State Treasurer and are considered cash and cash equivalents. All cash deposited with the State Treasurer is maintained by the Treasurer in various pooled investment funds. The State Treasurer invests the deposited cash, including the cash float, in short term securities and other investments.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF) investment pool. The PTIF is available for investment of funds administered by any Utah public treasurer. Participation is not required and no minimum balance or minimum/maximum transaction is required. State agencies and funds that are authorized to earn interest also invest in the PTIF as an internal investment pool. No separate report as an external investment pool has been issued for the PTIF. Details of the investments of the PTIF can be obtained from the State Treasurer.

The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The Act establishes the Money Management Council, which oversees the activities of the State Treasurer and the PTIF. The Act lists the investments that are authorized which are high-grade securities which minimizes credit risk except in the most unusual and unforeseen circumstances.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

Income, gains and losses, and net of administration fees of the PTIF are allocated to participants on the ratio of the participants' share of the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, the investments are valued at fair value. The SRF has adjusted the PTIF funds to fair value as of June 30, 2018.

Investments in PTIF are not categorized because they are not evidenced by securities that exist in physical or book entry form. Cash and cash equivalents are presented below:

| | |
|-------------------------------------|--------------------|
| Pooled cash held by State Treasurer | \$ 981,377 |
| Public Treasurer's Investment Fund | <u>127,424,354</u> |
| Total cash and cash equivalents | \$ 128,405,731 |

NOTE 4 – LOANS RECEIVABLE

Loans are made to qualifying entities for projects that meet eligibility criteria. The SRF loan awards are comprised of the following funding sources: (1) the federal EPA Capitalization Grants; (2) State match funds; (3) loan repayments; (4) interest payments; and (5) SRF interest earnings. Projects are funded through the purchase of incremental disbursement bonds and proceeds are deposited into an escrow account based on a quarterly schedule of anticipated costs. Loan interest begins accruing when funds are deposited in the escrow account. Principal repayment must begin no later than one year after the completion of the project. Effective interest rates and hardship assessments on loans vary between 0.0 and 5.0 percent and are generally repaid over 20-30 years. The interest rates on the loans are generally lower than market rates and, in some cases, are non-interest bearing. Loans mature at various intervals

and recipients make annual payments. Loans mature at various intervals through June 30, 2046 and the scheduled principal repayments on loans follows:

| LOANS RECEIVABLE | |
|----------------------------------|----------------------|
| Year Ending June 30, 2018 | Amount |
| 2019 | 10,183,459 |
| 2020 | 10,840,738 |
| 2021 | 10,852,017 |
| 2022 | 11,890,347 |
| 2023 | 10,065,269 |
| 2024 – 2028 | 47,654,013 |
| 2029 – 2033 | 31,145,215 |
| 2034 – 2040 | 11,649,289 |
| 2041 – 2047 | 2,080,000 |
| 2048 – 2061 | 394,189 |
| Total | \$146,754,536 |

Loans to Major Local Agencies

The Fund has made loans to the following major local agencies. The aggregate outstanding loan balances for each of these agencies exceed five percent (5%) of total loans receivable. The combined outstanding loan balances at June 30, 2018 of these major local agencies represent approximately forty-six percent (46%) of the total loans receivable and are as follows:

| LOANS TO MAJOR LOCAL AGENCIES | | |
|--------------------------------------|--------------------|---------------------|
| Borrower | Authorized | Outstanding |
| | Loan Amount | Loan Balance |
| SOUTH VALLEY WATER RECLAMATION | \$22,110,000 | \$15,486,000 |
| NORTH DAVIS SEWER DISTRICT | 21,650,000 | 12,470,000 |
| MOAB CITY | 14,200,000 | 13,420,000 |
| HOOVER CITY | 12,665,000 | 9,455,000 |
| OREM CITY | 11,889,000 | 8,325,000 |
| CENTRAL WEBER SEWER IMP. DIST. | 11,055,000 | 7,739,397 |
| | \$93,569,000 | \$66,895,397 |

NOTE 5 – DUE TO STATE OF UTAH

Due to State of Utah balances are an aggregation of amounts due to employees for salaries and benefits and/or vendors and miscellaneous suppliers paid by the state.

NOTE 6 – CAPITAL CONTRIBUTIONS

The following table summarized the activity of the State's Clean Water Revolving Loan Fund by award year:

| CAPITAL CONTRIBUTIONS | | | | | |
|------------------------------|----------------------|------------------------------------|---|--|---|
| Year | Grant Award | Funds Drawn as of June 30, 2017 | Funds Drawn During Year Ended June 30, 2018 | Total Funds Drawn as of June 30, 2018 | Available Funds as of June 30, 2018 |
| 1988 – 2007 | \$145,550,094 | \$145,550,094 | \$0 | \$145,550,094 | 0 |
| 2008 | 3,521,700 | 3,521,700 | 0 | \$3,521,700 | 0 |
| 2009 | 3,521,600 | 3,521,600 | 0 | \$3,521,600 | 0 |
| 2009-ARRA | 20,649,900 | 20,649,900 | 0 | \$20,649,900 | 0 |
| 2010 | 10,736,000 | 10,736,000 | 0 | \$10,736,000 | 0 |
| 2011 | 7,759,000 | 7,759,000 | 0 | \$7,759,000 | 0 |
| 2012 | 7,422,000 | 7,422,000 | 0 | \$7,422,000 | 0 |
| 2013 | 7,006,000 | 7,006,000 | 0 | \$7,006,000 | 0 |
| 2014 | 7,362,000 | \$7,005,085 | 356,915 | \$7,362,000 | 0 |
| 2015 | 7,324,000 | \$1,569,399 | 5,687,000 | \$7,256,399 | 67,601 |
| 2016 | 7,011,000 | \$31,313 | 343,039 | \$374,352 | 6,636,648 |
| 2017 | 6,956,000 | 0 | 0 | 0 | 6,956,000 |
| Totals | \$234,819,294 | \$214,772,091 | \$6,386,954 | \$221,159,045 | \$13,660,249 |

The following table summarizes the amount of state contributions made to meet match requirements of the EPA grant:

| | |
|--|--------------|
| State match paid as of June 30, 2017 | \$41,052,798 |
| State match paid during the year ended June 30, 2018 | <u>0</u> |
| Total State match paid as of June 30, 2018 | \$41,052,798 |

NOTE 7 – RISK MANAGEMENT

The SRF is included in Utah’s Risk Management Fund, which provides insurance in case of loss or claims against the SRF. The State has elected, with a few exceptions, to be self-insured against loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, settled claims have not exceeded insurance coverage in the last three fiscal years. Refer to the State’s Risk Management disclosure in the June 30, 2018 Comprehensive Annual Financial Reports.

NOTE 8 – CONTINGENCIES AND SUBSEQUENT EVENTS

As of June 30, 2018, the total remaining draws for SRF projects with closed loans was \$70,726,000. These draws will be processed during future fiscal years as wastewater project construction continues. As of June 30, 2018, the Board had authorized an additional \$51,366,000 in loan funding for three communities. However, loan closing had not been completed for two of the projects.

NOTE 9 – NET ASSETS

Governmental Accounting Standards Board Statement No. 34 provides for three components of net assets: invested in capital assets, net of related debt, restricted and unrestricted. As of June 30, 2018, the Fund had no restricted net assets or net assets invested in capital assets, net of related debt. Unrestricted net assets consists of net assets that do not meet the definition of invested in capital assets, net of related debt or restricted. Although the Fund reports unrestricted net assets on the face of the statements of net assets, unrestricted net assets are to be used by the Fund for the payment of obligations incurred by the Fund in carrying out its statutory powers and duties and are to remain in the Fund.



Moab Wastewater Receiving Facility



The Virgin River

SUPPLEMENTARY INFORMATION:

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED COMBINING STATEMENT OF NET ASSETS
June 30, 2018**

| | SRF Fund | Loan Origination Fee Fund | Hardship Fund | Total |
|-----------------------------------|----------------|---------------------------------|------------------|----------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash & Cash Equivalents | \$ 123,344,644 | \$ 1,067,787 | \$ 3,993,300 | \$ 128,405,731 |
| Receivables: | | | | |
| Amount due from EPA | 33,263 | - | - | 33,263 |
| Amount due from State | - | - | - | - |
| Loan interest | 660,062 | - | - | 660,062 |
| Hardship assessments | - | - | 386,504 | 386,504 |
| Loan origination fees | - | - | - | - |
| Loans receivable | 10,042,282 | - | 141,177 | 10,183,459 |
| Total current assets | 134,080,251 | 1,067,787 | 4,520,981 | 139,669,019 |
| NONCURRENT ASSETS | | | | |
| Loans receivable | 134,793,159 | - | 1,777,918 | 136,571,077 |
| TOTAL ASSETS | 268,873,410 | 1,067,787 | 6,298,899 | 276,240,096 |
| LIABILITIES AND NET ASSETS | | | | |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Deposits | - | - | - | - |
| Due to State | 7,511 | - | 102,042 | 109,553 |
| Due to other funds | - | - | - | - |
| Accounts payable | - | - | 110,032 | 110,032 |
| TOTAL LIABILITIES | 7,511 | - | 212,074 | 219,585 |
| NET ASSETS | | | | |
| Unrestricted | 268,865,899 | 1,067,787 | 6,086,825 | 276,020,511 |
| TOTAL NET ASSETS | \$ 268,865,899 | \$ 1,067,787 | \$ 6,086,825 | \$ 276,020,511 |

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
June 30, 2018**

| | SRF Loan Fund | Loan Origination Fee Fund | Hardship Fund | Total |
|---|--------------------------|--|--------------------------|----------------|
| OPERATING REVENUES | | | | |
| Loan interest | \$626,096 | \$ - | \$ - | \$ 626,096 |
| Hardship assessments | - | - | \$1,167,337 | 1,167,337 |
| Late fees | 473 | - | - | 473 |
| EPA Program Administration Fees | \$343,039 | - | - | 343,039 |
| Loan Origination Fees | - | - | - | - |
| Total Operating Revenues | \$969,608 | - | 1,167,337 | 2,136,945 |
| OPERATING EXPENSES | | | | |
| Hardship grants | - | - | 1,298,895 | 1,298,895 |
| Principal Forgiveness | 1,983,915 | - | - | 1,983,915 |
| EPA Program Administration | 473,699 | - | - | 473,699 |
| Total Operating Expenses | 2,457,614 | - | 1,298,895 | 3,756,509 |
| OPERATING INCOME (LOSS) | (1,488,006) | - | (131,558) | (1,619,564) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment income | 2,112,509 | - | 68,723 | 2,181,231 |
| EPA capitalization grants - Loans | 4,060,000 | - | - | 4,060,000 |
| EPA capitalization grants - Principal Forgiveness | 1,983,915 | - | - | 1,983,915 |
| State match | 7,930 | - | - | 7,930 |
| Transfers in | 90,000 | - | - | 90,000 |
| Transfers out | - | (90,000) | - | (90,000) |
| Total nonoperating revenues(expenses) | 8,254,354 | (90,000) | 68,723 | 8,233,077 |
| CHANGE IN NET ASSETS | 6,766,348 | (90,000) | (62,835) | 6,613,513 |
| NET ASSETS, BEGINNING OF YEAR | 262,099,551 | 1,157,787 | 6,149,660 | 269,406,998 |
| NET ASSETS, END OF YEAR | \$ 268,865,899 | \$ 1,067,787 | \$ 6,086,825 | \$ 276,020,511 |

**UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY - STATE REVOLVING FUND
UNAUDITED COMBINING STATEMENT OF CASH FLOWS
June 30, 2018**

| | SRF Loan Fund | Loan Origination Fee Fund | Hardship Fund | Total |
|---|------------------|---------------------------------|------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from loan interest and penalties | 602,871 | \$ - | \$ - | \$ 602,871 |
| Cash received from hardship assessments | - | - | \$1,222,330 | 1,222,330 |
| Loan origination fees received | - | \$27,000 | - | 27,000 |
| Loans disbursed | (\$11,260,000) | - | (310,000) | (11,570,000) |
| Hardship grants disbursed | - | - | (1,172,033) | (1,172,033) |
| Principal received on loans receivable | \$15,217,115 | - | 264,800 | \$15,481,915 |
| Principal forgiveness disbursed | (1,983,915) | - | - | (1,983,915) |
| Grant awards | 365,026 | - | - | 365,026 |
| Program administration | (464,764) | - | - | (464,764) |
| Charges for services | - | - | - | - |
| Project administration | - | - | - | - |
| Net cash (required) by operating activities | 2,476,333 | 27,000 | 5,097 | 2,508,430 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Funds received from EPA capitalization grants - Loans | 4,060,000 | - | - | 4,060,000 |
| Funds received from EPA capitalization grants - Principal Forgiveness | 1,983,915 | - | - | 1,983,915 |
| Transfers in | 90,000 | - | - | 90,000 |
| Transfers out | - | (90,000) | - | (90,000) |
| Net funds received from State of Utah | 7,930 | - | - | 7,930 |
| Net cash provided by noncapital financing activities | 6,141,845 | (90,000) | - | 6,051,845 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Net investment income received | 2,112,509 | - | 68,723 | 2,181,232 |
| Net cash provided by investing activities | 2,112,509 | - | 68,723 | 2,181,232 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 10,730,687 | (63,000) | 73,820 | 10,741,507 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | 112,613,957 | 1,130,787 | 3,919,480 | 117,664,224 |
| | \$ 123,344,644 | \$ 1,067,787 | \$ 3,993,300 | \$ 128,405,731 |
| | \$ | - | | |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ (1,488,007) | \$ - | \$ (131,558) | \$ (1,619,565) |
| Changes in assets and liabilities related to operations: | | | | |
| (Increase)/Decrease in loan interest receivable | (23,698) | - | - | (23,698) |
| (Increase)/Decrease in hardship assessments receivable | - | - | 54,993 | 54,993 |
| (Increase)/Decrease in amount due from EPA | 21,987 | - | - | 21,987 |
| (Decrease)/Increase in amount due from State | - | - | - | - |
| (Decrease)/Increase accounts payable | (37) | 0 | 126,862 | 126,825 |
| (Decrease)/Increase in deposits | - | - | - | - |
| (Decrease)/Increase in amount due to State | (23,758) | - | - | (23,758) |
| (Decrease)/Increase in amount due to Other Funds | - | - | - | - |
| (Increase)/Decrease accounts receivable | - | 27,000 | - | 27,000 |
| (Increase)/Decrease loans receivable | 3,989,846 | - | (45,200) | 3,944,646 |
| Net cash (required) by operating activities | \$ 2,476,333 | \$ 27,000 | \$ 5,097 | \$ 2,508,430 |

CWSRF Benefits Reporting

| | | | |
|--|---|--|------------|
| Loan: UT65 | <input type="checkbox"/> Entry Complete | Tracking #: 255 | Other #: |
| Borrower: Roosevelt City | Loan Execution Date: 11/15/2017 | Incremental Funding: N | Phase #: 0 |
| Assistance Type: Loan and Grant | Loan Interest Rate: 0.00% | Original Tracking #: Linked to Tracking#: | |
| Loan Amount \$: \$1,627,000 | Repayment Period: 30 | Same Environmental Results: <input type="checkbox"/> | |
| <input type="checkbox"/> Final Amount | % Funded by CWSRF: 63% | ARRA Funding: <input type="checkbox"/> | |
| Multiple nonpoint source projects with similar Environmental Results: <input type="checkbox"/> | | Total NPS Projects: 0 | |

Project: 1 of 1 CW Needs Survey Number : # of NPS Projects: 0

Project Description: Construction of a new sewer main that will connect the Stonegate subdivision with the City's collection system and

Facility Name: treatment plant.
Roosevelt City

Population Served (Current) :

by the Project: 0

by the Facility: 0

Wastewater Volume (Design Flow) :

by the Project: 0.0000mgd Volume Eliminated/Conserved: 0.0000mgd

by the Facility: 0.0000mgd

Discharge Information:

- ☐ Ocean Outfall
 ☐ Estuary/Coastal Bay
 ☐ Wetland
 ☐ Surface Water
 ☐ Groundwater
 ☐ Land Application
- ☐ Other/Reuse
 ☐ Eliminates Discharge
 ☒ No Change / No Discharge
 ☐ NEP Study
 ☐ Seasonal Discharge

NPDES Permit Number:

☒ No NPDES Permit

Other Permit Type:

Other Permit Number:

Affected Waterbodies:

| Waterbody Name | Waterbody ID | State Waterbody ID | Receiving Waterbody |
|----------------|--------------|--------------------|---------------------|
|----------------|--------------|--------------------|---------------------|

Primary Impacted :

☐

Other Impacted :

☐

Project Improvement/Maintenance of Water Quality:

- a. Contributes to water quality Not Applicable
- b. Allows the system to Achieve Compliance.
- c. Affected waterbody is Not Applicable
- d. Allows the system to address..... ☐ Existing TMDL ☐ Projected TMDL ☐ Watershed Management Plan

Other Uses and Outcomes (Selected):

Infrastructure Improvement
Regionalization/Consolidation
Groundwater Protection
Other Public Health/Pathogen Reduction

Protection:
Secondary
Secondary
Secondary
Primary

Restoration:

Comments: The project was authorized for \$2,576,000. \$949,000 of that amount was state monies.

TABLE 1
UTAH STATE REVOLVING FUND

| Recipient Name | Project Number | Equiv- alency | Type L = Loan PF = Principal Forgiveness | Interest Rate | Term | SRF Needs Category | Assistance Amount | Binding Commitment | Construc- tion Start |
|----------------|----------------|------------------|---|------------------|-------|-----------------------|----------------------|-----------------------|-------------------------|
| Roosevelt City | 255 | x | PF | 0.00% | 30 YR | Ia & b | 1,627,000 | 17-Nov | 17-Nov |
| | | | | | | TOTAL LOANS | 1,627,000 | | |
| | | | TOTAL ADMIN COSTS THROUGH FY18 | | | | 3,786,880 | | |
| | | | | | | GRAND TOTAL | 5,413,880 | | |

CUMULATIVE LOAN PROGRAM TOTAL: 495,796,447.00

CUMULATIVE ADMIN COSTS TOTAL: 9,459,074.05

GRAND TOTAL \$ 505,255,521.05

TABLE 2
UTAH STATE REVOLVING FUND
CASH DRAW SCHEDULE FOR STATE FISCAL YEAR 2018

| Recipient Name | Project Number | Source of Draws | | SFY 2018 July - Sept 1st Qtr | SFY 2018 Oct - Dec 2nd Qtr | SFY 2018 Jan - Mar 3rd Qtr | SFY 2018 Apr - June 4th Qtr | SFY 2018 Total |
|--------------------------|----------------|-------------------|----------------------|---------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|----------------------|
| | | Cap Grant ❖ | Second Round ● | | | | | |
| Duchesne City | 250 | ❖ | | - | - | 760,000 | - | 760,000 |
| Roosevelt City | ? | ❖ | | - | 321,000 | 1,306,000 | - | 1,627,000 |
| Francis City | 197 | ❖ | | - | 356,915 | - | - | 356,915 |
| Moab City | 248 | ❖ | ● | 3,300,000.00 | - | 7,200,000 | - | 10,500,000 |
| DWQ Administrative Costs | | | | 90,790.00 | 104,400 | 112,674 | 133,106 | 440,970 |
| TOTAL | | | | 3,390,790.00 | 782,315 | 9,378,674 | 133,106 | 13,684,885 |
| Federal LOC | | | | 3,370,531.00 | 752,977 | 2,152,475 | 110,971 | 6,386,954 |
| Loan Origination Fees | | | | 20,259.00 | 29,338 | 26,199 | 22,135 | 97,931 |
| State Match | | | | - | - | - | - | - |
| SRF Repayment Fund | | | | - | - | 7,200,000 | - | 7,200,000 |



UTAH DEPARTMENT *of*
ENVIRONMENTAL QUALITY

**WATER
QUALITY**



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of
Environmental Quality

Alan Matheson
Executive Director

DIVISION OF WATER QUALITY
Erica Brown Gaddis, PhD
Director

Water Quality Board
Myron E. Bateman, Chair
Jennifer Grant, Vice-Chair
Steven K. Earley
Gregg A. Galecki
Michael D. Luers
Alan Matheson
Dr. James VanDerslice
James Webb
Dr. Erica Brown Gaddis
Executive Secretary

MEMORANDUM

TO: Utah Water Quality Board

THROUGH: Erica Brown Gaddis, PhD

FROM: Emily Cantón

DATE: April 10, 2019

SUBJECT: Request for Public Comment on the FY 2019 Intended Use Plan

The Division of Water Quality is requesting approval from the Utah Water Quality Board to go to public comment for feedback regarding the FY 2019 Intended Use Plan.

As a condition of CWSRF funding, the U.S. Environmental Protection Agency requires that the State of Utah provide an annual IUP. The IUP identifies both long and short-term goals and addresses specific program requirements such as additional subsidy, green project reserve, and proportionality of state match. The IUP also contains the Project Priority List which shows current projects ranked using criteria like project need, potential improvement, and population affected. However, due to the dynamic nature of wastewater projects, the documents will be updated on an ongoing basis throughout the fiscal year. The Water Quality Board will be apprised of these updates by way of the Financial Status Report, the Project Priority List, and feasibility reports.

The Division of Water Quality will publish a notification on the State of Utah's public notice website. Staff will also post the document on the Division of Water Quality's website for public review and comment.

Following the public comment period, the IUP will be submitted to EPA as part of the 2019 CWSRF Capitalization Grant application.

DWQ-2019-002372



WATER QUALITY

2019 Intended Use Plan

MISSION:

**Safeguarding and improving Utah's water
through balanced regulation.**

TABLE OF CONTENTS

| | |
|--|----|
| ABSTRACT | 3 |
| INTRODUCTION..... | 3 |
| PROGRAM OPERATIONS | 4 |
| EXTENDED FINANCING TERMS | 4 |
| ADDITIONAL SUBSIDIZATION..... | 4 |
| GREEN PROJECT RESERVE | 5 |
| PROGRAM ASSURANCES..... | 5 |
| FY19 CW SRF PROJECT FUNDING | 5 |
| LONG TERM GOALS | 6 |
| SHORT TERM GOALS..... | 6 |
| FIGURE 1. FY19 LIST OF SRF 1 ST ROUND PROJECTS..... | 6 |
| FIGURE 2. FY19 SRF LOAN PROGRAM..... | 7 |
| FY19 UTAH WASTEWATER LOAN PROGRAM..... | 8 |
| FIGURE 3. FY19 LIST OF UWLF PROJECTS..... | 8 |
| FY19 HARDSHIP GRANT FUNDS | 9 |
| FIGURE 4. FY19 LIST OF HARDSHIP GRANT PROJECTS..... | 10 |
| PAYMENT SCHEDULE..... | 11 |
| CASH FLOW PROJECTIONS | 12 |
| STATE REVOLVING FUNDS (SRF) | 12 |
| UTAH WASTEWATER LOAN FUND (UWLF)..... | 13 |
| HARDSHIP GRANT FUNDS | 14 |
| PROJECT PRIORITY LIST | 15 |

2019 Intended Use Plan

INTENDED USE PLAN

ABSTRACT

The Intended Use Plan is used by the Department to apply for the EPA Capitalization Grant. The primary purpose of the Plan is to identify current and projected projects that may be awarded funding from federal grant awards. The federal award for FY19 is estimated to be \$8,443,000. See Figure 2 for a list of State Revolving Fund projects. In addition, the Plan identifies current and projected projects that may be awarded from State monies, including the Utah Wastewater Loan Program and Hardship Grant Funds. See Figure 3 and 4 for a list of these respective projects.

INTRODUCTION

As required under Sections 606(c) and 610(b) of the Clean Water Act, the State of Utah has prepared an Intended Use Plan (IUP) for the Clean Water State Revolving Fund (CWSRF) program. The purpose of the IUP is to facilitate the negotiation process for the Fiscal Year 2019 CWSRF Capitalization Grant agreement. This IUP outlines the short-term and long-term goals of the program and proposes a schedule of payment between the Department of Environmental Quality – Division of Water Quality and the Environmental Protection Agency – Region 8. This document also describes the intended uses for: the State Revolving Fund (SRF), the Utah Wastewater Loan Fund (UWLF), and the Hardship Grant Funds (HGFs). All data provided in the 2019 IUP are projections of funding for the listed projects. Ultimately, the Utah Water Quality Board will determine loan amounts and financing terms as projects are presented for authorization.

The CWSRF is a financial assistance program that provides low-cost financing for treatment works, sewerage systems, storm water projects, decentralized systems, and nonpoint source projects. The operation of Utah's CWSRF program is coordinated between the Utah Water Quality Board (the Board) and the Department of Environmental Quality – Division of Water Quality. Projects financed through the State Revolving Fund may receive funding from the following sources: (a) SRF Capitalization Grants; (b) SRF loan repayments; and (c) State matching funds. Occasionally, an SRF-eligible project will be financed through the Utah Wastewater Loan Program or Hardship Grant Funds. If this occurs, the project may be removed from the SRF Project Priority List. Similarly, if an SRF-eligible project does not proceed, it may be removed from this list. The Intended Use Plan includes any project listed on the FY 2019 Project Priority List as well as any unanticipated projects that may be added during the year. Projects are listed on the Project Priority List prior to being presented to the Water Quality Board for authorization. Projects will be considered for funding according to their priority and readiness to proceed.

PROGRAM OPERATIONS

Since its inception in 1989, Utah's CWSRF program has received appropriations from the federal government through capitalization grants. For FY19, Utah estimates its capitalization grant award will be approximately \$8,443,000.

In addition to federal dollars, The Department of Environmental Quality – Division of Water Quality is required to provide a twenty percent (20%) state match. Utah has met the state match requirement by using money from the Utah Wastewater Loan Fund (UWLF). Revenues into the UWLF are comprised of principal repayments from state loans and from a state sales tax allocation. For FY19, Utah anticipates receiving its full measure of sales tax dollars, which is \$3,587,500. The entire 20% state matching amount will be used toward eligible project costs before draws are made from the capitalization grant. Once the requirement is met, draws will be made from the federal award as a 100% federal share.

The Department of Environmental Quality – Division of Water Quality will use SRF administrative funds of up to \$400,000 for costs associated with administering the program. In addition, loan origination fees, equal to 1% of the principal loan amount, are charged to loan recipients. That revenue may also be used for program administration expenses. The Division of Water Quality estimates that \$477,100 will be collected from loan origination fees by the end of Fiscal Year 2019.

EXTENDED FINANCING TERMS

As of July 1, 2018, the Utah Water Quality Board has provided extended financing to six SRF recipients: Duchesne, Grantsville, Logan, Roosevelt, Salem, and San Juan Spanish Valley SSD. The Division of Water Quality estimates that the long term impact of extended financing on the SRF program is less than a 1% revolving level reduction over 60 years. This estimate does not include an adjustment for inflation.

In cases of extreme hardship, the maximum affordable loan amount may not provide sufficient capital to cover project costs. In these cases, the Board would be requested to provide hardship grant funds to make these projects feasible. Extended-term financing can increase the loan amount that a community qualifies for under the 1.4% median adjusted gross household income (MAGI) affordability guideline. The extended terms also benefit the SRF program by replacing an award of grant dollars with additional loan repayments, albeit in years 21-30.

ADDITIONAL SUBSIDIZATION

The FY19 capitalization grant may allow states to provide additional subsidization in the form of principal forgiveness and negative interest loans. Minimum and maximum additional subsidization amounts will be outlined in the programmatic terms and conditions of the award. The Water Quality Board uses principal forgiveness agreements as its mechanism for awarding additional subsidization.

Additional subsidy may be provided to disadvantaged communities, communities addressing water-efficiency or energy-efficiency goals, communities mitigating storm water runoff, or to encourage sustainability. For the Water Quality Board to qualify a community as disadvantaged,

the community must have a demonstrated hardship based on its cost of sewer service relative to 1.4% of the MAGI, unemployment, poverty level, or economic trends. Figure 2: FY19 List of SRF Projects identifies those projects that may meet any additional subsidization requirement. However, the Water Quality Board may authorize principal forgiveness to additional projects presented for authorization during the year.

GREEN PROJECT RESERVE

The FY19 capitalization grant allocation may require that, to the extent there are sufficient eligible projects applications, not less than 10% of the SRF funds shall be used for projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. The State of Utah will meet this objective by identifying projects that meet green infrastructure requirements and providing funding, in whole or in part, as they proceed to construction. Figure 1: FY19 List of SRF Projects identifies projects that may meet the Green Project Reserve requirement.

PROGRAM ASSURANCES

The State of Utah must comply with its Operation Agreement with EPA and Utah Administrative Code, R-317-102, Utah Wastewater State Revolving Fund (SRF). Assurances include:

- Section 602(a)-Environmental Reviews
- Section 602(b)(3)-Certify binding commitments within one year
- Section 602(b)(4)-Certify expeditious and timely expenditures
- Section 602(b)(5)-First use for enforceable requirements

The Division of Water Quality will complete the one-page worksheet through the Clean Benefits Reporting database for all binding commitments in the quarter that they are made.

FY19 CW SRF PROJECT FUNDING

Eligible projects to be funded by the SRF include loans closed with remaining draws, authorized loans, and anticipated loans. Loans closed with remaining draws are projects that are currently under construction. Authorized loans are projects that have been authorized by the Utah Water Quality Board and are in the design phase. Anticipated loans are projects that are in the beginning stages of planning.

Funding through the SRF can include federal dollars from the capitalization grant awards, principal repayments, interest payments, and investment fund interest earnings. Figure 1 shows the proposed projects that are expected to be funded from the Clean Water SRF. Projects must meet specific programmatic requirements including federal cross cutters and “super cross-cutters,” Davis-Bacon wages, American Iron and Steel (AIS), NEPA-like environmental review, Single Audit Act, Disadvantaged Business Enterprise (DBE), and Architectural and Engineering Services procurement.

As determined by the Utah Water Quality Board, SRF loan recipients may be charged a hardship grant assessment in lieu of interest. Upon collection, the hardship grant assessment will be placed into the Federal Hardship Grant Fund. If a hardship grant assessment is derived from a loan funded directly by EPA Capitalization Grant monies, the assessment shall be used for purposes identified in 40 CFR Part 31.25. If a hardship grant assessment is derived from a loan funded by SRF loan repayments, the assessment may be used to provide grants to communities for projects that are economically unfeasible without grant assistance.

LONG TERM GOALS

1. Provide a permanent funding source for water quality construction projects that supplements a community's own resources and/or other funding sources.
2. Distribute SRF funds to projects with the highest water quality and infrastructure needs by evaluating and prioritizing proposed projects throughout the state.
3. Support EPA's Sustainability Policy by balancing a community's economic and water quality needs with the perpetuity of the SRF program.
4. Assist communities with all phases of a project, including sufficient planning, project design, environmental work, and construction.

SHORT TERM GOALS

1. Present eligible projects to the Water Quality Board for authorization by increasing the profile of the SRF program as a potential funding source and by assisting communities through the application and award process.
2. Collaborate with other agencies (e.g., Utah Permanent Community Impact Board, U.S. Department of Agriculture Rural Development, and U.S. Army Corps of Engineers) to sufficiently fund projects.
3. Solicit and fund eligible nonpoint source and storm water projects.
4. Provide funding, equal to at least ten percent (10%) of the capitalization award, for recycled water and water reuse projects.

FIGURE 1. FY19 LIST OF SRF 1st ROUND PROJECTS

| Customer | Est. Construction Start | SRF Funded (Millions) | Est. Value (Millions) |
|----------------------|--------------------------------|------------------------------|------------------------------|
| Central Valley | 2020 | \$5.00 | \$166.25 |
| Duchesne City | 2018 | \$0.27 | \$4.70 |
| South Davis | 2020 | \$11.00 | \$28.80 |
| San Juan Span Valley | 2018 | \$2.00 | \$6.60 |
| South Salt Lake | 2020 | \$2.30 | \$11.25 |
| Total | | \$20.57 | \$217.60 |

FIGURE 2. FY19 LIST OF SRF PROJECTS

| LOAN RECIPIENT | PERMIT NUMBER | NEEDS CATEGORY | ASSISTANCE AMOUNT | INTEREST RATE | TERM (YRS) | ADDITIONAL SUBSIDY AMOUNT (Principal Forgiveness) | GREEN PROJECT RESERVE AMOUNT | BINDING COMMITMENT | CONSTRUCTION START | INITIATION OF OPERATION |
|--|---------------|------------------------------------|----------------------|---------------|------------|---|------------------------------|--------------------|--------------------|-------------------------|
| LOANS CLOSED WITH REMAINING DRAWS | | | | | | | | | | |
| Duchesne City | UT0020095 | I-Secondary Treatment | \$2,700,000 | 0.25% | 30 | \$400,000 | \$262,295 | May-2017 | Jul-2017 | Jul-2017 |
| Logan City | UT002199920 | II-Advanced Wastewater Treatment | 69,131,000 | 0.75% | 20 | | | Mar-2016 | Dec-2018 | Jul-2022 |
| Logan City | UT002199920 | II-Advanced Wastewater Treatment | 20,000,000 | 1.50% | 30 | | | Dec-2018 | Dec-2018 | Jul-2022 |
| Moab City | UT0020419 | I-Secondary Treatment | 14,200,000 | 1.15% | 20 | | 502,937 | Apr-2017 | May-2017 | Dec-2018 |
| Roosevelt | N/A | IVa-New Collectors | 1,167,000 | 0% | 30 | 2,000,000 | | Nov-2017 | Nov-2017 | Jun-2018 |
| Salem City | UT0020249 | I-Secondary Treatment | 20,000,000 | 1.15% | 30 | | | Jul-2018 | Jul-2018 | Feb-2020 |
| San Juan Spanish Valley SSD | See Moab | IVa-New Collectors | 968,000 | 0% | 30 | 1,997,000 | | Jan-2019 | Jan-2019 | Jan-2020 |
| AUTHORIZED LOANS | | | | | | | | | | |
| Central Valley WRF | UT0024392 | I-Secondary Treatment | \$65,100,000 | 1.50% | 20 | | | Dec-2018 | Jan-2020 | Dec-2024 |
| Provo City | UT0021717 | II-Advanced Treatment | 75,800,000 | 0.50% | 20 | \$2,000,000 | | Dec-2018 | May-2021 | Jan-2025 |
| South Davis Sewer Dist | UT0021628 | II-Advanced Treatment | 28,851,000 | 0.55% | 20 | | 26,351,000 | Feb-2018 | May-2020 | Dec-2021 |
| South Salt Lake City | See CVWRF | I-Secondary Treatment | 9,248,000 | 0% | 20 | 2,000,000 | | Dec-2018 | Jan-2020 | Dec-2024 |
| ANTICIPATED LOANS | | | | | | | | | | |
| Emigration SID | N/A | L-Individual/Decentralized Systems | \$500,000 | Unknown | | | \$500,000 | Dec-2020 | Jan-2021 | Jul-2021 |
| Hildale City | N/A | I-Secondary Treatment | 2,000,000 | Unknown | | | | Dec-2019 | Jan-2020 | July 2021 |
| Moab City (outfall) | UT0020419 | IIIb-Major Sewer Rehabilitation | 1,000,000 | Unknown | | | | Dec-2020 | Dec-2020 | Jun-2020 |
| Payson City | UT0020427 | | 1,500,000 | 6,900,000 | Unknown | | | Oct-2019 | Jan-2020 | July 2020 |
| Spanish Fork City | UT0020109 | I-Secondary Treatment | 8,000,000 | Unknown | | | | Dec-2018 | Dec-2019 | Dec-2020 |
| Plain City | UT0021326 | Nutrient Management | 2,700,000 | Unknown | | | | Dec-2020 | Jan-2021 | July 2022 |
| Town of Tropic | N/A | I-Secondary Treatment | 1,000,000 | Unknown | | | | Sep-2020 | Sep-2020 | Sep-2021 |
| TOTAL | | | \$329,265,000 | | | \$8,397,000 | \$27,616,232 | | | |

FY19 UTAH WASTEWATER LOAN PROGRAM

The Utah Wastewater Loan program is a state-funded loan program similar to the SRF. Revenue for the Utah Wastewater Loan program is derived from sales tax dollars and principal repayments. Monies may be authorized in the form of loans or interest-rate buy downs.

Projects eligible for funding through the Utah Wastewater Loan program have been divided into three categories: closed loans with remaining draws, authorized loans, and anticipated loans. Closed loans with remaining draws are projects that have held loan closing and are currently under construction. Authorized loans are those projects which have received authorization from the Utah Water Quality Board, but have not yet held loan closing and are still in the planning or design phase. Anticipated loans are those projects that may be presented to the Utah Quality Board for authorization in the next fiscal year.

Please refer to Figure 3 for a list of proposed projects to be funded from the Utah Wastewater Loan Fund.

FIGURE 3. FY19 LIST OF UWLF PROJECTS

| LOAN RECIPIENT | ASSISTANCE AMOUNT | INTEREST RATE | TERM (YEARS) | BINDING COMMITMENT | CONSTRUCTION START/END |
|---|---------------------|---------------|--------------|--------------------|--------------------------|
| LOAN CLOSED with REMAINING DRAWS | | | | | |
| Blanding City | \$2,500,000 | Unknown | Unknown | Apr-2018 | Start Apr 19 (1 Year) |
| Grantsville City | 4,880,000 | 1.75% | 30 | Sep-2018 | Start Sep 18 (1 Year) |
| Morgan City | 2,830,000 | 1.50% | 20 | Feb-2018 | Start Mar 18 (7 Months) |
| Summit County | 841,000 | 0% | 20 | Apr-2017 | Start June 17 (6 Months) |
| AUTHORIZED LOANS | | | | | |
| Duck Creek | 2,000,000 | Unknown | Unknown | Aug-2018 | 1 Year |
| Eagle Mountain City | 1,793,000 | 1% | 20 | Mar-2018 | 1 Year |
| ANTICIPATED LOANS | | | | | |
| Kamas City | 4,000,000 | Unknown | Unknown | Dec-2020 | Start Dec 20 (1.5 Years) |
| Wellington City | 7,000,000 | Unknown | Unknown | Jan-2019 | 2 Years |
| TOTAL | \$25,844,000 | | | | |

FY19 HARDSHIP GRANT FUNDS

The State of Utah provides hardship grants for several types of projects. First, hardship grant funds may be authorized as planning advances or grants and design advances. Advances are repaid once construction funding has been secured through a loan closing. Second, funds may be awarded as hardship construction grants to entities that may not otherwise be able to afford to complete an eligible project. The Water Quality Board may consider authorizing a hardship grant when the estimated annual cost of sewer service exceeds 1.4% of the local MAGI. Third, hardship grants may be awarded for water quality improvement projects such as non-point source, water quality studies, and educational outreach efforts. Projects eligible for Hardship Grant Funds may be added to the list once authorization has been received from the Board.

Please refer to Figure 4 for a list of proposed projects to be funded from the Hardship Grant Funds.



Moab Water Reclamation Facility

FIGURE 4. FY19 LIST OF HARDSHIP GRANT PROJECTS

| Recipient | Assistance Amount | Type |
|---------------------------------------|--------------------|--------------------|
| HARDSHIP GRANTS | | |
| Duchesne City | \$122,488 | Construction Grant |
| Eagle Mountain City (White Hills) | 510,000 | Construction Grant |
| Emigration Sewer Improvement District | 26,158 | Planning Grant |
| Francis City | 513,000 | Construction Grant |
| Kane County WCD (Duck Creek) | 1,000,000 | Construction Grant |
| Wellington City | 96,000 | Construction Grant |
| ANTICIPATED HARDSHIP GRANTS | | |
| | | |
| NON-POINT SOURCE GRANTS | | |
| DEQ - Ammonia Criteria | \$46,630 | NPS Grant |
| DEQ – Willard Spur Study | 113,326 | NPS Grant |
| DEQ – Nitrogen Transformation Study | 14,500 | NPS Grant |
| DEQ – San Juan River Monitoring | 125,083 | NPS Grant |
| DEQ-Great Salt Lake Advisory Council | 185,713 | NPS Grant |
| Gunnison Irrigation Company | 48,587 | NPS Grant |
| Utah Department of Agriculture | 488,647 | NPS Grant |
| DEQ - GW Quality Study | 5,051 | NPS Grant |
| DEQ – Utah Lake Water Quality Study | 573,753 | NPS Grant |
| FY15 – FY19 Remaining Payments | 1,753,711 | Various NPS Grants |
| TOTAL | \$5,662,647 | |

PAYMENT SCHEDULE

Utah's Clean Water SRF has met "first use" requirements of Section 602(b) (5). SRF funds will be distributed using the method, criteria, and eligible activities that are outlined in Section R-317-101 and 102 of the Utah Administrative Code. The methods and criteria provide affordable assistance as well as maximum benefit to the long-term viability of the fund.

If the dollar amount of projects in the FY 2019 Intended Use Plan exceeds the actual amount of funds available during the planning period, one of the following may occur:

1. Projects listed may not be funded.
2. Projects may be funded using available credit enhancement techniques.
3. Projects may need to be delayed until funds are available.

Please see the attached **CASH FLOW PROJECTIONS** for the detail of revenue and expenses for the State Revolving Fund, Utah Wastewater Loan Fund, and Hardship Grant Funds.

CASH FLOW PROJECTIONS: STATE REVOLVING FUND

| | State Fiscal Year | State Fiscal Year | State Fiscal Year |
|---|----------------------|----------------------|----------------------|
| STATE REVOLVING FUND (SRF) | 2019 | 2020 | 2021 |
| Funds Available | | | |
| 2016 - 2018 Capitalization Grants | 20,811,801 | - | - |
| 2017 - 2018 State Match | 3,128,600 | - | - |
| Future Capitalization Grants (estimated) | 8,443,000 | 7,000,000 | 7,000,000 |
| Future State Match (estimated) | 1,400,000 | 1,400,000 | 1,400,000 |
| SRF - 2nd Round | 117,465,925 | 94,941,597 | 70,798,636 |
| Interest Earnings at 2.5% | 1,271,520 | 2,466,488 | 1,839,278 |
| Loan Repayments | 4,609,051 | 14,049,551 | 14,969,510 |
| Total Funds Available | 157,129,897 | 119,857,636 | 96,007,424 |
| Project Obligations | | | |
| Duchesne City | (27,300) | - | - |
| Logan City | (23,131,000) | (23,000,000) | (23,000,000) |
| Logan City - Supplemental Loan | (9,000,000) | (10,000,000) | - |
| Moab City | (80,000) | - | - |
| Salem City | (2,156,000) | (4,313,000) | - |
| San Juan Spanish Valley SSD | - | (1,997,000) | - |
| Loan Authorizations | | | |
| Central Valley Water Reclamation Facility | - | (5,000,000) | (15,000,000) |
| Provo City | - | - | (15,000,000) |
| South Davis Sewer District (with NPS) | (26,351,000) | (2,500,000) | - |
| South Salt Lake City | - | (2,249,000) | (2,249,000) |
| Planned Projects | | | |
| None at this time | | | |
| Total Obligations | (60,745,300) | (49,059,000) | (55,249,000) |
| SRF Unobligated Funds | \$ 96,384,597 | \$ 70,798,636 | \$ 40,758,424 |

CASH FLOW PROJECTIONS: UTAH WASTEWATER LOAN FUND

| | State Fiscal Year | State Fiscal Year | State Fiscal Year |
|---|-------------------|-------------------|-------------------|
| UTAH WASTEWATER LOAN FUND (UWLF) | 2019 | 2020 | 2021 |
| Funds Available | | | |
| UWLF | \$ 19,118,224 | \$ 7,420,223 | \$ 11,154,073 |
| Sales Tax Revenue | - | 3,587,500 | 3,587,500 |
| Loan Repayments | 876,049 | 3,139,250 | 3,366,881 |
| Total Funds Available | 19,994,273 | 14,146,973 | 18,108,454 |
| General Obligations | | | |
| State Match Transfers | (4,528,600) | (1,400,000) | (1,400,000) |
| DWQ Administrative Expenses | (796,450) | (1,592,900) | (1,592,900) |
| Project Obligations | | | |
| Grantsville City | (3,728,000) | - | - |
| Loan Authorizations | | | |
| Kane Co Water Conservancy Dist (Duck Creek) | (1,000,000) | - | - |
| Planned Projects | | | |
| Plain City | (2,521,000) | - | - |
| Total Obligations | (12,574,050) | (2,992,900) | (2,992,900) |
| UWLF Unobligated Funds | \$ 7,420,223 | \$ 11,154,073 | \$ 15,115,554 |

CASH FLOW PROJECTIONS: HARDSHIP GRANT FUNDS

| | State Fiscal Year | State Fiscal Year | State Fiscal Year |
|--|-------------------|-------------------|-------------------|
| HARDSHIP GRANT FUNDS (HGF) | 2019 | 2020 | 2021 |
| Funds Available | | | |
| Beginning Balance | | \$ 2,889,229 | \$ 3,046,367 |
| Federal HGF Beginning Balance | 5,872,889 | - | - |
| State HGF Beginning Balance | 1,671,412 | - | - |
| Interest Earnings at 2.5% | 130,662 | 75,059 | 79,142 |
| UWLF Interest Earnings at 2.5% | 331,115 | 192,770 | 289,772 |
| Hardship Grant Assessments | 711,212 | 768,980 | 666,402 |
| Interest Payments | 161,914 | 420,329 | 404,339 |
| Advance Repayments | 220,000 | - | - |
| Total Funds Available | 9,099,204 | 4,346,367 | 4,486,022 |
| Financial Assistance Project Obligations | | | |
| Eagle Mountain City - Construction Grant | (510,000) | - | - |
| Emigration Sewer Imp Dist - Planning Grant | (26,158) | - | - |
| Kane Co Water Conservancy Dist (Duck Creek) - Hardship Grant | (2,034,500) | | |
| Lewiston - Planning Advance | (40,000) | | |
| USU Extension - Hardship Grant | (42,000) | - | - |
| Wellington City | (96,000) | - | - |
| Non-Point Source/Hardship Grant Obligations | | | |
| Fitzgerald ARDL interest-rate buy down | (51,056) | | |
| McKees ARDL interest-rate buy down | (55,261) | | |
| (FY11) Gunnison Irrigation Company | (48,587) | - | - |
| (FY11) DEQ - Willard Spur Study | (113,326) | - | - |
| (FY12) Utah Department of Agriculture | (488,647) | - | - |
| (FY13) DEQ - Great Salt Lake Advisory Council | (185,713) | - | - |
| (FY15) DEQ - Ammonia Criteria Study | (46,630) | - | - |
| (FY15) DEQ - Nitrogen Transformation Study | (14,500) | - | - |
| (FY16) DEQ - San Juan River Monitoring | (125,083) | - | - |
| (FY17) DEQ - GW Quality Study | (5,051) | - | - |
| (FY17) DEQ - Utah Lake Water Quality Study | (573,753) | (300,000) | - |
| FY 2015 - Remaining Payments | (4,223) | - | - |
| FY 2016 - Remaining Payments | (221,903) | - | - |
| FY 2017 - Remaining Payments | (133,094) | - | - |
| FY 2018 - Remaining Payments | (612,888) | - | - |
| FY 2019 - Remaining Payments | (781,602) | | |
| Future NPS Annual Allocations | - | (1,000,000) | (1,000,000) |
| Planned Projects | | | |
| Total Obligations | (6,209,975) | (1,300,000) | (1,000,000) |
| HGF Unobligated Funds | \$ 2,889,229 | \$ 3,046,367 | \$ 3,486,022 |

State of Utah
Wastewater Project Assistance Program
Project Priority List
As of February 15, 2019

| Rank | Project Name | Funding Authorized | Total Points | Point Categories | | | |
|------|---|--------------------|--------------|------------------|-----------------------|---------------------|-----------------------|
| | | | | Project Need | Potential Improvement | Population Affected | Special Consideration |
| 1 | Logan City | x | 148 | 50 | 28 | 10 | 60 |
| 2 | Provo City | x | 144 | 50 | 24 | 10 | 60 |
| 3 | Central Valley Water Reclamation Facility | x | 143 | 50 | 23 | 10 | 60 |
| 4 | South Davis Sewer District | x | 138 | 50 | 18 | 10 | 60 |
| 5 | Salem City | x | 108 | 50 | 12 | 6 | 40 |
| 6 | Plain City | | 105 | 50 | 10 | 5 | 40 |
| 7 | Grantsville City | x | 94 | 35 | 12 | 7 | 40 |
| 8 | San Juan Spanish Valley SSD | x | 86 | 45 | 0 | 1 | 40 |
| 9 | Kane County Water Conservancy District (Duck Creek) | x | 62 | 40 | 21 | 1 | 0 |
| 10 | Wellington City | x | 37 | 35 | 0 | 2 | 0 |



UTAH DEPARTMENT *of*
ENVIRONMENTAL QUALITY

**WATER
QUALITY**



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of
Environmental Quality

Alan Matheson
Executive Director

DIVISION OF WATER QUALITY
Erica Brown Gaddis, PhD
Director

Water Quality Board
Myron E. Bateman, Chair
Jennifer Grant, Vice-Chair
Steven K. Earley
Gregg A. Galecki
Michael D. Luers
Alan Matheson
Dr. James VanDerslice
James Webb
Dr. Erica Brown Gaddis
Executive Secretary

MEMORANDUM

TO: Utah Water Quality Board

THROUGH: Erica Brown Gaddis, PhD
Executive Secretary

FROM: Emily Cantón
Administrative Services Manager

DATE: March 27, 2019

SUBJECT: Appointment of Signatories for State Nonpoint Source Program

The Watershed Protection Section is responsible for oversight of the State Nonpoint Source Program, including the \$1,000,000 annual allocation as well as special projects funded directly by the Water Quality Board. Staff participates in the application and award process, reviews pay requests, and assists with project closeout. Recently, the Section Manager vacancy was filled. And, the Executive Secretary is requesting two additional signatories:

- 1) Jodi Gardberg, Watershed Protection Section Manager, for grant awards and amendments.
- 2) Jim Bowcutt, Nonpoint Source Program Coordinator, for payment authorizations.

The signatories will allow efficient processing of grant and payment documents, while maintaining a separation of accounting duties between award and cash disbursements. Therefore, we are requesting approval from the Water Quality Board to appoint Jodi and Jim as signatories for the roles outlined above.

DWQ-2019-003128



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of Environmental Quality

Alan Matheson
Executive Director

DIVISION OF WATER QUALITY
Erica Brown Gaddis, PhD
Director

Water Quality Board
Myron E. Bateman, Chair
Jennifer Grant, Vice-Chair
Steven K. Earley
Gregg A. Galecki
Michael D. Luers
Alan Matheson
Dr. James VanDerslice
James Webb
Dr. Erica Brown Gaddis
Executive Secretary

MEMORANDUM

DATE: April 10, 2019

TO: Utah Water Quality Board

THROUGH: Erica Brown Gaddis, Director

FROM: John Mackey, Engineering Section

SUBJECT: Proposed Revision to UAC R317-401. Graywater Systems

SUMMARY

The purpose of this memorandum is to introduce to the Board recent efforts to revise the subject graywater rule. Staff is looking for Board input at this time. We expect that a request to initiate rulemaking will be presented in the second fiscal quarter.

In conjunction with Local Health Departments (LHDs), the Division administers Rule R317-401, Graywater Systems for the State. This rule allows for subsurface dispersal of graywater using drainage trenches (similar to onsite wastewater systems) and by pressurized drip irrigation. All systems are required to have a holding tank. Rule requires that all systems must be regulated under a Division approved graywater management program administered by the LHD, i.e., the LHD must "Opt in" to this delegated program.

Implementation of this rule, and hence, graywater systems, has been extremely limited by: (1) programmatic requirements for LHDs, and (2) the limited system alternatives allowed. Many applicants have been frustrated by the burdensome process and high costs of rule prescriptions, and as a result, decide to not implement their system or install a system without regulatory oversight.

As a result of the relative disuse of this rule and growing interest in the state for more solutions toward water conservation, staff and CLEHA Onsite Wastewater Partnership (COWP) have been working to update and improve the subject rule.

OBJECTIVES OF RULE REVISION

1. Simplify the regulatory requirements for graywater system implementation, including home retrofits to include nationally recognized materials, practices and regulations;

2. Ensure proper application of graywater systems that both conserve water and protect public health and water quality;
3. Implement regulatory processes to track, monitor, and correct permitted systems

PROPOSED REVISIONS TO RULE R317-401

SIMPLIFY REGULATORY PROCESS

1. Delegate program implementation authority to the LHDs on an “Opt out” basis;
2. Provide more adaptive flexibility for LHD programs;
3. Expand graywater system alternatives available

APPLICATION

1. Provide two system type tiers: Simple and Pressurized
2. Establish testing and designer requirements consistent with Onsite Professional Certifications
3. Eliminate overarching holding tank requirement (Tier 1 only)
4. Update irrigation system design standards
5. Include branched drain basin systems and standards
6. Variance allowances
7. Best Management Practices (Appendix)

REGULATORY OVERSIGHT

1. Add Operating Permit alternatives
2. Annual LHD reporting through ESDP



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of
Environmental Quality

Alan Matheson
Executive Director

DIVISION OF WATER QUALITY
Erica Brown Gaddis, PhD
Director

Water Quality Board
Myron E. Bateman, Chair
Jennifer Grant, Vice-Chair
Steven K. Earley
Gregg A. Galecki
Michael D. Luers
Alan Matheson
Dr. James VanDerslice
James Webb
Dr. Erica Brown Gaddis
Executive Secretary

MEMORANDUM

TO: Utah Water Quality Board

THROUGH: Erica Brown Gaddis, Director, Division of Water Quality

FROM: Jodi Gardberg, Watershed Protection Section Manager

DATE: April 10, 2019

SUBJECT: Utah Lake Water Quality Study Update

At the August 2016 Water Quality Board (Board) Meeting, the Board granted funding in the amount of \$1,000,000 to the Division of Water Quality (DWQ) to conduct research in support of Phase 2 of the Utah Lake Water Quality Study (ULWQS). An additional \$500,000 was awarded by the Utah Legislature in 2018. DWQ will present an update on the ULWQS three-phased study at the April 2019 Board meeting.

Background

The goal of the ULWQS is to develop site specific nutrient criteria to protect the recreation, aquatic life, and agricultural beneficial uses of Utah Lake using a 3 phased approach:

- Phase 1: Data compilation and characterization, Stakeholder Framework
- Phase 2: Development of in-lake nutrient criteria
- Phase 3: Implementation planning

Phase 1: Data Gathering and Characterization, Stakeholder Framework

Phase 1 of the study focused on the compilation and synthesis of existing water quality data and information and established a Steering Committee and a Science Panel, charged with gaining broad acceptance of the process and outcomes through a consensus based, transparent, and scientifically defensible approach.

This phase included coordination of research and monitoring efforts, data compilation, an evaluation of in-lake water-quality conditions, an evaluation of nutrient sources entering the lake

from the surrounding watershed, and development of water-quality models to inform Phase 2. Also included was the development of a Stakeholder process and framework resulting in a 16-member Steering Committee representing diverse stakeholder interests and an independent Science Panel responsible for developing scientifically defensible water-quality goals for the lake. The Steering Committee and Science Panel are chaired jointly by the Utah Lake Commission (ULC) and DWQ. The Phase 1 report was completed in December 2018 and delivered to the Steering Committee and Science Panel.

Phase 2: Site-Specific Nutrient Criteria Development

The purpose of Phase 2 is to build off Phase 1 and is mediated through the stakeholder process. The Steering Committee is charged with guiding water quality criteria development and recommending in-lake water quality criteria (including elements of magnitude, frequency, and duration) to the ULC and DWQ for adoption by the Board. The Steering Committee is supported by the Science Panel, whose purpose is to guide water quality criteria development on Utah Lake by overseeing targeted scientific studies. The panel is working under a Charter, a set of operating principles including six significant tasks, and a set of specific initial charge questions. Science Panel objectives are primarily to: develop a scientifically defensible approach for criteria development, identify gaps in understanding, provide recommendations for scientific studies to fill any gaps, recommend and prioritize studies/analyses of existing data, review study work plans, guide the scientific research, oversee peer review of the studies, develop a process to characterize uncertainty, and finally to recommend science-based water quality criteria options to the Steering Committee. The Science Panel's charge questions from the Steering Committee can be distilled to:

- 1) What was the historic ecological and nutrient condition of Utah Lake pre-settlement and how has it changed?
- 2) What is the current ecological and nutrient condition?
- 3) What additional information is needed?

Tetrattech Inc., a consulting firm who has provided nutrient criteria-related support to more than 35 state and tribes, was hired to provide technical support to the Science Panel to accomplish its objectives. Tetrattech is currently developing the technical approach framework describing the path to numeric criteria, mapping individual components to the effort and linking these components to the Science Panel initial charge key questions. The following tasks are being deliberated:

- Literature review to evaluate and select applicable approaches for developing numeric nutrient criteria for shallow lake ecosystems like Utah Lake.
- Conceptual model that defines the relationships among all elements of the Utah Lake ecosystem affected by nutrients, from sources through assessment endpoints to management goals (beneficial use protection).
- Data gaps analysis to identify and track significant knowledge gaps.
- Data Characterization including additional empirical (statistical) characterization and stressor-response modeling to complement what was accomplished with Phase 1 data compilation.
- Process to incorporate scientific uncertainty into the weight of evidence approach.
- Strategic Research Plan that will include scientific studies required to fill gaps in understanding relevant to answering the initial charge questions and strengthen the

conceptual model and identifies early action projects that can be implemented during the 2019 field season.

Phase 3: Implementation Planning for Phase 2 Criteria

Phase 3 is currently planned to begin in 2020 and will focus on implementing the criteria developed during Phase 2 and may include the following elements:

- Evaluation of current use designations and the scientific and economic feasibility of achieving recommended criteria.
- Implementation of water-quality and watershed models to help identify sources of phosphorus and nitrogen, identify reductions required to meet criteria, and inform decisions on how to best reduce nutrient loading.
- Evaluation of costs to implement required reductions.
- Evaluation of scenarios for achieving the most cost-effective solutions for reducing excess nutrients.



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of Environmental Quality

Alan Matheson
Executive Director

DIVISION OF WATER QUALITY
Erica Brown Gaddis, PhD
Director

Water Quality Board
Myron E. Bateman, Chair
Jennifer Grant, Vice-Chair
Steven K. Earley
Gregg A. Galecki
Michael D. Luers
Alan Matheson
Dr. James VanDerslice
James Webb
Dr. Erica Brown Gaddis
Executive Secretary

MEMORANDUM

TO: Utah Water Quality Board

THROUGH: Eric Brown Gaddis, PhD
Division Director

FROM: Judy Etherington
Wastewater Certification Program Coordinator

DATE: April 10, 2019

SUBJECT: Presentation of the Utah Wastewater Operator Certification Council 2018
Annual Report to the Water Quality Board

The Utah Water Quality Board has requested a yearly report of the wastewater operator certification program activities. The Wastewater Operator Certification Council 2018 Annual Report is being presented by Mr. Giles Demke, who currently serves as Chair of the Council. The information contained within the attached report is for the 2018 calendar year.

Utah Wastewater Operator Certification Program 2018 Annual Report



Photo of new Moab wastewater treatment plant by Harry Campbell

Prepared by
The Division of Water Quality

April 2019

UTAH WASTEWATER OPERATOR CERTIFICATION PROGRAM 2018 ANNUAL REPORT

Prepared by

Judy Etherington

Wastewater Operator Certification Program Coordinator

Utah Department of Environmental Quality

Division of Water Quality

195 North 1950 West

Salt Lake City, UT 84116

Presented to the Water Quality Board on April 10, 2019

by the Utah Wastewater Operator Certification Council

CONTENTS

| | |
|---|---|
| Introduction..... | 1 |
| THE UTAH WASTEWATER OPERATOR CERTIFICATION COUNCIL..... | 1 |
| Examinations..... | 2 |
| EXAMINATION PROCEDURES | 2 |
| EXAM CONTENT | 2 |
| EXAMINATION REVIEW CHANGE | 3 |
| Training..... | 4 |
| COOPERATION WITH TRAINING PROVIDERS | 4 |
| Renewal and Compliance..... | 5 |
| Certification Council Meetings | 7 |

Introduction

In March of 1991, following over 20 years of voluntary certification, wastewater works operator certification became mandatory. Wastewater operator certification is administered by the Division of Water Quality under rules adopted by the Utah Water Quality Board. The Board established the Utah Wastewater Operator Certification Council to provide guidance and stakeholder involvement in the program. During 2014, the Board adopted major revisions to Rule R317-10 that incorporated changes required by Senate Bill 21 (2012 General Session) which changed the duties and responsibilities of the environmental boards, their executive secretaries, and division directors. In response to those changes, the Board approved a revision of the rule that organizes the Utah Wastewater Operator Certification Council with members appointed by the Board to work in an advisory capacity to the director of the Division of Water Quality for the certification program.

THE UTAH WASTEWATER OPERATOR CERTIFICATION COUNCIL

On January 31, 2018, the terms of two council members expired. During the January 2018 Utah Water Quality Board meeting, the Board approved appointments for Paul Fulgham to represent certified wastewater treatment operators, and Brent Justensen to represent certified wastewater collection operators for the next 3-year term. The Council members serving during 2018 were:

Giles Demke, Chair, represented certified wastewater treatment operators. He is the Facility Manager at the Orem City Water Reclamation Facility and certified as a Grade IV Wastewater Treatment Operator. His term expires January 31, 2019.

Kerry Eppich represented the management of municipal wastewater systems. He is the General Manager for Mt. Olympus Improvement District, which has at least 15 certified operators. His term expires January 31, 2019.

Gordon Evans, Vice-Chair, represented certified wastewater collection operators. He is employed as Operations Foreman at South Valley Sewer District's Jordan Basin Water Reclamation Facility, and is certified as a Grade IV Restricted Collection Operator and Grade IV Wastewater Treatment Operator. His term expires January 31, 2019.

Paul Fulgham represented certified wastewater treatment operators. He is Public Works Director and Wastewater Treatment Manager for Tremonton City, and is certified as a Grade IV Wastewater Treatment Operator and Grade IV Collection Operator. His term expires January 31, 2021.

Phil Harold represented vocational training. He is the wastewater circuit rider for the Rural Water Association of Utah. His term expires January 31, 2020.

Brent Justensen represented wastewater collection operators. He is the Operation Manager for Central Davis Sewer District, and is a certified Grade IV Wastewater Treatment Operator and Grade IV Collection Operator. His term expires January 31, 2021.

Dr. Jennifer Weidhaas represented Utah universities. She is an Associate Professor in the Department of Civil and Environmental Engineering at the University of Utah who teaches and does research in wastewater treatment and waterborne pathogen detection. Her term expires January 31, 2020.

Examinations

The Divisions of Water Quality and Drinking Water continued to maintain combined membership as a certifying authority with the Association of Boards of Certification (ABC), an environmental control testing service headquartered in Ankeny, Iowa. The role of ABC is to provide examination services to the certification program, which includes exam development, scoring, and compilation of exam results. A contract between ABC and the Division of Water Quality was in effect for state fiscal years 2014-2018 and a new contract was signed for state fiscal years 2019-23. Exams were offered in the Spring and Fall with an alternate testing date during each session in conjunction with the Rural Water Association of Utah's Annual and Fall Conferences.

The registration and attendance of the 2018 exam sessions are shown in Table 1. These totals include the newer voluntary exams as well as the traditional mandatory ones.

Table 1 - 2018 Exam Registration and Attendance

| Locations | Spring Exam Session | | Fall Exam Session | |
|------------------------------|---|------------------|---|------------------|
| | St. George (in conjunction with RWAU Annual Conference) | Bluffdale (SVSD) | Layton (in conjunction with RWAU Fall Conference) | Bluffdale (SVSD) |
| | | North Salt Lake | | Ogden |
| | | Ogden | | Provo |
| | | Price | | Richfield |
| | | Provo | | Salt Lake |
| | | St. George | | St. George |
| | | | | Vernal |
| | | | | |
| Applications Received | 72 | 205 | 95 | 214 |
| Total Scored* | 69 | 203 | 95 | 213 |

* Some individuals did not show up to take the exams

EXAMINATION PROCEDURES

Exam sessions were proctored by members of DWQ staff, DEQ District Engineers, current Council members, or other individuals delegated by Council members. All examinations, regardless of grade, are 100-scored questions, multiple-choice formats. Answer sheets are shipped to ABC for scoring and the results are compiled and returned to DWQ by electronic format for recording in the database and dissemination to the examinees. Each examinee is provided an individual statistical report and several variations of summary reports showing the cumulative results for all Utah examinees taking the same test during that session. Current ABC exams use a cut score of 70 for passing an exam.

EXAM CONTENT

The 2018 exams were compiled from ABC's data bank, including the Small Lagoon System exam, which is a customized exam using questions from ABC's data bank, but developed to meet the need of smaller wastewater lagoon treatment and collection systems in Utah. The wastewater treatment and collection exams are "ABC standardized" exams which meet ISO 17024 standard to ensure the validity, reliability, and legal defensibility of the certification exams. Exam questions are reviewed by ABC's technical committees on a regular basis to ensure applicability to current wastewater technologies and processes. The new customized Small Lagoon System exam was continued which uses 50 Wastewater Treatment I and 50 Collection I questions from the ABC databank.

Three voluntary classifications of wastewater related certifications were again offered in 2018. They include Biosolids Land Applier Grades I - II, Wastewater Laboratory Analyst Grades I - IV, and Plant Maintenance Technologist Grades I - III. Mandatory exams include Collections Grades I - IV, Wastewater Treatment Grade I - IV, and Small Lagoons System Grade I. Cumulative Totals for the 2018 mandatory wastewater exam classifications are shown in Table 2.

Table 2 - Cumulative 2018 Exam Scores (Mandatory)

| Exam-Grade | Total Examinees | High Score | Low Score | #Pass (≥70%) | Pass % |
|---------------|-----------------|------------|-----------|--------------|-----------|
| C-I | 42 | 88 | 41 | 24 | 57 |
| C-II | 62 | 89 | 44 | 21 | 34 |
| C-III | 29 | 86 | 46 | 3 | 10 |
| C-IV | 121 | 88 | 39 | 19 | 16 |
| SLS-I | 20 | 82 | 41 | 13 | 65 |
| T-I | 73 | 87 | 35 | 15 | 21 |
| T-II | 95 | 80 | 42 | 19 | 20 |
| T-III | 31 | 77 | 43 | 2 | 6 |
| T-IV | 77 | 82 | 39 | 8 | 10 |
| Totals | 550 | | | 124 | 23 |

EXAMINATION REVIEW CHANGE

The certification rule was amended to remove the option of a post-exam review by the examinees. However, the rule still provides the opportunity for the Council to review the questions along with the ABC accepted answers for any questions for which a comment form was submitted during the testing sessions. This provides an opportunity for the Council to respond directly to the examinee's comment and also evaluate whether a recommendation should be made to ABC regarding the validity of the question in future exams. The proposed amendment was presented to the Water Quality Board in October 2017, and submitted for public comment through December 15, 2017. Final adoption of the rule amendment was completed at a January 2018 meeting of the Board and the amendment became effective January 24, 2018.

Training

COOPERATION WITH TRAINING PROVIDERS

During 2018, most of the certification-related training classes were again offered through cooperative efforts with the Rural Water Association of Utah or the Water Environment Association of Utah. Division of Water Quality staff and Certification Council members participated as instructors and presenters at conferences, seminars, and training sessions which provided training to wastewater personnel. The objective of these training opportunities was to facilitate compliance with UPDES permits, review subject matter in preparation for operator examinations, and earn required continuing education credits for renewals.

Some council members and staff also participated with the Utah Water and Wastewater Training Coalition to provide a centralized calendar of seminars and training to make it easier for water and wastewater professionals to obtain needed training and continuing education for their respective fields. The council continued to support participation in an “on-line” calendar format. This calendar has greatly improved the communication and coordination between the members of the Coalition as well as the operators. Division of Water Quality staff and representatives of the member organizations maintain their respective calendar information. Members of the Coalition are: Division of Drinking Water, Division of Water Quality, AWWA Small Water Systems, Water Environment Association of Utah, Rural Water Association of Utah, and American Backflow Prevention Association.

Renewal and Compliance

Wastewater Operator Certifications may be valid for up to three years. Certifications will expire on December 31st of the expiration year unless they have been renewed. Continuing education during the three-year period prior to the expiration date, in wastewater-related subject matter, is a prerequisite for renewal. The number of credits required is dependent upon the grade of certification being renewed. Reinstatement of the certificate is also allowed within the year following expiration, provided that the operator has earned the required training credits prior to the certificate's expiration. All publicly-owned wastewater works are required to have adequately certified individuals "in charge" of both the wastewater treatment and collection systems as specified in Rule R317-10. The statistics in Table 3 represent the certification actions taken during the year 2018 to assist in maintaining those requirements.

Table 3 - Certification Actions for 2018

| Action | Number |
|---|--------|
| Number of "new operators" added to wastewater certification database during 2018 | 127 |
| Certificates expired December 31, 2017– final notices mailed August 2018 | 115 |
| Certificates expired 2017, reinstated prior to December 31, 2018 deadline | 62 |
| Certificates expired 2017, reinstated with "Change in Status" prior to December 31, 2018 deadline | 4 |
| "Change in Status" certificates issued for current certifications | 13 |
| Certificates expiring December 31, 2018 – notices mailed January 2018 | 577 |
| Certificates expiring December 31, 2018 – notices mailed September 2018 | 485 |
| Certificates expiring 2018 renewals received prior to December 31, 2018 | 328 |
| Certificates expiring 2018, renewed along with "Change in Status" requests | 16 |
| Early renewals for certificates expiring after 2018 | 4 |
| Early renewal with "Change in Status" for certificates expiring after 2018 | 9 |
| Certificates issued by "reciprocity" (equivalent certification from another state) | 2 |
| Issued Letter-of-Intent to issue certificate by "reciprocity" (not employed in Utah) | 0 |
| Number of "reciprocity" requests denied in 2018 | 0 |
| Number of "active" individuals in database (participated in certification within last 3 years) | 1,644 |
| Number of certified wastewater operators as of January 1, 2019 (all categories) | 1,287 |
| Number of certified "treatment" operators | 535 |
| WW Treatment Grade I | 132 |
| WW Treatment Grade II | 143 |
| WW Treatment Grade III | 55 |
| WW Treatment Grade IV | 252 |
| Number of certified "collection" operators | 892 |
| Collection Grade I | 122 |
| Collection Grade II | 284 |
| Collection Grade III | 92 |
| Collection Grade IV | 442 |
| Number of certified "small lagoon system" operators | 143 |
| Total number of current wastewater operator certifications as of January 1, 2019 | 1,660 |
| Number of operators holding two classes of certifications, but not more than two during 2018 | 250 |
| Number of operators holding three classes of certifications | 26 |
| Total number of current voluntary certifications (Biosolids Land Applier, WW Laboratory, Plant Maintenance) | 76 |
| Total number of publicly owned wastewater collection systems | 195 |

| Action | Number |
|---|--------|
| Municipal Collection Class I systems | 104 |
| Municipal Collection Class II systems | 44 |
| Municipal Collection Class III systems | 29 |
| Municipal Collection Class IV systems | 18 |
| Total number of publicly owned wastewater treatment facilities | 123 |
| Municipal Treatment Class I facilities | 75 |
| Municipal Treatment Class II facilities | 10 |
| Municipal Treatment Class III facilities | 21 |
| Municipal Treatment Class IV facilities | 17 |
| Municipal Small Lagoon System I facilities (combination Treatment I & Collection I included in the above numbers) | 68 |

As an alternative to employing a certified operator as Direct Responsible Charge (DRC), the owner of a municipal wastewater system may choose to contract with an individual or another entity with an appropriately certified operator to meet the certification requirement. A new contract to meet the requirements for Direct Responsible Charge (DRC) operators was submitted and approved for Oakley City.

Systems with no certified DRC operator of record as of January 1, 2019, are Eureka City, Moab City, Wellington City, and Big Cottonwood Canyon Special Service District. Eureka City's operator left in December, and the operators for the other systems did not renew their certifications prior to their expiration. Richmond City does not currently have an appropriately certified chief operator for its wastewater treatment plant, but has been working towards getting the appropriate certification or a contract in place.

Certification Council Meetings

There were three Council meetings held during 2018. The following items may be of special note:

- The Division has signed a new five-year contract with ABC for exam services. The cost of the exams will be moderately higher for the first two years, but will be accelerated for the next three-year period. DWQ exam fees will probably need to be adjusted to cover the higher costs.
- The Council has chosen to use the new 2017 ABC Standardized Exams for Collection and Wastewater Treatment. These exams have 100 pre-selected, scored questions, but also have 10 additional unidentified questions that are being Beta tested for future use. This is to facilitate having validated questions that may be used in the future for questions that are not performing as well as expected.
- The Council reviewed the results of the first two sessions using the revised Small Lagoon System exams and decided to continue using them. The new exams include 50 collection and 50 treatment questions from the Grade I Standardized exams. The new exams were first used during the Fall 2017 exam sessions.
- The Council has done more research into making the exams available through computer-based testing. Suggestions were to check on availability of university testing centers, or private testing providers. There is an option to use ABC's preferred computer-based testing provider, but no options have been found that would not require the exam fees to be increased substantially. All fee changes must go through the DEQ fee schedule approval process and be approved by the legislature.
- The breach in ABC exam security that was discovered by Nevada's certification authority during 2017 resulted in charges being brought against the accused individual in 2018. Information about our testing and review policies and procedures was requested by Nevada. That information was included as testimony in their disciplinary review action and the subsequent appeal. Utah's wastewater certification reviews have since been taken out of rule in order to minimize the chance for a repeat occurrence.

DWQ-2019-002967