



# ***Drinking Water State Revolving Loan Fund Intended Use Plan***

# **SFY 2018**

## **(July 1, 2017 – June 30, 2018)**

*(Amended Nov 2017, Submitted to EPA 11/27/2017)*



## **Arkansas Natural Resources Commission**

101 East Capitol, Suite 350, Little Rock, AR 72201 • Phone (501) 682-1611 • FAX (501) 682-3991

[http://www.anrc.arkansas.gov/water\\_resources\\_development\\_division.html](http://www.anrc.arkansas.gov/water_resources_development_division.html)



## **Arkansas Department of Health**

815 West Markham, Slot 37, Little Rock, AR 72205-3867 • Phone: 501-661-2623 • FAX: 501-661-2032

<http://www.healthy.arkansas.gov/programsServices/environmentalHealth/Engineering/Pages/default.aspx>

# Table of Contents

I.	Introduction .....	4
A.	Arkansas' Drinking Water State Revolving Loan Fund .....	4
B.	Public Notice .....	4
II.	Projects and Available Assistance .....	4
III.	Goal Statements.....	5
A.	Short-term Goals.....	5
B.	Long-term Goals.....	5
C.	Environmental Results under EPA Assistance Agreement Goals .....	6
IV.	Distribution of Funds.....	6
A.	Distribution of Funds between DWSRF Program and SSAF Programs .....	6
B.	Distribution to Specific Projects in the DWSRF Program.....	7
1.	Priority System .....	7
2.	Priority List of Projects .....	7
3.	Fundable List of Projects .....	7
4.	Bypass Procedures .....	8
5.	Emergency Public Health Projects.....	8
C.	Type and Terms of Assistance .....	8
1.	Lending Rate.....	9
2.	Repayment Period.....	9
D.	Fees Assessed on Entities.....	9
E.	Green Project Reserve (GPR).....	9
F.	Additional Subsidization.....	9
G.	Disadvantaged Community Assistance .....	10
1.	What is a Disadvantaged Community? .....	10
2.	Affordability Criteria.....	10
3.	Identification of Projects .....	11
H.	Wage Rate Requirements (Davis-Bacon) .....	11
VI.	Financial Planning Process .....	11
VII.	Financial Status .....	11
A.	State Match Sources .....	12
B.	Leveraging of the Drinking Water State Revolving Fund.....	12
C.	Cash Draw Ratio Proportionality .....	12
VIII.	Set Aside Programs and Amounts Requested.....	12
A.	Administration of the Drinking Water State Revolving Fund Program .....	12
B.	Small Systems Technical Assistance (SSTA).....	13
D.	State Program Management Program (PWSS).....	14
E.	Wellhead Protection Program (WHP) .....	14
F.	Capacity Development Program (CD).....	15
IX.	Small System Assistance.....	15
X.	Capacity Assessment.....	15
A.	Technical Capacity.....	16
B.	Financial Capacity.....	16
C.	Managerial Capacity.....	16
D.	Long-Term Capacity.....	16
XI.	Transfer Process.....	16
XII.	Cross-Collateralization Process .....	16
XIII.	Audits and Reporting.....	17

XIV. Intended Use Plan Amendment Procedures .....	17
Charts: .....	18
Chart 1 Summary of Funding for Open SRF Capitalization Grant set-asides.....	18
Chart 2 SDWF Sources and Uses .....	19
Chart 3 ULO Analysis .....	20
Chart 4 Drinking Water Fundable Project Priority List .....	23
Chart 5 Fundable Projects: Green Project Reserve – Additional Subsidy – Disadvantaged .....	24
Appendices:.....	25
Appendix A – Project Priority List.....	25
Priority Setting Procedures for Drinking Water State Revolving Loan Fund .....	25
Eligibility for Priority Points.....	26
Primary MCL Violations Factors.....	26
Source Vulnerability Factors .....	27
Consolidation/Interconnection Factor .....	28
Affordability Factor .....	28
Other Factors – Public Health Improvements or Deficiencies .....	28
Bonus Points .....	29
SFY2018 Drinking Water Project Priority List .....	30
Appendix B - EPA Assurances .....	36

## I. Introduction

---

### A. Arkansas' Drinking Water State Revolving Loan Fund

This is the State of Arkansas' (State) Intended Use Plan (IUP), prepared jointly by the Water Resources Development Division (Water Division) of the Arkansas Natural Resources Commission (ANRC) and the Arkansas Department of Health Engineering Section (ADHE) which identifies intended uses of the funds available to Arkansas as authorized by the Safe Drinking Water Act (SDWA), as amended in 1996 (42 U.S.C. § 300j-12 et. Seq.).

In Arkansas, the overall program is named the Safe Drinking Water Fund (SDWF). The SDWF is made up of two programs which are the Drinking Water State Revolving Fund (DWSRF) program and the State Set-Aside Fund (SSAF) program. The Water Division, through an interagency Agreement with ADHE (the Primacy Agency in Arkansas), administers the DWSRF. Through the DWSRF program, the Water Division will use funds for water projects that further the goals of the Safe Drinking Water Act. With the exception of the Administration Funds for the DWSRF program, which go to and are administered by the Water Division, the ADHE administers all facets of the State Set-Aside Fund program (SSAF). The SSAF Program will use the funds to provide Small Systems Technical Assistance, State Program Management, Local Assistance and Administration Funds. It is the intent of SDWF to consistently comply with all requirements as stipulated in each year's grant agreement for the capitalization grant. However, procedural changes and reporting requirements may be modified by EPA. These changes will be incorporated into the State's program, as necessary.

As required by the SDWA, the State is required to prepare this annual Intended Use Plan (IUP) in order to identify the set-aside programs and projects that will utilize the funds available to the SDWF. This IUP is prepared for State Fiscal Year 2018 (SFY 2018) and identifies those sources and uses of available program funds. For the purpose of this IUP, the fiscal year identified is the State Fiscal Year 2018, beginning July 1, 2017 and ending June 30, 2018. The capitalization grants and the state match to fund these activities are from prior fiscal years and the Federal Fiscal Year 2017 (FFY 2017) appropriation. At the request of EPA this IUP is prepared prior to the end of the previous state fiscal year (SFY2017).

### B. Public Notice

To ensure that the public has an opportunity to review the State's proposed plans for the DWSRF, a draft IUP was published on the ANRC website (<http://www.anrc.arkansas.gov/divisions/water-resources-development>), to accept comments on the Intended Use Plan. To ensure that interested parties were made aware of the draft IUP and the comment period, ANRC posted notice on the ANRC web-site and published the public notice advertisement for the Drinking Water Intended Use Plan in the Arkansas Democrat-Gazette, a statewide paper, on Sunday, November 12<sup>th</sup> and 19<sup>th</sup>, 2017. The public comment period remained open with a deadline for submittal of written comments of November 24, 2017. Copies of the Intended Use Plan were also available, upon request, at the Water Resources Development Division of the Arkansas Natural Resources Commission. Arkansas received no comments on the Amended SFY 2018 IUP.

## II. Projects and Available Assistance

---

This IUP contains a list of projects the State anticipates to fund and information on how the State plans to use:

- a) The set aside funds carried over from previous State Fiscal Year (s), which includes set-asides from the 2015, 2016 and 2017 capitalization grants.
- b) The remainder of the 2015 capitalization grant in the amount of \$4,605,487, the 2016 capitalization grant in the amount of \$12,239,957, and the 2017 capitalization grant in the amount of \$12,610,000 (as of 06/30/2017).
- c) The funds the State receives from the repayment of loans previously made from the Drinking Water State Revolving Fund (DWSRF) Program.

The DWSRF program expects to disburse approximately \$12.8 million to projects in this fiscal year. These projects are all designed to meet one or more of the goals of the SDWA which are

- a) Help ensure public health protection
- b) Comply with the SDWA
- c) Ensure affordable drinking water.

In addition, set aside expenditures are estimated at approximately \$5.3 million (this includes the administration set aside) to provide assistance to communities as well as to provide administration funding for both the Water Division and the ADHE.

### III. Goal Statements

---

The Arkansas Drinking Water Program is an integrated and centralized program funded by the Drinking Water State Revolving Fund, Public Water System Supervision and state funding. The primary focus of the program is to achieve public health protection and rule compliance. All mandatory and voluntary program elements, (i.e. technical assistance, capacity development, source protection, rule implementation, enforcement, etc.) are coordinated to assure this end.

#### A. Short-term Goals

1. Arkansas anticipates entering into sixteen (16) binding commitments for a total of \$43,949,813. The projects are identified in [Chart 4](#)
2. Arkansas anticipates four (4) projects that include components that meet green project reserve requirements. The projects are identified in [Chart 5](#)
3. Arkansas anticipates eleven (11) projects that will meet the add sub requirements and two (2) project that will receive Disadvantaged Fund in the form of principal forgiveness. The projects are identified in [Chart 5](#).
4. Complete set-aside work plans specifying funds from the capitalization grant. (Target Completion: Within 90 days of grant award)
5. Arkansas ADHE will continue to utilizing the State Program Management set-aside to a portion of the implementation of the State Public Water Supply Supervision Program plan effort. This will include activities in this fiscal year such as: review and approval of 200 (goal) plans and specifications, logging and tracking of 1400 (goal) plan submissions, 250 (goal) sanitary surveys, technical assistance to Public Water System Supervision in a variety of ways, and other implementation activities.
6. Arkansas will continue to screen projects using the Project Priority System to assure the Safe Drinking Water Acts overall goals are given priority in the DWSRF program. The Goal for this fiscal year is to have at least 30 projects on the Project Priority List.
7. The Division will apply for the federal cap grant funds in the first year that they are appropriated.
8. Arkansas will continue to implement the State capacity development program strategy at no cost to entities. A vital element of this program is the technical assistance contracts provided under the Small System Technical Assistance and/or Local Assistance Set-aside. These were restructured slightly to focus more on direct assistance to the systems. SFY 2018 goals for these contracts are 1500 hours of on-site technical assistance including AWOP activities. Arkansas Department of Health also has a contract to work with small systems, which is providing infrastructure location by GPS coordinates and GIS mapping service. The goal for this contract is to map infrastructure for 45 small water systems.
9. The program is considering a contract with Northbridge to help with marketing and streamlining the processes for both CWSRF and DWSRF.

#### B. Long-term Goals

Arkansas has committed to continually work towards these goals.

1. Maintain the fiscal integrity of the DWSRF and assure a continuous enhancement of the loan fund for future generations.
2. Maintain the fund in perpetuity by protecting the principal that has been and continues to be deposited into the DWSRF program.
3. Provide entities with a source of long-term, low-interest financing that will allow them to protect their customers' health and comply with the Safe Drinking Water Act.
4. The Division will meet the growing demand for the DWSRF program by leveraging the Fund when the demand exceeds the current revenue streams.
5. Arkansas will continue to implement the Public Water System Supervision Program in conformance with its Primacy commitments.
6. Arkansas will continue to implement the State source water assessment/protection program.
7. Arkansas will continue to implement the State capacity development program strategy.
8. The Division will maximize the number of entities meeting the Safe Drinking Water Act requirements by combining the DWSRF program with other State and Federal funding programs.

- 9. Arkansas will make every effort to expend funds within two (2) years of cap grant award, continuing to expend all funds in an expeditious and timely manner

### C. Environmental Results under EPA Assistance Agreement Goals

The Division’s DWSRF program will satisfy EPA's Strategic Goal 2 for Clean and Safe Water, Objective 2.1 for Protecting Human Health, Sub objective 2.1.1 for Water Safe to Drink by relating the activities of the Program to quantifiable environmental results. The following short term goals are presented in order to be in compliance with EPA Order #5700.7, which became effective on January 1, 2005.

The outputs below will be used as a measure to comply with the new requirements:

Output 1 – Provide sixteen (16) loans to water systems. The projects are identified in [Chart 4](#).

Output 2 – Enter into binding commitments with thirteen (13) small systems and three (3) large systems during this fiscal year. The projects are identified in [Chart 4](#).

Output 3 – Arkansas Department of Health also has a contract to work with small systems, which is providing infrastructure location by GPS coordinates and GIS mapping service. Goals for these contracts are 45 assessments, and 2400 on-site man-hours of effort. Other anticipated efforts include 2 eight-hour training courses, 24 one-hour group training sessions and three CPEs.

Environmental benefits will result from loans made and projects completed to reduce specific contaminants, create energy savings, conserve water, increase capacity to meet current water needs, replace aging infrastructure, and comply with state and federal regulations.

## IV. Distribution of Funds

---

### A. Distribution of Funds between DWSRF Program and SSAF Programs

Arkansas puts a priority on providing existing Public Water Systems with technical assistance to insure all Public Water Systems meet the requirements of the Safe Drinking Water Act. Arkansas endeavors to provide these services at no cost to the systems. To meet this goal, Arkansas allocates available funds to the State Set-Aside Fund programs. There are federal restrictions on the amount of funds that can be allocated to these programs, so Arkansas plans to distribute funds to these programs to the maximum amount allowed. Specifically, Arkansas will allocate 10% of grant funds to State Program Management plus an additional \$100,000 claimed from previously reserved funds, 2% to Small System Technical Assistance, 5% to Source Water/Wellhead Protection Activity and 10% to Technical and Financial Assistance to Public Water Systems for Capacity Development this year. The ADHE will be responsible for the management and reporting needed for all of these State Set-Aside Fund programs.

The administration of the DWSRF program also falls in the category of State Set-Aside Fund programs. The Division plans to use the full 4% allowed for administration. The Water Division will be responsible for the administration and reporting needed for the DWSRF program.

In addition to the 10% State Program set-aside monies being allocated from the 2017 capitalization grant discussed above, the ADHE will re-claim banked PWSS (State Program Management) funds in the amount of \$100,000 to be used to replace outdated laboratory equipment utilized for drinking water analysis by the ADH laboratory and to fund, in part, UCMR4 sample collection and analysis. The PWSS re-claimed monies include PWSS banked funds from the cap grants listed below:

Amount	Cap Grant
100,000	2001

## B. Distribution to Specific Projects in the DWSRF Program

Arkansas' method for the development of the Priority List and Fundable List explains the process used to select systems to receive assistance.

### 1. Priority System

The ADHE is responsible for developing the Priority System. They have developed a system that includes factors for projects that:

- a) address the most serious risk to human health,
- b) are necessary to ensure compliance with the requirements of the Safe Drinking Water Act, and
- c) assist systems most in need on a per household basis according to State affordability criteria.

The Priority System Questionnaire is sent to each Public Water System (PWS) in the state each year. The questionnaire describes the Priority System used by the DWSRF program and lists the point values assigned to each category in the Priority System. The ADHE sends the questionnaire to the Public Water Systems so they can add new projects to the Priority List. The ADHE evaluates the questionnaires that are returned and assigns point values to the various categories, included as [Appendix A](#). A project's total points are used to determine the project's ranking. The more points that a project receives, the higher it is placed on the priority list. The new projects are added to the projects which were not funded from the previous Priority List, and a new Priority List is assembled.

The only way a project can be placed on the Priority List is by an entity submitting a questionnaire for the project. Since submitting the questionnaire is a voluntary task, only projects that expect to be funded by the DWSRF program are listed on the Priority List. Once the ADHE prepares the Priority List, it is the Water Division's responsibility to create a Fundable List from the Priority List.

### 2. Priority List of Projects

The Priority List is a list of projects that are interested in utilizing funding from the DWSRF program. Each project goes through an evaluation process to determine its relative priority as compared to the rest of the projects seeking funding through the DWSRF program. The ADHE prepares the Priority System used to rank projects, included as [Appendix A](#) sends out the questionnaires, determines the priority points for the projects that return questionnaires and develops the [Priority List](#). The Water Division then takes the Priority List and from this list establishes a Fundable List. The Fundable List ([Chart 4](#)) is not a separate list, but is instead composed of projects from the Priority List that expect to close and expend funds in this fiscal year.

40 CFR 35.3555(d) states that the Priority Lists of projects may be amended during the year under provisions established in the IUP as long as additions or other substantive changes to the lists, except projects funded on an emergency basis, go through a public review process. The public review process will include placing it on Arkansas Natural Resources Commission's website for a minimum of thirty days.

Drinking Water State Revolving Fund projects that are qualified (in whole or in part) for Green Project Reserve will be ranked on the same state priority list with non-Green Project Reserve projects, and will be identified as Green Project Reserve projects on the fundable list. Once ranked they will be selected separately from non-Green Project Reserve projects, using the same priority system principles described above, until the total value of executed assistance agreements in qualified Green Project Reserves projects totals an amount equal to capitalization grant requirements, see [Chart 5](#).

### 3. Fundable List of Projects

40 CFR 35.3555I (2) (i) states that the IUP must contain a fundable list of projects that are expected to receive assistance from available funds designated for use in the current IUP. The Water Division defines "receive assistance" to mean closing a loan and expending funds. Projects that are ready to proceed are added to the Fundable Project Priority List and bypass those projects that are not on schedule. It is Arkansas' intent to offer funding to all of the projects listed on the Priority List. The Fundable List simply shows those projects that expect to receive assistance from the Drinking Water State Revolving Fund in this fiscal year ([Chart 4](#)).

#### **a) Ready to Proceed**

“Ready to proceed” means a project that has been approved by Arkansas Natural Resources Commission. Projects that have met this requirement are moved to the fundable portion of the Project Priority List and bypass those projects that are not on schedule.

#### **b) Binding Commitments**

The Division has defined the Binding Commitment date as the date the Bond Purchase Agreement (BPA) is signed by all parties. Loan Closing and Binding Commitment typically occurs six months to one year after approval of the Arkansas Natural Resources Commission. It is anticipated that DWSRF will enter into fifteen (16) binding commitments for \$43,919,813 during SFY 2018. Thirteen (13) of these projects are anticipated to be for small systems in the amount of \$22,496,713. The funding for small systems on the SFY 2018 fundable list is equal to fifty-one percent (51%) of the total cost of projects on the fundable list. This amount exceeds the requirement that at least 15 percent (15%) of loan funds be utilized for small systems.

### **4. Bypass Procedures**

Arkansas’ intention is to fund every project on the Priority List as it becomes ready to proceed. With the exception of an emergency public health project, the state does not plan to bypass a project that is ready to proceed for another project with a lower ranking.

If a project’s readiness to proceed changes status after it was placed on the Fundable List, the State reserves the right to put the project on hold and take another project from the Priority List that is ready to proceed in its place. Previous examples of this kind of problem include court cases being filed, other funding being withdrawn, or change in administration of the entity proposing the project. If a project is not ready to proceed, the Water Division will substitute the next project on the priority list that is ready to proceed.

If a situation develops which causes the state to bypass a project that is ready to proceed for another project, the State will report the situation to EPA and include an explanation in the Annual Report.

### **5. Emergency Public Health Projects**

Arkansas reserves the right to fund projects not on the Priority List if these projects protect the public from an Imminent Health Threat. The Arkansas Department of Health is the sole entity in Arkansas that can declare a situation to be an Imminent Health Threat. The Director or his designee would make the determination of an Imminent Health Threat based on an immediate risk to the public health caused by a situation that is amenable to correction. The project developed to correct the situation would still have to meet eligible qualifications for funding from the DWSRF program. This procedure would allow a project designated as an Imminent Health Threat to bypass the Priority List and Fundable List phases of the DWSRF program only.

Arkansas would notify the EPA in the event that a project was designated as an Imminent Health Threat. This project would be reported in the Annual Report.

## **C. Type and Terms of Assistance**

Prior to FFY 2010, the Division made the decision to provide one type of assistance - loans. Loans provide the most flexible use of the funds in the DWSRF program. The use of other types of assistance, Insurance or Guarantees, causes those funds to be unavailable and their uses restricted. By providing assistance in the form of loans, the Division can vary the terms of the loans to help Disadvantaged Communities, refinance existing debt to improve the finances of entities or pledge the loans to Leverage Issues which would increase the funds available for the DWSRF program. Beginning with the 2009 American Recovery and Reinvestment Act and the FFY 2010 Capitalization Grant, the Division may offer additional subsidization in the form of principal forgiveness, negative interest rate loans, or grants.

The type of assistance to be provided will be loans for up to one hundred percent (100%) of the eligible cost of drinking water projects. Loans at below market interest rates provide affordable financing and incentives for loan applicants to meet the program requirements. The program provides for flexibility and the perpetuity of the DWSRF.

## 1. Lending Rate

The lending rate is composed of two parts: the interest rate and the servicing fee. The lending rate will be determined at the time the borrower is developing the Bond Purchase Agreement and the Bond Ordinance. The lending rate is determined using a formula that starts with a published list of daily market interest rates for a series of maturity dates for General Obligation Bonds. Those rates are modified to take into account the fact that the Drinking Water State Revolving Fund is a Revenue Bond program and then the series is converted to an average weighted value. That single rate is then multiplied by 80% to get the Lending Rate. Effective January 1, 2015, the Lending Rate is 1.5% for a ten year repayment period, 2.50% for a 20 year repayment period, and 3.0% for a thirty year repayment period.

The Division varies the lending rate in this manner to encourage entities to repay loans as quickly as possible. The quicker that entities repay the sooner the DWSRF program will be able to use these funds on future projects.

The servicing fee is currently set at 1.0%. Therefore, if the lending rate is 3.5%, it is composed of a 1.0% servicing fee and a 2.5% interest rate. The servicing fee is the same for all projects, so changes in the interest rate mirror changes in the lending rate.

The service fees are deposited into the Fees and Administrative account which is outside of the Drinking Water State Revolving Fund and not subject to the four percent administration cap applicable to the Drinking Water State Revolving Fund.

## 2. Repayment Period

The repayment period is adjusted to provide disadvantaged communities with an incentive to use the DWSRF program. An approved applicant's maximum loan term is 20 years. However, if an entity qualifies as a disadvantaged community the option to extend the term (repayment period) up to 30 years based on the life of the project is available. In no case will the extended loan term exceed the estimated life of the project.

## D. Fees Assessed on Entities

The servicing fee of 1% is collected as part of the semi-annual loan repayment. These funds are placed in the Drinking Water State Revolving Fund Administration Account and are used to fund eligible program expenses.

## E. Green Project Reserve (GPR)

The Green Project Reserve mandate was removed in the FFY 2012 appropriation and the DWSRF program is no longer required to meet the 20% requirement on each cap grant. The Division will continue to solicit for "Green" water projects from Public Water Systems (PWS). The program has met the "Green" requirement for the FFY2010 & 2011 Cap Grants. This data has been reported in EPA's Drinking Water Project Benefits Reporting database (PBR).

To be eligible for GPR funding, the applicant must be a Public Water System and the project must demonstrate that it will facilitate compliance with national primary drinking water regulations or otherwise significantly further the public health protection objectives of the Safe Drinking Water Act for water projects and meet the following definition of "Green".

Green water projects are: Water Efficiency – The project must conserve water above the norms for operations and maintenance of a Public Water System. Potential green water projects would include water line replacement in systems experiencing approximately forty percent (40%) water loss.

## F. Additional Subsidization

The Division has developed the following system to determine if a project is eligible for additional subsidization funds for the Drinking Water Revolving Loan Fund. Arkansas provides additional subsidization in the form of principal forgiveness. See [Chart 5](#) for additional subsidization projects on the SFY2018 fundable project list.

To be eligible to receive additional subsidization from the fund, a Borrower must show either:

- 1) The current utility rates or proposed utility rates for 4,000 gallons of water on an annual basis are at least 1.5% of the Median Household Income (MHI) for the project area.

- 2) At least 51% of the customers who benefit from the project have either Low or Moderate Income as defined by the U.S. Department of Housing and Urban Developments' Community Block Grant (CDBG) Program; and have 1.25% of Median Household Income.

Once a project has been determined to be eligible for additional subsidization from the Funds, additional priority will be given to projects that meet the Green standards set by ANRC. Once a project has been determined to be eligible for additional subsidization from the CWRLF, additional priority will be given to projects that meet the Green standards set by ANRC. ANRC has allocated a total of \$38,133,187 for projects or project components eligible for additional subsidization, of which \$19,396,554 had a closing date on or before June 30, 2017. See [Chart 5](#) for the additional subsidization estimated for projects expected to close in SFY2018.

Drinking Water									
	DWSRF Congressional Add Sub	Cap Grant Status	Arkansas DWSRF Cap Grant	Disadvantaged as Principal forgiveness (30% of Cap Grant)	Minimum Congressional Add Sub	Max Congressional Add Sub	ANRC Allocated to Add Sub	Available Add Sub (Amended IUP)	
2010		Closed			6,161,700		6,162,682	-	
2011		Closed			4,276,510		4,277,511	-	
2012	20 % minimum, 30 % maximum	Open	13,582,000		2,716,400	4,074,600	4,074,600	-	
2013		Closed			2,548,600	3,822,900	2,599,796	-	
2014		Open	13,534,000		2,706,800	4,060,200	4,060,200	-	
2015	20 % mandatory	Open	13,445,000		2,689,000	4,033,500	4,033,500	-	
2016		Open	12,719,000	* 3,815,700	2,543,800	-	6,359,500	(3,815,700)	
2017		Open	12,610,000	* 3,783,000	2,522,000	-	6,565,398	(4,043,398)	
<b>Totals:</b>				* 7,598,700	26,164,810	15,991,200	38,133,187	(7,859,098)	
								<b>2016 Disadvantaged:</b>	3,815,700
								<b>2017 Disadvantaged:</b>	3,783,000
<i>Total Max Add Sub + Max Disadvantaged Allowed:</i>			37,872,789		<b>Total Add Sub &amp; Disadvantaged Available:</b>			(260,398)	

## G. Disadvantaged Community Assistance

Arkansas will provide some incentive for disadvantaged communities to use the DWSRF program. Because of the limited funds the DWSRF program receives, that assistance is limited to offering additional subsidization (principal forgiveness) or extending the maximum repayment period for loans from 20 years to 30 years. See [Chart 5](#) for the disadvantaged community assistance estimated for projects expected to close in SFY2018.

Cap Grant	Maximum Disadvantaged Community Assistance Available in SFY2018
2016	3,815,700
2017	3,783,000

\* Binding Commitments required within 12 Months of Fund Availability for Principal forgiveness

### 1. What is a Disadvantaged Community?

In Arkansas, a disadvantaged community has been defined as any community with a Median Household Income (MHI) below that of the state's Median Household Income. This information is collected as part of the Priority List, and Arkansas' Median Household Income for SFY2018 is \$39,267.00.

### 2. Affordability Criteria

The Division will offer two types of assistance to disadvantaged communities: an extension of the repayment period and additional subsidization. One of the criteria used is a comparison of the entity's Median Household Income against the State's Median Household Income.

### 3. Identification of Projects

The [Project Priority List](#) and [Chart 5](#) include a column defining which projects will qualify as Disadvantaged Communities.

## H. Wage Rate Requirements (Davis-Bacon)

Starting in FFY2013 and thereafter, Davis-Bacon wage requirements now applies to construction of all projects carried out in whole or in part with assistance made available by a DWSRF program. Arkansas agrees to include in all agreements to provide assistance for any construction project carried out in whole or in part with such assistance made available by a drinking water revolving loan fund as authorized by section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12), a term and condition requiring compliance with the requirements of section 1450(e) of the Safe Drinking Water Act (42 5 U.S.C.300j-9(e)) in all procurement contracts and sub-grants, and require that loan recipients, procurement contractors and sub-grantees include such a term and condition in subcontracts and other lower tiered transactions. All contracts and subcontracts for any construction project carried out in whole or in part with assistance made available as stated herein shall insert in full in any contract in excess of \$2,000 the contract clauses. This term and condition applies to all assistance agreements under the authorities referenced herein, whether in the form of a loan, bond purchase, grant, or any other vehicle used to provide financing for a project. ANRC will continue to update this term and condition as updated procedures are provided with subsequent cap grants.

## VI. Financial Planning Process

---

Arkansas Natural Resources Commission manages three State programs and two additional federal programs to meet the drinking water needs in the State. These programs can also fund the projects eligible for DWSRF funding. The Financial Planning Process used for the DWSRF program considers all of these sources of funding and each one's strengths and weaknesses.

Arkansas also has an organization called the Water/Wastewater Advisory Committee that reviews all water and wastewater projects before the project applies to a funding program. This process allows the Water Division to have some idea of future projects and who they are likely to apply to for funding. This information is also used to project the future demand for Drinking Water State Revolving Funds.

The Division has hired professional Financial Advisors and Bond Counsel to help keep abreast of changes in the financial market and both State and Federal bond law. These professionals advise us on current market conditions so Lending Rates and Repayment Periods can be adjusted as needed. They also provide information on the consequences of leveraging, both in terms of funds that can be raised and the long-term effects of repaying the bondholders.

The DWSRF program is continually being reviewed in terms of future demand, changes in loan terms and the need to leverage the program. The primary concern is always to provide low cost loans to entities in Arkansas while maximizing the funds available so no one is turned away because of the lack of funds.

From time to time the Division, through Arkansas Development Finance Authority, issues bonds secured by the revenues from the pledged Drinking Water State Revolving Fund project loans. Proceeds from any bonds issued will be deposited directly into the Drinking Water State Revolving Fund. To the extent that it would benefit the Program, ANRC may choose to exercise its option to cross-collateralize when issuing revenue bonds. The Division leveraged bonds for the first time in SFY 2012, EPA Region 6 was contacted regarding the leveraging prior to this activity.

Remainder of page intentionally left blank.

## **VII. Financial Status**

---

Arkansas' total funding sources for the Drinking Water State Revolving Fund for this fiscal year are identified in [Chart 1](#). With the capitalization grants, the required State Match for those capitalization grants, interest earnings, and loan repayments. An analysis of the Un-Liquidated Obligations is displayed in [Chart 3](#).

### **A. State Match Sources**

The State of Arkansas agrees to deposit into the Drinking Water State Revolving Fund, or make available through a letter of credit or a letter of credit type instrument, monies in an amount equal to twenty percent (20%) of each quarterly grant payment on or before the date on which the State receives each payment from the grant award. The State of Arkansas will fund the required State Match by using State appropriations, grants from State funding programs, or servicing fees.

### **B. Leveraging of the Drinking Water State Revolving Fund**

Arkansas leverages periodically to increase the funds available for assistance. Arkansas has no plans to leverage the Drinking Water program in this fiscal year. If Arkansas decides to leverage then EPA Region 6 will be contacted prior to leveraging.

### **C. Cash Draw Ratio Proportionality**

Arkansas will disburse 100% of the state match for a capitalization grant first and then draw 100% of the Federal funds for that capitalization grant (less the set-asides). Arkansas is prohibited from disbursing State Match in any of the forms used for Additional Subsidization. As long as federal funds are required to be spent on Additional Subsidization, A.C.A. § 15-22-1102(b)(12)(B), Arkansas will continue this process for future federal cap grants.

## **VIII. Set Aside Programs and Amounts Requested**

---

The Safe Drinking Water Act allows each state to set aside up to thirty 31% of its federal capitalization grant to support various drinking water programs including administration, technical assistance, state program management and special activities. We plan to use 31% of the set-asides from the SFY 2017 grant for set-aside activities. Additionally we will be reclaiming \$425,010 from previously reserved set-asides. We have increased our spending rate in order to modernize the program through data collection contracts, software updates, state laboratory equipment maintenance, etc. This modernization process will improve the efficiency of the overall program and assist in the reduction of our un-liquidated obligations. We have and will continue to request set-asides for non-routine investigative monitoring, such as the UCMR, LT2ESWTR source monitoring, and source water HAB baseline monitoring, for ADH laboratory equipment replacement, as needed, and for updating our Source Water Assessment and Protection Plan. We will transfer portions of older set-aside funding as it is determined not to be needed back to the Drinking Water State Revolving Fund loan account in order to maximize public health protection potential and minimize un-liquidated obligations.

### **A. Administration of the Drinking Water State Revolving Fund Program**

Max Allowed: 4%

FFY2017 Allotment: \$504,400 (4%)

The Water Division has the responsibility of managing the DWSRF program and will use the funds allocated to this set-aside program to defray the administrative costs associated with managing the program.

Remainder of page intentionally left blank.

## B. Small Systems Technical Assistance (SSTA)

Max Allowed: 2%  
 FFY2017 Allotment: 2%                    \$252,200  
 Banked cap grants:                        \$0  
 Total Reserved (all cap grants):       (\$2,921,223)

Arkansas Department of Health uses these funds to provide assistance to small water systems in assessing and implementing capacity development which will identify individual water system needs, provide corrective action plans addressing identified deficiencies (goal 25), and provide technical assistance in correcting these deficiencies (goal 1500 man-hours). A mix of the 2015 and 2016 grant allotments will be used in SFY 2018 out of the Capacity Development portion of the Local Assistance Set-aside, if needed, until the 2017 cap grant is awarded. After the 2017 cap grant is awarded a mix of funds from the 2017 cap grant and those to be reclaimed from the 2007 and 2008 cap grants will be used

SSTA Reserved\* for future use:

Cap Grant	Amount Reserved	Amount to be re-claimed for use in SFY 2018
2007	6,083	0
2008	204,580	0
2009 (ARRA)	489,700	0
2009	204,580	0
2010	410,780	0
2011	285,040	0
2012	271,640	0
2013	254,860	0
2014	270,680	0
2015	268,900	0
2016	254,380	0
<b>Total Reserved:</b>	<b>2,921,223</b>	
<b>Total to be Re-Claimed in 2016 Cap Grant:</b>		<b>0</b>

\*Reserved funds include SSTA set-asides “originally” reserved for us on a future grant as well as any SSTA set-asides that were returned to the loan fund.

Remainder of page intentionally left blank.

## C. State Program Management Program (PWSS)

Max Allowed: 10%  
 FFY2017 Allotment: \$1,271,900 (10%)  
 Banked cap grants: \$100,000  
 Total Reserved (all cap grants): (\$6,123,045)

Funds will be used to enable the ADHE to continue to operate its Public Water Supply Supervision Program activities to insure compliance with requirements of the Safe Drinking Water Act. Funds will be used to support full time employees and related expenses including such items as salary, fringe, indirect costs, travel, training, office supplies, PC/LAN/GIS equipment and upgrades, laboratory equipment replacement, and similar routine costs. Day to day activities will include such activities as sanitary surveys (goal 150), engineering plan reviews (goal 1400), complaint investigations, compliance tracking and grading, and technical assistance in a variety of forms to water systems, administrative activities, and other activities. Arkansas Department of Health anticipates using a mix of the 2015, 2016 and 2017 cap grant allotments in SFY 2018. With the award of the 2017 cap grant, ADHE will also reclaim \$100,000 from the 2001 cap grant. A projected total of \$7,299,281 funds are available for use by ADH during SFY 2018, of this total \$6,123,045 is reserved for future use by the ADHE\*\*

PWSS Reserved\* for future use:

Cap Grant	Amount Reserved	Amount to be re-claimed for use in SFY 2018
2001	141,241	100,000
2002	228,794	0
2003	128,908	0
2004	402	0
2009 (ARRA)	2,448,500	0
2009	400,000	0
2010	500,000	0
2011	1,425,200	0
2012	850,000	0
Reserve Balance:	6,123,045	
Total To Be Re-Claimed in 2016 Cap Grant:		100,000

\*\*Reserved funds include PWSS set-asides “originally” reserved for us on a future grant as well as any PWSS set-asides that were returned to the loan fund.

## D. Wellhead Protection Program (WHP)

Max Allowed: 5%  
 FFY2017 Allotment: \$630,500 (5%)

Arkansas Department of Health uses these funds to provide the necessary staff resources and support to enable the Section to continue implementation and expansion of its wellhead protection program and to insure an updated and well-maintained GIS database system. Tasks include delineation of wellhead protection areas, assistance to public water systems in well siting, aquifer identification and recommended construction features, inventories for sources of contamination in source water assessment areas, hydrologic sensitivity assessments of water sources, public outreach efforts on the importance of source water protection, and other activities. A mix of the 2015, 2016 and 2017 cap grant allotments will be used in this fiscal year.

Wellhead Protection Program funds include a projected balance of \$174,951 from the 2015 grant, \$635,950 from the 2016 grant, and the anticipated 2017 grant allotment at \$630,500 to be used by the ADHE. These funds were not requested from the 2011 and 2012 grants. A total of \$1,446,850 funds are available for use by the ADHE.

## E. Capacity Development Program (CD)

Max Allowed: 10%

FFY2017 Allotment: \$1,271,900 (10%)

Arkansas Department of Health uses these funds to accomplish the overall objective under this set-aside which is to provide a variety of technical assistance and public education activities, which will help to ensure continued sustainability and performance of public water systems in the state. Activities to be accomplished under this set-aside include such items as training and technical assistance to water systems in drafting CCRs (goal 692), water operator training and certification, publish and disseminate an informative quarterly newsletter (goal 3500 copies) for operators and other interested parties, a coordinated review of and protection from proposed point and non-point discharges (goal 800 miscellaneous permits) into sources of drinking water, provide assistance to water systems in developing local source water protection plans, participation in EPA's Area Wide Optimization Program efforts, conducting Comprehensive Performance Evaluations at water systems (goal 3 CPEs), and other activities. This effort will require full time employees and associated expenses. A mix of the 2015, 2016 and 2017 cap grant allotments will be used in SFY 2018.

Capacity Development Program funds include a projected balance of \$447,000 from the 2015 grant, \$1,271,900 from the 2016 grant, and the anticipated 2017 grant allotment of \$1,271,900. A total of \$2,990,800 is available for use by the ADHE for the CD program.

## IX. Small System Assistance

---

Arkansas is required to allocate a minimum of 15% of the total funds available each year to funding small systems. Small systems are defined as systems that regularly serve 10,000 or fewer persons. In Arkansas there are approximately 692 Community Public Water Systems (PWS). Of those systems, approximately 70 serve a population of over 10,000 people and 622 serve a population of 10,000 or less.

Arkansas has worked hard with the small systems to help them meet all of the regulatory requirements of the DWSRF program. However, over the last few years, the small systems have found the DWSRF program to be slow and cumbersome and have looked elsewhere for funding. By working with applicants, the Water Division continues to be able to interest small systems in the program. We expect to sign Bond Purchase Agreements (Binding Commitments) on sixteen (16) systems of which thirteen (13) are to small systems, see [Chart 4](#).

Arkansas is required to demonstrate that at least 15% of the funds are used for small systems.

As of June 30, 2017	
Cumulative Loans	\$ 274,634,147
Cumulative Small Systems	\$ 136,467,800
Percentage of Small System BCs	49.69%

Arkansas is committed to continually modifying the DWSRF program in an effort to make the program more attractive to small systems. ANRC continues to work towards a streamlined application process and shorter time for planning and design work.

ANRC has ongoing marketing plans at various conferences and meetings describing the benefits of the Revolving Loan Fund program available to cities and communities. As always, we evaluate the need to lower the interest rates to cities that request funding. Our goal is to provide a subsidy without harming the program in the long term.

## X. Capacity Assessment

---

The Safe Drinking Water Act requires that a public water system applying for a Drinking Water State Revolving Fund loan must show that it has the technical, financial and managerial capacity to ensure compliance. If a system does not have adequate capacity, assistance may only be provided if it will help the system to achieve capacity. The goal of this requirement is to ensure that the Drinking Water State Revolving Fund assistance is not used to create or support non-viable systems.

## **A. Technical Capacity**

To demonstrate technical capacity, Drinking Water State Revolving Fund loan applicants must show that drinking water sources are adequate, that the system's source, treatment, distribution and storage infrastructure are adequate and that personnel have the technical knowledge to efficiently operate and maintain the system. As part of reviewing a loan application, Arkansas Department of Health will review the system's records to assure that the system is being properly operated and maintained. The water system must not have outstanding water compliance problems unless the Drinking Water State Revolving Fund project is intended to correct those problems. The engineering reports, plans, and specifications for the proposed Drinking Water State Revolving Funded project and the system's technical capacity will all be evaluated during the loan application process.

## **B. Financial Capacity**

To demonstrate financial capacity, the applicant must show that the system has sufficient revenues to cover necessary costs and demonstrate credit worthiness and adequate fiscal controls. ANRC will review the applicant's Self-Assessment Worksheets, the project budget, annual financial reports, and other financial information to ensure adequate financial capacity of the applicant.

## **C. Managerial Capacity**

To demonstrate managerial capacity, the water system must have personnel with expertise to manage the entire water system operation. Arkansas Department of Health will review the applicant's managerial capacity through supporting documentation to assure that management is involved in the day to day supervision of the water system, is responsive to all required regulations, is available to respond to emergencies and is capable of identifying and addressing all necessary capital improvements and assuring financial viability. The water system must have a qualified water operator in accordance with the state's operator certification program. After reviewing the water system's technical and managerial capacity, Arkansas Department of Health sends a letter to the application submitter and ANRC stating whether the system is eligible to be placed on the Priority List to receive Drinking Water State Revolving Fund assistance.

## **D. Long-Term Capacity**

Arkansas Department of Health, Engineering Section (ADHE) will assess whether each water system has a long-term plan to undertake feasible and appropriate changes in operations necessary to develop adequate capacity. In making these assessments, the ADHE will consult with local health departments and review water resource management strategies, comprehensive studies, the State's response to the Drinking Water Needs Survey and other available engineering reports in an effort to improve the overall capacity of systems requesting assistance. ADHE will encourage consolidation efforts when two or more systems can benefit and also encourage other options, such as contract management or partnerships with other communities in their area. The priority ranking criterion provides additional points to encourage this objective.

## **XI. Transfer Process**

---

Arkansas is reserving the authority to transfer up to thirty-three percent (33%) of the Drinking Water State Revolving Fund 2017 federal capitalization grant to the 2017 Clean Water State Revolving Fund allotment. These funds will be transferred from Drinking Water construction to Clean Water construction and will not affect the total amount available for set-asides. Currently there are no plans to transfer any funds for this fiscal year.

## **XII. Cross-Collateralization Process**

---

The Division implemented a system for leveraging bonds and part of that system is cross-collateralization. The Division is not planning on leveraging this fiscal year.

## **XIII. Audits and Reporting**

---

Arkansas' Intended Use Plans and Annual Reports will be posted on our website:  
<http://anrc.ark.org/divisions/water-resources-development/>

An independent audit, and single audit (as required), will be conducted by an outside Certified Public Accounting firm annually.

Project milestones and information are reported through EPA's Drinking Water Project Benefits Reporting database (PBR), the Federal Funding Accountability and Transparency Act (FFATA) Requirement, as well as The National Incident Management System (NIMS). These databases will be updated no less than quarterly. However, the goal is to update monthly.

## **XIV. Intended Use Plan Amendment Procedures**

---

Revisions to this Intended Use Plan that are determined significant will require Public Notice and EPA notification and approval. Revisions to this Intended Use Plan which are deemed to be insignificant shall be made by the Division with notification to EPA. Any changes in the project funding list shall be in accordance with procedures provided in the Drinking Water State Revolving Fund Priority System and List.

Remainder of page intentionally left blank.

**Charts:**

**Chart 1 Summary of Funding for Open SRF Capitalization Grant set-asides**  
As of Sept 20, 2017

Summary of Funding for <b>open</b> SRF Capitalization Grant Set-Asides											
SRF Grant Year	Set-Aside	% of Grant	Total Available	Total Reserved	Total Budgeted	Total Expended To Date	Remaining Balance	Grant Start Date	Expense Begin Date	Expense End Date	Grant End Date
2014	Admin	4%	533,360.00		533,360.00	533,360.00	0.00	10/1/2014	Jul-2014	Jan-2015	9/30/2018
	PWSS	10%	1,353,400.00		1,353,400.00	1,353,400.00	0.00		Aug-2015	Sep-2016	
	SSTA	2%	270,680.00	270,680.00	0.00	0.00	0.00		N/A	N/A	
	WHP	5%	676,700.00		676,700.00	676,700.00	0.00		Dec-2015	Sep-2016	
	Cap Dev	10%	1,353,400.00		1,353,400.00	1,353,400.00	0.00		Jan-2016	Oct-2016	
	Total	27%	4,187,540.00	270,680.00	3,916,860.00	3,916,860.00	0.00		Jul-2014	Oct-2016	
2015	Admin	4%	537,800.00		537,800.00	537,800.00	0.00	10/1/2015	Jan-2015	Feb-2017	9/30/2019
	PWSS	10%	1,344,500.00		1,344,500.00	1,344,447.41	52.59		Sep-2016	Jun-2017	
	SSTA	2%	268,900.00	268,900.00	0.00	0.00	0.00		N/A	N/A	
	WHP	5%	672,250.00		672,250.00	672,250.00	0.00		Sep-2016	Aug-2017	
	Cap Dev	10%	1,344,500.00		1,344,500.00	1,114,656.60	229,843.40		Oct-2016	Aug-2017	
	Total	27%	4,167,950.00	268,900.00	3,899,050.00	3,669,154.01	229,895.99		Jan-2015	Aug-2017	
2016	Admin	4%	508,760.00		508,760.00	411,090.36	97,669.64	10/1/2016	Jan-2017	TBD	9/30/2020
	PWSS	10%	1,271,900.00		1,271,900.00	60,285.88	1,211,614.12		Jun-2017	TBD	
	SSTA	2%	254,380.00	254,380.00	308,820.00	252,468.27	56,351.73		Oct-2016	TBD	
	WHP	5%	635,950.00		635,950.00	1,537.80	634,412.20		Sep-2017	TBD	
	Cap Dev	10%	1,271,900.00		1,271,900.00	0.00	1,271,900.00		Oct-2017	TBD	
	Total	27%	3,942,890.00	254,380.00	3,997,330.00	725,382.31	3,271,947.69		Oct-2016	TBD	
2017	Admin	4%	504,400.00		504,400.00	0.00	504,400.00	TBD	TBD	TBD	TBD
	PWSS	10%	1,361,000.00		1,361,000.00	0.00	1,361,000.00		TBD	TBD	
	SSTA	2%	252,200.00		252,200.00	0.00	252,200.00		TBD	TBD	
	WHP	5%	630,500.00		630,500.00	0.00	630,500.00		TBD	TBD	
	Cap Dev	10%	1,261,000.00		1,261,000.00	0.00	1,261,000.00		TBD	TBD	
	Total	27%	4,009,100.00	0.00	4,009,100.00	0.00	4,009,100.00				
Reclaimed & Reserved	Admin	4%						N/A			N/A
	PWSS	10%		6,123,045.00		0.00	6,123,045.00		TBD	TBD	
	SSTA	2%		2,921,223.00		0.00	2,921,223.00		TBD	TBD	
	WHP	5%			0.00	0.00	0.00		TBD	TBD	
	Cap Dev	10%			0.00	0.00	0.00		TBD	TBD	
	Total	27%	0.00	9,044,268.00	0.00	0.00	9,044,268.00				
Totals Include 2017	Set-Aside	% of Grant	Total Available	Total Reserved	Total Budgeted	Total Expended To Date	Total Remaining Balance	Grant Start Date	Expense Begin Date	Expense End Date	Grant End Date
Current Balance Totals**	Admin		2,084,320.00	0.00	2,084,320.00	1,482,250.36	602,069.64				
	PWSS		5,330,800.00	6,123,045.00	5,330,800.00	2,758,133.29	2,572,666.71				
	SSTA		1,046,160.00	2,921,223.00	561,020.00	252,468.27	308,551.73				
	WHP		2,615,400.00	0.00	2,615,400.00	1,350,487.80	1,264,912.20				
	Cap Dev		5,230,800.00	0.00	5,230,800.00	2,468,056.60	2,762,743.40				
	Total		16,307,480.00	9,044,268.00	15,822,340.00	8,311,396.32	7,510,943.68				

## Chart 2 SDWF Sources and Uses

### SOURCES OF FUNDS

Beginning Balance (SFY 2017 Carryover)	88,072,869.45
<b>State Fiscal Year 2018 (Projected)</b>	
Federal Grant FFY 2017	12,610,000.00
State Match SFY 2018 (FFY17 Cap Grant)	2,522,000.00
2015 Federal Cap Grant Balance	2,550,480.20
2016 Federal Cap Grant Balance	11,993,617.69
2017 Federal; Ca[ Grant Balance	12,610,000.00
Principal Repayments *	8,142,124.00
Interest Earnings on Loans & Investments *	3,648,262.00
<b>Sub Total</b>	<b>\$ 54,076,483.89</b>
<b>Total Sources of Funds</b>	<b>\$ 142,149,353.34</b>

### USES OF FUNDS

#### **DWSRF Loan Commitments for SFY 2018**

Estimated Binding Commitments SFY 2018 *	42,349,813.00
ANRC Approved Loans (not closed)	12,089,967.00
ANRC Approved Loans (closed, undisbursed funds)	35,311,633.00
<b>Sub Total</b>	<b>\$ 89,751,413.00</b>

#### **DWSRF Set-Aside Programs for SFY 2018**

Administration *	883,630.41
Small System Technical Assistance (SSTA) *	154,781.00
State Program Management (PWSS) *	1,263,398.40
Wellhead Protection Program (WHP) *	1,093,160.80
Capacity Development Program (CD) *	2,044,644.64
<b>Sub Total</b>	<b>\$ 5,439,615.25</b>

#### **Debt Service Obligations**

Leveraged Bond Principal (Mar 17 to Jun 18)	3,575,000.00
Leveraged Bond Interest (Mar 17 to Jun 18)	1,396,356.25
<b>Sub Total</b>	<b>\$ 4,971,356.25</b>

**Total Uses of Funds** **\$ 100,162,384.50**

**Available Funds** **\$ 41,986,968.84**

\*Estimated amount

Fees are not deposited into the Fund; therefore, based on EPA guidance they are not included in the Sources and Uses for the Fund

### Chart 3 ULO Analysis

Funds to be Disbursed)	Vehicle and Project(s) to Use Funds	Projected Date the Funds will begin to be Drawn	Projected Date of Final Disbursement or Transfer
<b>Loan Fund - (ANRC)</b>			
<b>Construction Projects Funded - Closed, not fully disbursed</b>			
\$7,909,280	City of Jacksonville	Active	Jun-2016
\$2,762,209	Eudora (PF)	Active	Jun-2018
\$652,387	Bearden	Active	Nov-2017
\$310,939	Rison	Active	Oct-2017
\$241,500	Eudora (L)	Active	Jun-2018
\$163,456	City of Waldo (PF)	Active	May-2017
\$44,196	City of Thornton (PF)	Active	Oct-2016
\$6,000	City of Chidester 2		May-2017
<i>Total Closed - not fully disbursed: \$12,089,967</i>			
<b>Construction Projects Funded - Approved, not closed</b>			
\$17,000,000	Central Arkansas Water (CAW)	Sep-2017	Mar-2018
\$5,000,000	Central Arkansas Water (CAW)	Aug-2017	Mar-2018
\$2,700,000	Prescott (L)	Apr-2018	TBD
\$2,581,633	Stamps (PF)	Dec-2017	Dec-2018
\$2,530,000	Wooster (L)	Aug-2017	Jul-2018
\$1,575,000	Huttig (PF)	Aug-2017	Jan-2018
\$1,200,000	Marshall	Aug-2017	Sep-2018
\$1,100,000	Nashville (L)	Dec-2017	TBD
\$525,000	Huttig (L)	Aug-2017	Jan-2018
\$500,000	Old Bella Vista POA	Oct-2017	Feb-2018
\$300,000	South Pike County Water	Dec-2017	TBD
\$300,000	Prescott (PF)	Apr-2018	TBD
<i>Total Approved - not closed: \$35,311,633</i>			
<i>Grant Balances as of 9/20/17</i>			
	Capitalization Grant FFY 2015		2,320,584
	Capitalization Grant FFY 2016		8,721,670
	Capitalization Grant FFY 2017		8,600,900
	<b>Total ULOs</b>		<b>19,643,154</b>
	<b>Total funding committed</b>		<b>47,401,600</b>
	<b>ULO's uncommitted - over/(under):</b>		<b>(27,758,446)</b>
<b>SET-ASIDES (ANRC)</b>			
<b>4% Administration (Admin)</b>			
\$508,760	ANRC Drinking Water administrative expenses	Aug-2016	TBD
\$508,760	ANRC Drinking Water administrative expenses	Jan-2016	TBD
<i>Grant Balances as of 9/20/17</i>			
	Capitalization Grant FFY 2016		97,670
	Capitalization Grant FFY 2017		504,400
	<b>Total ULOs - Admin Set Aside</b>		<b>602,070</b>
	<b>Total funding committed:</b>		<b>1,017,520</b>
	<b>ULO's uncommitted (Admin) - over/(under):</b>		<b>(415,450)</b>

<b>SET-ASIDES (ADH)</b>			
<b>2% Small Systems Technical Assistance (SSTA)</b>			
\$379,390	Assistance to small water systems in assessing and implementing capacity development	Oct-2016	Sep-2017
\$379,390	Assistance to small water systems in assessing and implementing capacity development	Oct-2017	Sep-2018
<i>Grant Balances as of 9/20/17</i>			
Capitalization Grant FFY 2016			56,352
Capitalization Grant FFY 2017			252,200
<b>Total ULOs - Admin Set Aside</b>			<b>308,552</b>
<b>Total funding committed:</b>			<b>758,780</b>
<b>ULOs uncommitted (SSTA) - over/(under):</b>			<b>450,228</b>
<b>10% State Program Management (PWSS)</b>			
\$878,752	Assistance to the State Public Water System Supervision program	Sep-2016	Jun-2017
\$1,271,900	Assistance to the State Public Water System Supervision program	Jun-2017	May-2018
\$1,271,900	Assistance to the State Public Water System Supervision program	May-2018	May-2019
<i>Grant Balances as of 9/20/17</i>			
Capitalization Grant FFY2015			0
Capitalization Grant FFY 2016			1,211,614
Capitalization Grant FFY 2017			1,361,000
<b>Total ULOs - PWSS Set Aside</b>			<b>2,572,614</b>
<b>Total funding committed:</b>			<b>3,422,552</b>
<b>ULOs uncommitted (PWSS) - over/(under):</b>			<b>849,938</b>
<b>15% Local Assistance 5% Wellhead Protection (WHP)</b>			
\$672,250	Program administration, technical assistance and education activities regarding Wellhead Protection Program	Sep-2017	Sep-2017
\$635,950	Program administration, technical assistance and education activities regarding Wellhead Protection Program	Oct-2017	Aug-2017
\$635,950	Program administration, technical assistance and education activities regarding Wellhead Protection Program	Sep-2017	Sep-2017
<i>Grant Balances as of 9/20/17</i>			
Capitalization Grant FFY2015			0
Capitalization Grant FFY 2016			634,412
Capitalization Grant FFY 2017			630,500
<b>Total ULOs - PWSS Set Aside</b>			<b>1,264,912</b>
<b>Total funding committed:</b>			<b>1,944,150</b>
<b>ULOs uncommitted (WHP) - over/(under):</b>			<b>679,238</b>

<b>15% Local Assistance</b>			
<b>10% Capacity Development(CD)</b>			
\$1,344,500	Capacity Development, Technical Assistance and Operator Training activities to assist public water systems	Oct-2017	Oct-2017
\$1,271,900	Capacity Development, Technical Assistance and Operator Training activities to assist public water systems	Oct-2017	Sep-2017
\$1,271,900	Capacity Development, Technical Assistance and Operator Training activities to assist public water systems	Sep-2017	Aug-2017
<i>Grant Balances as of 9/20/17</i>			
Capitalization Grant FFY2015			229,843
Capitalization Grant FFY 2016			1,271,900
Capitalization Grant FFY 2017			1,261,000
<b>Total ULOs - CD Set Aside</b>			<b>2,762,743</b>
<b>Total funding committed:</b>			<b>3,888,300</b>
<b>ULOs uncommitted (CD) - over/(under):</b>			<b>1,125,557</b>
<b>TOTALS</b>			
<i>Grant Balances as of 9/20/17</i>			
<b>Total ULOS (ANRC )</b>			<b>20,245,224</b>
<b>Total ULOS (ADH)</b>			<b>6,908,821</b>
<b>Total ULOs (all sources)</b>			<b>27,154,045</b>
<b>Total funding committed (all sources)</b>			<b>58,432,902</b>
<b>ULOs uncommitted (All Sources) - - over/(under):</b>			<b>31,278,857</b>

## Chart 4 Drinking Water Fundable Project Priority List

Entity	Total Points	PWS ID.	Project Cost	Est. Binding Commitment	Population	Small System (Y/N)	MHI	Disadvantaged (Y/N)	Project Description
Arkansas City	39	167	2,750,000	TBD	366	YES	\$39,922	YES	Water System Replacement
Central Arkansas Water	60	465	11,535,000	TBD	313,588	NO	\$43,890	NO	Ozark Point Water Treatment Plant - Reliability & Redundancy Improvements
Central Arkansas Water	38	465	5,835,000	Oct-2017	313,588	NO	\$43,890	NO	Improve Pump Station 1A, Wilson Water Treatment Plant
Eudora, City of	30	083	4,000,000	May-2017	3,158	YES	\$18,438	YES	Water Line Replacement and System Improvements
Gillham Lake RWA	185	658	4,083,100	TBD	N/A	N/A	N/A	N/A	Water Treatment Plant Rehabilitation and Expansion
Gould, City of	38	316	1,600,000	Apr-2018	1,041	YES	\$15,929	YES	Disribution System Impromvements
Huttig, City of	31	553	2,100,000	Jul-2017	777	YES	\$31,250	YES	Water Line Replacement and New Well
Marshall, City of	47	501	1,128,000	Mar-2018	2,760	YES	\$30,214	YES	Water Line Rehabilitation
Nashville Waterworks	43	244	1,100,000	TBD	4,627	YES	\$30,506	YES	Add 2 pumps & 2,300 lf of main to increase pressure & flow to customers and convert disinfection process from gas chlorine to hypochlorite.
Old Bella Vista POA	83	753	500,000	Oct-2017	130	YES	\$30,700	YES	Water System Improvements
Prescott, City of	11	394	2,997,276	Jun-2018	5,198	YES	\$25,104	YES	Raw Water Main Replacement
Rison, City of	24	106	331,309	May-2017	1,344	YES	\$34,271	YES	Water Meter Replacement Project
South Pike County Water	29	978	299,685	Dec-2017	742	YES	\$32,045	YES	Booster Station Improvements
Stamps, City of	11	296	2,581,633	Dec-2017	2,268	YES	\$25,987	YES	Replacement of Existing Water Distribution System
Walker WA	40	116	633,300	TBD	1,182	YES	\$29,184	YES	Tank and Water System Improvements
Wooster, City of	31	196	2,475,510	Aug-2017	3,700	YES	\$57,471	NO	Water System Improvements
<b>Total Cost</b>			<b>\$43,949,813</b>				<b>\$22,496,713</b>		<b>\$20,021,203</b>
<b>Total Count</b>			<b>16</b>				<b>13</b>		<b>12</b>

## Chart 5 Fundable Projects: Green Project Reserve – Additional Subsidy – Disadvantaged

No.	Project Name	Term (in years)	Interest Rate	Green Project Reserve		Additional Subsidy		Disadvantaged Community	
				Green Project Reserve Amt (estimate)	GPR Category (estimate)	Sustainability Policy	Principal Forgiveness Amt	Disadvantaged eligible (Y/N)	Disadvantaged Funds
1	Arkansas City	20	2.40%	\$2,750,000	Water Efficiency	Fix it First	\$176,300	** YES	** \$2,573,700
2	Central Arkansas Water	20	2.50%		None			NO	
3	Central Arkansas Water	20	2.50%		TBD			NO	
4	Eudora, City of	20	2.40%	TBD	* Water Efficiency			** YES	** \$3,450,000
5	Gillham Lake RWA	20	2.50%		TBD	Fix it First	\$1,700,000	N/A	
6	Gould, City of	20	0.00%		TBD	Fix it First	\$1,600,000	YES	
7	Huttig, City of	0	0.00%	\$1,995,000	* Water Efficiency			** YES	** \$1,575,000
8	Marshall, City of	20	2.50%		None	Fix it First	\$1,200,000	YES	
9	Nashville Waterworks	30	3.90%		None			YES	\$1,100,000
10	Old Bella Vista POA	20	0.00%		None	Fix it First	\$500,000	YES	
11	Prescott, City of	30	3.00%		TBD	Fix it First	\$0	YES	\$300,000
12	Rison, City of	10	1.50%		None			YES	
13	South Pike County Water	20	2.50%		TBD	Fix it First	\$300,000	YES	
14	Stamps, City of	20	2.50%	\$2,581,633	Water Efficiency	Fix it First	\$2,581,633	YES	
15	Walker WA	10	2.75%		TBD	Fix it First	\$550,000	YES	
16	Wooster, City of	20	2.50%		None	Fix it First	\$2,530,000	NO	
<b>Total Cost</b>				<b>\$7,326,633</b>		<b>\$11,137,933</b>		<b>\$8,998,700</b>	
<b>Total Count</b>				<b>4</b>		<b>9</b>		<b>5</b>	

\* Water Efficiency - project expected to include GPR elements, determination of amount or percentage upon receipt of detailed bid tabs.

\*\* Disadvantaged projects receiving principal forgiveness under the Arkansas Disadvantaged Community Assistance Program = \$7,598,700

Total principal forgiveness: = \$18,736,633

## Appendices:

### Appendix A – Project Priority List

#### Priority Setting Procedures for Drinking Water State Revolving Loan Fund

Priority Points shall be used for ranking proposed drinking water projects for eligibility for funding from the Drinking Water State Revolving Loan Fund (Fund). The points system presented below will be used.

A project otherwise determined to be eligible under the Fund may not receive funding for improvements that were not included in the original project for which priority points were assigned. The additional unranked improvements must rely on alternate funding sources for these improvements, or wait for the next funding cycle for a new point's assessment. Fundable projects proposing to omit specific improvements for which points were assigned must show that this will not compromise public health and will not otherwise impair the water system's capacity when compared to the original project. Acceptable downsized projects will be reassessed and re-ranked under the priority ranking system, possibly resulting in a lower priority status.

PRIMARY MCL VIOLATIONS FACTORS	POINTS
1. Surface Water or Groundwater under the direct influence of surface water with no filtration	100
2. Treatment technique violations, microbiological MCL violations	
a. Total points for first two violations	100
b. Points for additional violations after first two	5
c. Points for imminent violation of future regulation	50
3. Acute Chemical Violations	
a. Total points for first two violations	100
b. Points for additional violations after first two	5
c. Points for imminent violation of future regulation	50
4. New Service Areas for area(s) with contaminated private drinking water sources	
a. Points for Microbial Contamination	100
b. Points for Acute Chemicals	100
c. Points for Other Chemicals	50
5. Chemical MCL Violations	
a. Total points for first two violations	50
b. Points for additional violations after first two	5
c. Points for imminent violation of future regulation	50
SOURCE VULNERABILITY FACTOR	POINTS
1. Vulnerable to point or non-point upstream discharge	
a. Microbiological	25
b. Industrial, agricultural, or mineral	15
c. Unprotected watershed	15
CONSOLIDATION / INTERCONNECTION FACTOR	POINTS
1. Consolidation with an existing system	
< 40 service connections	50
41 – 200	40
201 - 1,320	30
1,321 - 4,000	20
> 4,000	10
2. Interconnection with an existing system	
< 40 service connections	25
41 – 200	20
201 - 1,320	15

1,321 - 4,000	10
> 4,000	5
<b>AFFORDABILITY FACTOR</b>	<b>POINTS</b>
1. Total Population Served: Service Connections < 1,321	10
2. Affordability Ratio	
a) > 2.49 %	15
b) 2.0 % - 2.49 %	12
c) 1.5 % - 1.99 %	9
d) 1.0 % - 1.49 %	6
e) <1.0 %	3
<b>OTHER DEFICIENCIES FACTOR</b>	<b>POINTS</b>
1. Secondary MCL violation	25
2. Fluoridation start-up	5
3. Quantity deficiencies	
Continual/frequent outages	25
Peak demand/daily shortages	20
Peak demand/seasonal shortages	10
Peak demand/sporadic shortages	5
3. Design deficiencies	
Disinfection	10
Chemical Feed	8
Mixing	8
Clarification	8
Filtration	8
Storage	8
Distribution/low pressures	10
Distribution/deteriorated mains	8
Distribution/unaccounted for water	8
Treatment capacity	8
Intake structure	8
Well construction	10
<b>BONUS POINTS</b>	<b>POINTS</b>
1. Board Member or City Council Training in the past 5 years	15
2. Up-to-date Asset Management Plan	10

### Eligibility for Priority Points

Projects for public water systems shall not be eligible for points in any category unless they meet the requirements specified below for that category. Should two or more projects accumulate the same number of points, priority will be given beginning with the project serving the least population and moving to the project serving the next higher population, until all projects with that point total are prioritized.

It should be noted that discretion will be used in the awarding of points in the following categories. If a public water system is accumulating violations due to negligence or inattention on the part of the system, points will not be awarded. The system must be taking reasonable actions to achieve compliance.

### Primary MCL Violations Factors

- 1) Surface Water or Ground Water under the direct influence of surface water with inadequate filtration
  - a) Points will be awarded only for a water system that currently is required by the Safe Drinking Water Act to provide filtration, and the system does not have a filtration system that complies with the Safe Drinking Water Act regulations. In the case of consolidating systems where the project applicant does not qualify, but one of the

consolidating systems does, then points will be awarded based on the consolidating system. If there are multiple consolidating systems within the same project which are SW or GWUDI, then an additional five (5) points will be awarded for each system after the first.

- 2) Treatment technique violations and microbiological MCL violations.
  - a) Points will be awarded only for a water system that has had more than one treatment technique or microbiological MCL violation of the Safe Drinking Water Act during the eighteen months preceding the date of the most recent ranking questionnaire.
  - b) Each microbiological MCL violation and treatment technique violation will be counted as an individual violation, even if they occur in the same month. Points can be awarded for multiple violations of the same type or in combination with other violation types, (e.g.; if a system had both a microbiological MCL and a treatment technique violation in the same month, they would get points for two violations in that month.).
    - i) One hundred (100) points total will be awarded for the first two (2) violations.
    - ii) Five (5) points will be awarded for each additional violation.
    - iii) Fifty (50) points may be awarded to a project whose purpose is to prevent a future NPDWS treatment technique or microbiological violation based upon promulgated EPA regulations or EPA regulations which are essentially final, but not yet promulgated.
- 3) Acute Chemical & Chemical MCL violations.
  - a) Points will be awarded only for a water system that currently has contamination from a Safe Drinking Water Act regulated contaminant, or other chemical contaminant for which no MCL has been adopted, which presents an acute health risk to consumers, based on EPA standards, health advisories, or other peer reviewed health risk studies found acceptable to the Department.
    - i) One hundred (100) points will be awarded for the first two (2) violations.
    - ii) Five (5) points will be awarded for each additional violation.
    - iii) Fifty (50) points may be awarded to a project whose purpose is to prevent a future NPDWS violation based upon promulgated EPA regulations or EPA regulations which are essentially final, but not yet promulgated.
- 4) New Service Area for Area(s) with contaminated Private Drinking Water Sources. Points may be awarded for a project to provide public drinking water service to an unserved area provided that:
  - a) At least 10% of the private water sources in the project area are sampled at random for microbiological contamination and at least 50% of those samples are coliform positive; or
  - b) At least 10% of the private water sources in the project area are sampled at random for a regulated acute chemical contaminant and at least 50% of those samples exceed the Maximum Contaminant Level or Action Level specified by EPA; or
  - c) At least 10% of the private water sources in the project area are sampled at random for other chemical contaminants and at least 50% of those samples exceed the Maximum Contaminant Level or Action Level specified by EPA.
- 5) Chemical MCL Violations. Points will be awarded only for a water system that currently has contamination from a Safe Drinking Water Act regulated contaminant at a level which exceeds the MCL or Action Level specified by EPA, and has not already received points under “Acute Chemical Violations.”
  - a) Each chemical MCL violation will be counted as an individual violation, even when multiple violations occur in the same reporting period. Points can be awarded for multiple violations of the same type (inorganic, organic, radiochemical, etc.) or in combination with other violation types, (e.g.; if a system had both an arsenic MCL and a barium MCL in the same reporting period, they would get points for two violations in that reporting period.).
    - i) Fifty (50) points will be awarded for the first two (2) violations.
    - ii) Five (5) points will be awarded for each additional violation.
    - iii) Fifty (50) points may be awarded to a project whose purpose is to prevent a future NPDWS violation based upon promulgated EPA regulations or EPA regulations which are essentially final, but not yet promulgated.

## Source Vulnerability Factors

- 1) Source Vulnerable Due to Contamination from a Point or Non-point Source Discharge (with the potential to cause microbiological contamination). Points will be awarded only to a surface water source where there exists identifiable point or non-point discharges which can be documented to result in, or can potentially result in, instances where the raw water coliform concentrations exceed the limitations set forth in Section IX.A of the “Rules and Regulations Pertaining to Public Water Systems”, or otherwise cause significant microbiological contamination of the source water.
  - a) Source Vulnerable Due to Contamination from Industrial Operations. Points will be awarded for a water source where analyses indicate the occasional presence of hazardous chemicals from an industrial source. In the case of a

water system utilizing a ground water source, points will be awarded when documentation is provided that a contaminant plume exists in the source aquifer and is approaching the wellhead.

- b) **Source Vulnerable Due to Contamination from Agricultural Operations.** Points will be awarded for a water source where analyses indicate the occasional presence of agricultural chemicals. Points will be awarded in the case of a water system utilizing a ground water source, only when analyses indicate the occasional presence of contaminants of agricultural origin in the source water or documentation of a contaminant plume in the source aquifer which is approaching the wellhead.
- c) **Source Vulnerable Due to Potential Contamination from Oil, Gas, or Mineral Operations.** Points will be awarded for a surface water source where analyses indicate the occasional presence of contaminants from oil, gas, or mineral operations. Points will be awarded for a ground water source where the recharge area contains oil, gas, or mineral operations that have caused a plume of contamination that is approaching the water supply wellhead.
- d) **Source with Inadequate Buffer Zone.** Points will be awarded for a surface water source where the required 300-foot buffer zone required under the Arkansas Rules and Regulations Pertaining to Public Water Systems has not been obtained. Points will be awarded for a ground water source where the 100-foot radius buffer area zone required in these regulations has not been obtained.

### Consolidation/Interconnection Factor

1. **Consolidation with an Existing System.** Points will be awarded only for systems which agree to legally merge with another water system which is fully compliant with Safe Drinking Water Act water quality regulations or will become compliant as a result of the merger. In cases where multiple systems will consolidate, point assignments will be based upon the number of service connections of the smallest system. Extra points for additional consolidating systems under the same project will be assigned at a rate of ten percent (10%) of the original rate for each additional consolidating system.
2. **Interconnection with an Existing System.** Points will be awarded only for systems which propose an interconnection and water purchase agreement with another water system, which is SDWA compliant, as a means of resolving a water quantity or quality problem for which points are awarded. In cases where multiple systems will interconnect, point assignments will be based upon the number of service connections of the smallest system. Extra points for additional systems under the same project will be assigned at a rate of ten percent (10%) of the original rate for each additional consolidating system.
3. Projects are eligible for either consolidation points or interconnection points, but not both.

### Affordability Factor

1. **Total Population Served.** Points will be awarded for systems serving fewer than 1321 service connections.
2. **Affordability Ratio.** Points will also be awarded based on the value of the Affordability Ratio, calculated as the current average yearly residential rate, based on a usage of 4000 gallons of water per month, divided by the Median Household Income. The Median Household Income shall be based on the entire service area of the project water system using the most current information available.

### Other Factors – Public Health Improvements or Deficiencies

1. **Secondary MCL Violations.** Points will be awarded only for those water systems where analyses document that a violation of an MCL for any of the Secondary Drinking Water Standards has occurred.
2. **Fluoridation start-up.** Points will be awarded for those water systems adding installing fluoridation to the treatment process.
3. **Quantity Deficiencies**
  - a. **Continual Shortage (Frequent Outages).** Points will be awarded only for a water system that experiences frequent complete pressure losses, which are the result of demand exceeding supply, and are not the result of main break, equipment failure, lack of proper maintenance, or other operational failures.
  - b. **Shortage During Peak Demand Period (Daily).** Points will be awarded only for a water system that frequently experiences minimal pressures due to daily demand exceeding supply.
  - c. **Shortage During Peak Demand Period (Seasonal).** Points will be awarded only for a water system that has to routinely issue conservation orders during heavy use periods or experiences minimal pressures during heavy use periods.
  - d. **Occasional Shortage During Peak Demand Period.** Points will be awarded only for a water system that, once or twice a year, experiences some pressure loss due to peak demands.

#### 4. Design Deficiencies

- a. Inadequate Disinfection. Points will be awarded for a water system that either does not disinfect or does not continuously disinfect due to equipment failure or lack of adequate feed rate capacity. Points may also be awarded for inadequate chlorine contact time (CT) as defined by regulation.
- b. Inadequate Chemical Feed. Points will be awarded only for a water system that is unable to either reliably or consistently feed adequate chemicals to meet treatment objectives.
- c. Inadequate Mixing. Points will be awarded only for a water system whose rapid mixing detention time is inadequate based on Department design standards.
- d. Inadequate Clarification. Points will be awarded for a water system whose clarification process is functioning improperly due to an inadequate detention time, using Department accepted design standards. Points will be awarded for a water system where improper functioning is occurring due to mechanical or structural failure.
- e. Inadequate Filtration. Points will be awarded for a water system whose filtration process is functioning improperly due to excessive filtration rates, damaged underdrains, or other physical plant defects. Points shall not be awarded under this section if points were awarded under the section pertaining to filtration of surface water or groundwater under the direct influence of surface water.
- f. Inadequate Storage. Points will be awarded only for a water system whose usable storage is less than one day's average system demand.
- g. Inadequate Distribution (Low Pressures). Points will be awarded only for a water system that has areas of chronic low pressure due to localized peak demands.
- h. Inadequate Distribution (Deteriorated Mains). Points will be awarded only for a water system that has chronic consumer complaints that can be directly tied to the deterioration of cast iron, galvanized, or other metal piping, or has frequent main breaks due to deteriorated pipe.
- i. Inadequate Distribution (Unaccounted for Water). Points will be awarded only for a water system that has unaccounted for water at a level that exceeds 10% of average daily production.
- j. Inadequate Treatment Unit Capacity. Points will be awarded only for a system whose plant, or individual process units in the plant, are undersized for process flow rates determined by using Department accepted design standards.
- k. Inadequate Intake Structure. Points will be awarded only for a water system whose intake structure is either unable to deliver an adequate quantity of water or whose intake structure will not allow for adjustment of withdrawal depth.
- l. Improper Well Construction. Points will be awarded only for a water system whose well is vulnerable to surface drainage into the well from improper wellhead and appurtenances construction or inadequate casing and/or grouting.

#### Bonus Points

1. Board Member or City Council Training in the past 5 years. Points will be awarded to systems for training.
2. Up-to-date Asset Management Plan. Points will be awarded only for a water system whose Asset Management Plan is current.

Remainder of page intentionally left blank.

### SFY2018 Drinking Water Project Priority List

No.	Entity	Total Points	PWS ID.	Project Cost	Est. Binding Commitment Date	Population	Small System (Y/N)	MHI	Disadvantaged (Y/N)	Project Description	Status of Project
1	North East Water Association	331	33	\$12,200,000	TBD	3,540	YES	\$19,689	YES	System Expansion to serve Henderson & Gamaliel Areas	No Funding Application Received
2	Gilham Lake Regional Water System	185	658	\$4,083,100		N/A		N/A		Water Treatment Plant Rehabilitation and Expansion	
3	Clinton Waterworks	175	564	\$4,400,000	9/22/2014	5,725	YES	\$30,125	YES	Water Treatment Plant Clarifier	ANRC Funding
4	Mena Water Utilities	174	438	\$1,084,000		5,590	YES	\$28,222	YES	Irons Fork Water Treatment Facility Improvements	No Funding Application Received
5	Hozanna Heights Water Association	149	884	\$5,180		79	YES	\$18,682	YES	New Treatment Installation	No Funding Application Received
6	Pleasant View Water PFB	127	202	\$1,287,098		1,698	YES	\$34,819	YES	Royal Oak and Manitou Mountain Extensions	No Funding Application Received
7	Siloam Springs Water Works	124	56	\$21,033,125		19,022	NO	\$38,750	YES	Water Treatment Facility Improvements	No Funding Application Received
8	Lockesburg	84	517	\$2,222,985	12/1/2014	853	YES	\$31,213	YES	Replacement of Distribution System	ANRC Funding
9	Old Bella Vista POA	83	753	\$500,000		130	YES	\$30,700	YES	Water System Improvements	
10	Viola	74	205	\$85,000		387	YES	\$35,673	YES	Rehabilitation of Existing Storage Tank	ANRC Funding
11	Scranton Waterworks	73	330	\$5,974,000	6/19/2013	1,100	YES	\$24,500	YES	Connection to the City of Clarksville - Transmission Facilities	ANRC Funding
12	Central Arkansas Water	64	465	\$2,000,000		313,588	NO	\$43,890	NO	Galvanized Pipe Replacement Project	No Funding Application Received

No.	Entity	Total Points	PWS ID.	Project Cost	Est. Binding Commitment Date	Population	Small System (Y/N)	MHI	Disadvantaged (Y/N)	Project Description	Status of Project
13	Bearden	63	401	\$780,200		921	YES	\$31,095	YES	Tank Rehabilitation Project	ANRC Funding
14	City of Gould	62	316	\$789,312		1,041	YES	\$34,107	YES	New 150,000 Gal. Elevated Storage Tank	No Funding Application Received
15	Central Arkansas Water	60	465	\$11,535,000		313,588	NO	\$43,890	NO	Ozark Point Water Treatment Plant - Reliability & Redundancy Improvements	ANRC Funding
16	Central Arkansas Water	58	465	\$675,000		313,588	NO	\$43,890	NO	12" Asbestos Cement & Cast Iron Pipe Replacement, Roosevelt Road	No Funding Application Received
17	Central Arkansas Water	58	465	\$1,750,000		313,588	NO	\$43,890	NO	24" Suction Main to Pump Station/Tank No. 23 - Montgomery	No Funding Application Received
18	Conway Corporation	53	189	\$8,000,000		52,000	NO	\$41,917	NO	Water Quality Compliance Project	No Funding Application Received
19	Jasper	47	397	\$1,108,260		466	YES	\$14,333	YES	Water Line Rehabilitation	No Funding Application Received
20	Marshall	47	501	\$1,128,000		2,760	YES	\$30,214	YES	Water Line Rehabilitation	No Funding Application Received
21	Chidester	45	403	\$817,500	TBD	335	YES	\$25,500	YES	New Storage Tank & Pump Replacement Project	ANRC Funding
22	Siloam Springs	45	56	\$9,600,000		14,672	NO	\$38,750	YES	Rehab Tank, New RW Transmission Main, Rehab AC Dist Mains	No Funding Application Received
23	City of Waldo	45	112	\$2,507,655	2/15/2015	782	YES	\$18,514	YES	Replacement of Existing Water Distribution System	ANRC Funding
24	Nashville	43	244	\$850,000		4,327	YES	\$30,506	YES	Water System Improvements	

No.	Entity	Total Points	PWS ID.	Project Cost	Est. Binding Commitment Date	Population	Small System (Y/N)	MHI	Disadvantaged (Y/N)	Project Description	Status of Project
25	Walker	40	116	\$633,300		1,182	YES	\$29,184	YES	Tank and Water System Improvements	
26	Arkansas City	39	167	\$2,750,000		366	YES	\$39,922		Water System Replacement	
27	City of Thornton	38	72	\$2,496,966	5/15/2015	972	YES	\$20,193	YES	Replacement of Existing Water Distribution System	ANRC Funding
28	City of Gould	38	316	\$1,132,061		1,041	YES	\$15,929	YES	Distribution System Replacement	No Funding Application Received
29	Central Arkansas Water	38	465	\$5,835,000		313,588	NO	\$43,890	NO	Improve Pump Station 1A, Wilson Water Treatment Plant	ANRC Funding
30	Arkadelphia	37	85	\$6,977,050		10,716	NO	\$26,420	YES	Water Treatment Plant Improvements	ANRC Funding
31	Bradley Waterworks	37	294	\$1,533,711		502	YES	\$24,632	YES	Distribution System Replacement	Application in Review
32	Gilmore	36	154	\$1,288,000	TBD	292	YES	\$48,750	NO	New Water Treatment Plant and New Elevated Storage Tank	No Funding Application Received
33	City of Winthrop	35	642	\$1,633,098	8/29/2013	474	YES	\$32,250	YES	Distribution System Replacement	ANRC Funding
34	Beebe	33	592	\$1,065,000		5,000	YES	\$40,912	NO	LWPWA Connector Main	No Funding Application Received
35	Central Arkansas Water	33	465	\$1,700,000		313,588	NO	\$43,890	NO	24" and 16" Transmission Main from Tanks 14A and 14B	ANRC Funding
36	Chidester Waterworks	32	403	\$1,643,716	6/14/2013	335	YES	\$28,000	YES	Distribution System Replacement	No Funding Application Received

No.	Entity	Total Points	PWS ID.	Project Cost	Est. Binding Commitment Date	Population	Small System (Y/N)	MHI	Disadvantaged (Y/N)	Project Description	Status of Project
37	City of Strong	32	556	\$1,341,781	5/1/2015	1,220	YES	\$21,250	YES	Water Line Replacement	ANRC Funding
38	City of Reed	32	603	\$612,256		141	YES	\$18,462	YES	Water Line Replacement	Application in Review
39	Bella Vista POA	31	39	\$4,300,500		24,485	NO	\$57,929	NO	Distribution improvements	ANRC Funding
40	City of Huttig	31	553	\$2,100,000		777	YES	\$31,250	YES	Water Line Replacement and New Well	ANRC Funding
41	City of Wooster	31	196	\$2,475,510		3,700	YES	\$57,471	NO	Water System Improvements	ANRC Funding
42	City of Eudora	30	83	\$4,000,000		3,158	YES	\$18,438	YES	Water Line Replacement and System Improvements	ANRC Funding
43	Benton Washington RPWA	30	871	\$29,500,000		16,300	NO	\$44,048	NO	Water treatment improvements	No Funding Application Received
44	Lakeview Municipal Water	30	420	\$230,000		575	YES	\$15,536	YES	Rehab of Storage Tank	No Funding Application Received
45	South Pike County Water	29	978	\$299,685		742	YES	\$32,045	YES	Booster Station Improvements	
46	Wilton Waterworks	29	321	\$1,163,082	8/14/2013	534	YES	\$30,625	YES	Distribution System Replacement	No Funding Application Received
47	Coy Waterworks	27	340	\$46,000		310	YES	\$36,250	YES	Rehab of Storage Tank	No Funding Application Received
48	Saline County Waterworks PFB	27	491	\$165,800		491	YES	\$30,500	YES	Mountain Circle Standpipe	No Funding Application Received

No.	Entity	Total Points	PWS ID.	Project Cost	Est. Binding Commitment Date	Population	Small System (Y/N)	MHI	Disadvantaged (Y/N)	Project Description	Status of Project
49	North Howard RWA	27	1075	\$2,227,535		964	YES	\$33,729	YES	Replacement of Existing 10" Water Main	ANRC Funding
50	Mitchellville	27	169	\$284,987		496	YES	\$18,383	YES	Water System Rehabilitation	
51	City of Flippin	25	351	\$2,000,000		3,325	YES	\$28,942	YES	Storage/Distribution Improvements	No Funding Application Received
52	City of Rison	24	106	\$331,309		1,344	YES	\$34,271	YES	Water Meter Replacement Project	ANRC Funding
53	Wabbaseka Waterworks	23	283	\$405,000		244	YES	\$22,206	YES	Water Treatment Rehab	No Funding Application Received
54	Mountain View Water & Wastewater	21	542	\$675,000		5,864	YES	\$19,302	YES	Distribution System Improvements	Entity decided not to get funding
55	City of Berryville	21	74	\$926,266		5,020	YES	\$28,537	YES	CR 501 Water Main Upgrade	No Funding Application Received
56	Tollette Waterworks	21	618	\$46,000		339	YES	\$21,125	YES	Rehab of Storage Tank	No Funding Application Received
57	City of Bryant	21	486	\$2,000,000		15,382	NO	\$54,521	NO	Automated Meter Reading System & Replacement	No Funding Application Received
58	Danville Waterworks	21	603	\$360,500		2,705	YES	\$33,632	YES	Cedar Piney Transmission Main	No Funding Application Received
59	Lake Catherine WW & SFB (Riviera Utilities)	21	239	\$207,275		1,800	YES	\$38,680	YES	Meter Change out and Upgrade Project	ANRC Funding
60	Midway Water Association	21	153	\$548,580		2,100	YES	\$43,594	NO	Water Meter Replacement Project	

No.	Entity	Total Points	PWS ID.	Project Cost	Est. Binding Commitment Date	Population	Small System (Y/N)	MHI	Disadvantaged (Y/N)	Project Description	Status of Project
61	Ladd Water Association	16	277	\$365,000		2,800	YES	\$28,891	YES	Water System Improvements	Entity decided not to do project
62	Bono Waterworks	13	126	\$180,000		1,971	YES	\$31,429	YES	Radio Meter Replacement	No Funding Application Received
63	Gosnell Water Association	13	374	\$750,000		3,612	YES	\$42,475	NO	System Loop	No Funding Application Received
64	Hampton Waterworks	11	70	\$296,340		1,730	YES	\$32,500	YES	Water Tank Rehab	No Funding Application Received
65	Hope Tank Rehab	11	230	\$500,000		11,405	NO	\$29,774	YES	Tank Rehab	No Funding Application Received
66	Gosnell Water Association	11	374	\$350,000		3,612	YES	\$42,475	NO	Meter Change out and Upgrade Project	No Funding Application Received
67	City of Prescott	11	394	\$2,997,276		5,198	YES	\$25,104	YES	Raw Water Main Replacement	No Funding Application Received
68	City of Stamps	11	296	\$2,581,633		2,268	YES	\$25,987	YES	Replacement of Existing Water Distribution System	ANRC Funding
69	Hope WL	3	230	\$450,000		11,405	NO	\$29,774	YES	Water Line Replacement	No Funding Application Received

## Appendix B - EPA Assurances

Arkansas' Intended Use Plan includes the following assurances as required by the EPA DWSRF Program Guidelines and 40 C.F.R. §35.3550.

Arkansas requires all projects to comply with federal requirements and that equivalency will not be used.

1. Assurance that the State has the authority to establish a fund and to operate the DWSRF program in accordance with the Safe Drinking Water Act.
  - The Arkansas Safe Drinking Water Fund Act (ACT 772 of 1997), ANRC Regulation XV and the Interagency Agreement between the ADH, the ADFA and ANRC establishes the proper authority, assigns responsibilities and sets up the necessary funds to manage the SDWA, section 1452 programs.
2. Assurance that the State will comply with State statutes and regulations.
  - The State of Arkansas agrees to comply with all State statutes and regulations that are applicable to DWSRF funds, including Federal Capitalization Grant funds, state match, interest earning, bond proceeds and repayments, and funds used for set-aside activities.
3. Assurance that the State has the technical capability to operate the program.
  - Since 1961 ANRC has administered State financial assistance programs. The ANRC currently manages both the DWSRF and the CWRLF programs.
  - With the exception of Administration, the ADH manages the set-aside programs. There 22 new staff positions were created upon the availability of the initial set-aside funds. ADH has been granted primacy from the EPA to administer the State Public Water Supply Supervision program and continues to receive favorable reviews from the EPA Region 6 staff.
  - The ADFA manages the banking, fund accounting and auditing requirements. It has administered the CWSRF program since 1987 and many other state and federal financial assistance programs. No new staff positions are anticipated.
4. Assurance that the State will accept Federal Capitalization Grant funds in accordance with a payment schedule.
  - The State of Arkansas agrees to accept the federal grant payments in accordance with the negotiated payment schedule and use those payments for the activities of the DWSRF and State set-aside programs under SDWA Section 1452.
5. Assurance that the State will enter into binding commitments with assistance recipients to provide assistance from the Fund.
  - Binding commitments must be made in an amount equal to the amount of each capitalization grant payment and accompanying State match that is deposited into the Fund and must be made within one year after the receipt of each grant payment.
  - A State may make binding commitments for more than the required amount and credit the excess towards the binding commitment requirements of subsequent grant payments.
  - If a State is concerned about its ability to comply with the binding commitment requirement, it must notify the RA and propose a revised payment schedule for future grant payments
6. Assurance that the State will deposit all Federal Capitalization Grant funds in the fund or set-aside accounts.
  - The State of Arkansas agrees to deposit all the Federal Capitalization Grant funds into the Drinking Water State Revolving Fund account except for those portions of the grant that Arkansas intends to use for set-aside purposes authorized under the SDWA (Section 1452(a)(1)(b)). Funds for set-aside activities will be placed in separate accounts inside the SDWF but outside the DWSRF account.
7. Assurance that the State will provide an amount at least equal to 20 percent of the Federal Capitalization Grant (state match) in the Fund.
  - The State of Arkansas agrees to provide an amount into the DWSRF equaling at least 20% of the amount of each Federal Capitalization Grant.
8. Assurance that the State will deposit net bond proceeds, interest earning, and repayments into the Fund.
  - The State of Arkansas agrees to credit the applicable proportion of net bond proceeds and interest earnings, and the DWSRF borrower's principal and interest repayments into the Arkansas DWSRF.
  - The State of Arkansas also agrees to deposit any 1452(k) (1) loans principal and interest repayments into the Arkansas DWSRF.
9. Assurance that the State will match Federal Capitalization Grant funds uses for 1452(g) (2) set-asides.
  - The State of Arkansas agrees to provide 100% state match funds equaling its Federal Capitalization Grant for 1452(g) (2) set-asides.
10. Assurance that the State will use Generally Accepted Accounting Principles.
  - The State of Arkansas agrees to establish fiscal controls and accounting systems, according to Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board, that are sufficient to account for and report DWSRF Program activities.

11. Assurance that the State will have the fund and set-aside accounts audited annually in accordance with Generally Accepted Government Auditing Standards (GAGAS).
  - The State of Arkansas agrees to conduct an annual audit on the Arkansas Safe Drinking Water Fund in accordance with Generally Accepted Government Auditing Standards (GAGAS).
12. Assurance that the State will adopt policies and procedures to assure that borrowers have a dedicated source of revenue for repayments (or in the case of a privately owned system, demonstrated that there is adequate security).
  - The State of Arkansas requires all DWSRF borrowers to have a dedicated source of revenues for repayments (or in the case of a privately owned system, demonstrated that there is adequate security) per ANRC Title XV.
13. Assurance that the State will commit and expend funds as efficiently as possible and in an expeditious and timely manner.
  - The State of Arkansas agrees to commit and expend all funds allotted under SDWA section 1452 “as efficiently as possible” (Section 1452(g) (3)) and in an expeditious and timely manner.
  - Federal EPA/ACH payments shall be expended within 16 quarters from scheduled payment dates. The Bond proceeds shall be expended within 3 years from the bond issue dates. The State Match funds shall be expended in a prudent and expeditious managerial manner.
14. Assurance that funds will be used in accordance with the Intended Use Plan.
  - The State of Arkansas agrees to expend DWSRF funds in accordance with the Intended Use Plan (Section 1452(b)) that has undergone public review and comment.
15. Assurance that the State will provide EPA with an annual report.
  - The State of Arkansas DWSRF agrees to complete and submit an annual report with available financial information to the Region within 90 days after the end of the States reporting period.
16. Assurance that the State will comply with all Federal cross-cutting authorities.
  - The State of Arkansas agrees to ensure that all applicable Federal cross-cutting authorities will be complied with.
17. Assurance that the State will comply with the American Iron and Steel (AIS) requirements.
  - P.L. 114-113, The Consolidated Appropriations Act, 2016, includes an American Iron and Steel (AIS) requirement in section 424 that requires Clean Water State Revolving Loan Fund and Drinking Water State Revolving Fund assistance recipients to use iron and steel products that are produced in the United States for projects for the construction, alteration, maintenance, or repair of a public water system or treatment works if the project is funded through an assistance agreement executed beginning January 17, 2014 (enactment of the Act), through September 30, 2016 (the end of Federal Fiscal Year 2016).
18. Assurance of Competency.
  - In 2013 EPA Issued the directive FEM 2012-2 Rev. 1, requiring organizations generating or using environmental measurement data under EPA-funded agreements to submit documentation of their competency prior to performing new grant-funded work. The directive is effective for grants totaling more than \$200,000 and issued or renewed after October 1, 2013. The goal of the directive is to assure that organizations (and their grantees/contractors) performing environmental data operations have effective quality management systems and the technical competence to generate valid environmental data.
  - Competency is demonstrated through the Arkansas Department of Health’s Quality Management Plan (QMP) submitted to and approved by EPA annually. The QMP provides descriptions of the quality policies, including all requirements described in EPA QA/R-2. The Arkansas Department of Health QA manger will ensure implantation of the directive through coordination with the individual EPA Programmatic Project Officers. The ADH also submits to and receives approval from EPA a Quality Assurance Project Plan (QAPP) every four years. The QAPP address the collection of environmental data made during water quality monitoring and sanitary survey program activities.
19. Signage
  - Arkansas agrees to comply with the SRF Signage Guidance in order to enhance public awareness of EPA assistance agreements nationwide.
20. Arkansas will be in compliance with the following federal requirements:
  - Federal Socioeconomic Cross-Cutters (DBE etc.)
  - Federal Environmental crosscutters
  - Federal Funding Accountability and Transparency ACT (FFATA) reporting
  - Single Audit Act (OMB A-133)