

Water Infrastructure Finance Authority

2010 Intended Use Plan



Arizona Clean Water State Revolving Fund

CWSRF Table of Contents

I. INTRODUCTION.....	1
A. History and Legislation	
B. Financial Status of the Arizona CWSRF	
C. Arizona Request	
II. TYPES OF PROJECTS TO BE FUNDED FROM THE VARIOUS DWSRF ACCOUNTS.....	2
A. The types of projects for which loan funds from the account for the revolving fund are intended include:	
III. CWSRF LOAN PROGRAM DESCRIPTION AND GOALS.....	2
A. CWSRF Loan Program General Information	
B. Long-Term Goals	
C. Short-Term Goal	
IV. CWSRF SOURCES & USES.....	4
A. Financial Assistance for Loans	
B. Clean Water Programs	
C. Program Administration	
D. Expeditious and Timely Expenditures	
E. First Use of Funds	
F. Environmental Review Requirements	
V. LENDING CAPACITY.....	5
VI. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS.....	5
A. Priority List (PL)	
B. Priority List Updates	
C. Project Readiness to Proceed	
D. WIFA Loan & Subsidy Rates	
E. Emergency Funding	
F. Binding Commitments	
VII. ASSISTANCE TO PUBLIC WATER SYSTEMS SERVING DISADVANTAGED COMMUNITIES.....	6
VIII. PUBLIC REVIEW AND COMMENT.....	7

Table of Attachments

Attachment A	2010 Priority List
Attachment B	Fundable Range for Design
Attachment C	Fundable Range for Construction

I. INTRODUCTION

A. History and Legislation

Before 1987 the federal government funded wastewater infrastructure needs through a construction grants program. By 1987 it became obvious that the need for facilities was growing faster than the grants could be funded. The Water Quality Act of 1987 (Clean Water Act) attempted to address this construction facility issue by authorizing clean water revolving funds (then called state revolving funds) to be established in each state. EPA oversight under the construction grants program was replaced by state management

In 1989, the Arizona Legislator created the Wastewater Management Authority (WMA) to administer wastewater facilities dollars provided by the Clean Water Act Amendments through the State Revolving Fund (SRF). The program was established in Title 49, Chapter 2, Article 11, *Wastewater Facilities Financing*.

Passage of H.B. 2304 by the Arizona Legislature April 22, 1997, transformed the Wastewater Management Authority into the Water Infrastructure Finance Authority of Arizona (WIFA). The WIFA was charged with administering the Clean Water Revolving Fund (CWRf) [formerly the State Revolving Fund] for wastewater projects and the new Drinking Water Revolving Fund (DWRf) for drinking water infrastructure needs. The Board of Directors was expanded from seven to twelve members, including representatives from the Arizona Corporation Commission, Arizona Department of Water Resources and Tribes.

B. Financial Status of the Arizona CWSRF

Since program inception, this is the nineteenth (19) CWSRF Capitalization Grant from EPA that Arizona has received for a total of \$180,817,673.

The Water Infrastructure Finance Authority of Arizona (WIFA) Board of Directors is pleased to release Arizona's Clean Water State Revolving Fund (CWSRF) Intended Use Plan (IUP) for the 2010 funding cycle. The CWSRF IUP describes WIFA's plan to utilize various sources of funds to finance clean water infrastructure and support related activities during the 2010 funding cycle from July 1, 2009 through June 30, 2010.

C. Arizona Request

This Intended Use Plan (IUP) is a required element of the grant application documentation to obtain the EPA CWSRF grant award. Arizona herewith submits its IUP for the CWSRF funds available to Arizona for the purposes of funding the construction of wastewater infrastructure. The total available to Arizona from EPA's allotment is \$4,542,500. Arizona intends to use \$181,700 for program administration, leaving \$4,360,800 in federal funds for financing wastewater construction. WIFA bond proceeds will fund the 20% State Match of \$908,400.

II. TYPES OF PROJECTS TO BE FUNDED FROM THE CWSRF

A. The types of projects for which loan funds from the Clean Water State Revolving Fund are intended:

1. Expansions of wastewater systems;
2. Construction of wastewater treatment plants;
3. Energy and water efficiency;
4. Green infrastructure;
5. Water conservation;
6. Design of a sewer collection system;
7. Water reclamation facility expansion;
8. Construct district sewer collection systems.

III. CWSRF LOAN PROGRAM DESCRIPTION AND GOAL

A. CWSRF Loan Program General Information:

The Arizona CWSRF Loan Program funds publicly owned community wastewater systems. Eligible projects include expansions of wastewater systems, construction of wastewater treatment plants, design of sewer collection systems and water reclamation facilities and expansions. Loans made under the program currently have interest rates of less than four (4) percent. Loan repayments to the State will provide a continuing source of infrastructure financing into the future. The program also places an emphasis on small and disadvantaged communities and on projects that emphasize prevention and sustainability.

Financial Terms of Loans for Public Water System Projects:

1. Subject to the limitation in paragraph 2 of this section, all loans for the financing of projects, will be for a term not to exceed 20 years from loan closing date, except that under some conditions, loans to disadvantaged communities for financing projects may be made for a period of up to 30 years from loan closing date;
2. Loan terms are not to exceed the useful life of the project;
3. Terms of financial assistance to public water systems serving disadvantaged communities are addressed in Section VII.
4. Repayment of loan principal must begin within 12 months of project completion based on the construction schedule available at the loan closing date or actual completion date or three years from the date of the initial principal advance, whichever is earlier;
5. Loans are to be made on a cost reimbursement basis;
6. Leveraging: The decision to leverage will be based on demand on the loan fund for projects to address health concerns, market conditions and long term impact to the fund;

7. WIFA has not implemented forgivable principal because WIFA is a leveraged program;

8. The Controller will allocate income from the Standard Combined Interest and Fee rate (CIFR) as either fee income or interest income in accordance with the table below.

Combined Interest and Fee Rate (CIFR)

Financial Structure	CIFA	Portion of CIFR Allocated as Fees	Portion of CIFR Allocated as Interest
Governmental Loan	*Set in accordance with Section 1 of this Procedure	1.5%	Remainder of CIFR
Linked Deposit Guarantees		Determined on a case by case basis	Determined on a case by case basis

*Government Loan – Tax Exempt AAA Bond Rate (times) Subsidy Rate

CW Fee Income and Uses

Fee Income	Interest Income	ADEQ	Contractors
\$7,342,493	\$102,794	\$75,000	\$80,000

B. Long-Term Goals

For purposes of this IUP, long term goal is defined as the life of the program. The following are the long-term goals of the loan program:

- Award WIFA’s resources in accordance with the needs of Arizona’s citizens;
- Maintain the fiscal integrity of WIFA’s funds and assure continuous enhancement for future generations;
- Facilitate access to and efficiently deliver financial and technical assistance to Arizona’s clean water facilities;
- Coordinate with other funding agencies through the Rural Water Infrastructure Committee (RWIC).

C. Short-Term Goal

For the purposes of this IUP, a short-term goal is an activity intended to be initiated and, in some cases, completed within a year.

- Make wastewater infrastructure loans more accessible and affordable to small communities by making \$12,930,800 in funding available for below market rate interest loans.



IV. CWRP SOURCES & USES

Table 1: Arizona CWRP Sources & Uses for 2010 Funding Cycle					
	Federal Contributions	State Contributions*	WIFA Revenues	WIFA Loan Accounts	Total
Funding Sources					
Financial Assistance Funds**	\$ -	\$ -		\$ 7,661,600	\$ 7,661,600
2009 Federal Funds	\$ 4,542,500	\$ 908,400			\$ 5,450,900
Total Funding Sources	\$ 4,542,500	\$ 908,400			\$ 13,112,500
Funding Uses					
Financial Assistance Loans	\$ 4,360,800	\$ 908,400		\$ 7,661,600	\$ 12,930,800
Technical Assistance Grants					
Clean Water Programs			\$ 75,000		\$ 75,000
Administration	\$ 181,700	\$ -			\$ 181,700
Total Funding Uses	\$ 4,542,500	\$ 908,400	\$ 75,000	\$ 7,661,600	\$ 13,187,500

A. Financial Assistance for Loans: \$12,930,800

Eligible projects include construction and/or replacement of wastewater facilities, system expansions, design of sewer collection systems, reclamation and recharge systems.

B. Clean Water Programs: \$75,000

The Clean Water Program is composed of activities that protect both surface water and underground water in Arizona. Surface water quality is protected by controlling point source discharges from wastewater treatment plants, concentrated animal feeding operations, storm-water, industrial, commercial and other facilities. Surface water is also protected from discharges of non-point source pollution by irrigated agriculture, livestock grazing, silviculture, urban runoff, and construction, mining, and recreation activities. Arizona’s Aquifer Protection Permit Program protects the state’s aquifers through the issuance of permits to discharging facilities, registration of dry wells and issuance of reclaimed water permits.

ADEQ accomplishes its clean water goals by administering all relevant statutory and regulatory program activities, including: (1) Arizona Pollutant discharge Elimination System (AZPDES) program, (2) Aquifer Protection Permit (APP) program, (3) engineering review, (4) compliance inspections, (5) outreach and education, (6) enforcement, (7) statewide watershed management, (8) grants to eliminate or mitigate nonpoint source pollution, (9) water quality standards, and (10) water quality monitoring and assessment.

D. Program Administration: \$181,700

Four percent of the grant will be used to pay salaries and associated expenses of programs personnel devoting time to the administration of the funds.

E. Expeditious and Timely Expenditures – In accordance with 40 CFR 35-3135 (d), WIFA will expend CWSRF grant funds in a timely and expeditious manner.

F. First Use of Funds – In accordance with 40 CFR 35-3135 WIFA will continue to conduct environmental reviews pursuant to applicable federal and state statutes and rules.

G. Environmental Review Requirements – In accordance with 40 CFR 35-3135, WIFA will continue to conduct environmental reviews pursuant to applicable federal and state statutes and rules.

V. LENDING CAPACITY

During the 2010 funding cycle, the lending capacity of Arizona’s CWSRF will depend on the:

1. Amount of state contributions to Arizona’s CWSRF;
2. Amount of federal contributions to Arizona’s CWSRF;
3. Financing structure needs of communities;
4. Interest rate on the CWSRF financial assistance;
5. WIFA’s ability to partner with other funding sources to jointly-finance projects;
6. Leveraging capability of fund.

VI. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

A. Priority List (PL) Exhibit A – On an annual basis, following a statewide solicitation for projects, WIFA develops a statewide priority list of water projects. For funding cycle 2010 WIFA received 31 project priority list applications totaling \$235,145,439.

Fundable Range for Design, Exhibit B – Includes the highest ranking applicants ready to receive design assistance during the funding cycle.

Fundable Range for Construction, Exhibit C – Includes the highest ranking applicants ready to receive construction assistance.

B. Priority List Updates The WIFA Board of Directors may update the CWSRF-PL by adding or deleting projects or adjusting the fundable ranges for design or construction projects. The decision to update the CWSRF-PL may be based on a projects’ readiness to proceed, refined project cost estimates, availability of other funding sources or other new information affecting the expansion or contraction of the PL and fundable ranges. The WIFA Board of Directors will adopt the updated CWSRF PL at public meetings and the updates will be posted on the WIFA web site.

C. Project Readiness to Proceed: WIFA considers a project “ready to proceed” when the following criteria are met:

1. Approved debt authorization has been received by WIFA
2. Plans and specifications are received by WIFA

3. All local and state permits are issued
4. Construction bid/bids awarded

D. WIFA Loan & Subsidy Rates – The WIFA Board of Directors has established a target interest rate ranging between 70% and 95% of tax-exempt AAA Bond Rate. The subsidy rate is based on the local fiscal capacity which is measured by the area’s median household income, user rates and charges, the community’s outstanding and proposed debt and cost effectiveness of project. Interest rates/subsidies on individual loans will be set pursuant to the criteria below:

1. Priority of the project;
2. Local fiscal capacity of the area served by the system requesting assistance; and,
3. Lending capacity of Arizona’s CWSRF.

E. Emergency Funding

WIFA can provide up to \$250,000 for emergency funding under the criteria set forth in Policy 1.019 below:

Eligible Applicants

Cities
Towns
Tribes
Counties
Municipal Improvement Districts

Required Conditions

- The term of the loan does not exceed one year.
- The dollar amount of the loan does not exceed two hundred fifty thousand dollars (\$250,000) per borrower, per emergency event.
- The purpose of the loan is to provide assistance for designing, redesigning, engineering, reengineering, constructing or reconstructing water or wastewater systems that have failed as the result of a disaster, a natural disaster or a catastrophic event.
- The disaster, natural disaster or catastrophic event is memorialized in a declaration of emergency by the governor or the federal emergency management agency.

F. Binding Commitments – If the WIFA Board of Directors approves an applicant’s financial assistance request, WIFA staff will prepare and circulate financial assistance (loan) documents to evidence the binding commitment in accordance with applicable federal and state requirements.

VII. ASSISTANCE TO PUBLIC WATER SYSTEMS SERVING DISADVANTAGED COMMUNITIES

A. Disadvantaged Community WIFA Policy 1.012:

The WIFA Board may designate an entity a “Disadvantaged Community” if the entity fails to meet the 1.2 debt service coverage, and

- The applicant’s project is above the 50 percentile on the DWRP or the CWRP Project Priority List, and
- WIFA awarded the applicant 50 or more Local Fiscal Capacity points on the DWRP or the CWRP Project Priority List, or
- The Community is a designated “Colonia” Community through the federal government.
- WIFA may reduce the combined interest and fee rate (CIFR) and/or extend the loan term up to 30 years for a “Disadvantaged Community.”

VIII. Public Review and Comment

Public review and written comment period will be conducted from June 9, 2009 thru June 22, 2009.

WIFA will solicit public review and comment on the draft 2010 CWSRF IUP and PL according to the following schedule:

June 09, 2009	Distribution and Web posting of the draft CWSRF IUP and PL to all interested parties.
June 22, 2009	Public Hearing – 1110 West Washington, Room 130, Phoenix, Arizona 85007 from 1:00 P.M. to 2:00 P.M.
June 22, 2009	Deadline for public comments on the draft CWSRF IUP and PL.
June 25, 2009	The WIFA Board of Directors adopts the final CWSRF IUP and PL.
July 01, 2009	Final CWSRF IUP and PL become effective. Distribution and Web posting of final CWSRF IUP and PL.

Exhibit A:

2010 Fund Cycle Priority List

Arizona's Clean Water Revolving Fund

**Arizona's Clean Water Revolving Fund
2010 Funding Cycle - Priority List for Clean Water Revolving Fund
Prepared Date: 6/9/2009**

Rank	Applicant	Population	Project Title	Project #	Amount Requested	Subsidy Rate Index
1	Lake Havasu City, City of	33,887	Lake Havasu City Wastewater System Expansion PY 8	002 2010	\$82,221,170.00	75%
2	Willcox, City of	3,733	Willcox WWTP Renovation / Reconstruction	005 2010	\$20,000,000.00	70%
3	Yuma County Improvement District #07-09	5,000	Avenue B&C Colonia Sewer Collection System	003 2010	\$1,700,000.00	70%
4	Quartzsite, Town of	3,691	Las Palomas Ave & Mockingbird Street Sanitary Sewer Expansion	007 2010	\$519,313.00	70%
5	Kingman, City of	2,750	Downtown WWTP upgrade	008 2010	\$9,800,000.00	75%
6	Tombstone, City of	1,610	Skyline Sewer System Improvements	006 2010	\$792,000.00	70%
7	Quartzsite, Town of	3,691	EXPANSION OF WASTEWATER TREATMENT FACILITY	009 2010	\$225,426.00	70%
8	Florence, Town of	18,273	Tertiary Treatment of South Plant and Engineering for System Expansion	004 2010	\$1,300,000.00	75%
9	Buckeye, Town of	15,150	Central Buckeye WWTP Upgrades and Expansion - Phase 2	023 2010	\$33,000,000.00	80%
10	Gila Bend, Town of	1,980	Wastewater Treatment Plant	010 2010	\$4,509,500.00	75%
11	Glendale, City of	248,731	Glendale Arrowhead Ranch Water Reclamation Facility	011 2010	\$7,100,000.00	75%
12	Douglas, City of	18,207	City of Douglas, WWTP Compliance and Facility Improvements	025 2010	\$4,500,000.00	70%
13	Mogollon Domestic Wastewater Improvement District	120	Construct Sewer Trunk line	014 2010	\$400,000.00	75%
14	Hualapai Tribe	1,532	Peach Springs Wastewater	015 2010	\$15,000.00	75%
15	Sedona, City of	2,000	Sedona Waterway Infiltration Enhancement Project	016 2010	\$125,000.00	85%
16	Clarkdale, Town of	2,323	Broadway Water Reclamation Facility	035 2010	\$11,641,152.00	80%
17	Phoenix, City of	1,631,217	Broadway Road Sewer Main Improvements, Segment 2B	029 2010	\$17,000,000.00	80%
18	Phoenix, City of	1,631,000	Small Diameter Sanitary Sewer Rehabilitation	028 2010	\$1,400,000.00	80%
19	Phoenix, City of	1,631,287	Relief Sewers - South West Phoenix	027 2010	\$2,000,000.00	80%
20	Surprise, City of	106,000	Litchfield Road Reclaimed Water Booster Station (Project #20726)	017 2010	\$1,500,000.00	80%
21	Cottonwood, City of	11,115	Multiple City of Cottonwood Wastewater Improvement projects	012 2010	\$19,900,000.00	80%
22	Wickenburg, Town of	5,082	Aztec Lift Station	033 2010	\$510,000.00	75%
23	Avondale, City of	76,674	10th Street Lift Station Electrical Upgrades	013 2010	\$186,878.00	75%
24	Wickenburg, Town of	5,082	Calamity Wash Lift Station	034 2010	\$550,000.00	75%
25	Surprise, City of	106,000	SPA 1 Parkview Lane and Greenway Road 16	019 2010	\$1,500,000.00	90%
26	Surprise, City of	106,000	Greenway/Ashton Road 16	021 2010	\$2,700,000.00	90%
27	Surprise, City of	106,000	SPA 1 Greenway Road 16	018 2010	\$2,000,000.00	90%
28	Surprise, City of	106,000	SPA 1 Water Reclamation Facility Recharge Wells	020 2010	\$6,000,000.00	90%
29	Tempe Water Utilities Department, City of	175,000	North Tempe Sewer Line Upgrade/Replacement	022 2010	\$1,200,000.00	80%
30	Phoenix, City of	1,631,287	Retrofit and Water Audit Program	026 2010	\$250,000.00	85%
31	Marana, Town of	100	Marana Airport Septic Tank	030 2010	\$600,000.00	90%

Total:

\$235,145,439.00

Exhibit B:

2010 Fund Cycle Fundable Range for Design

Arizona's Clean Water Revolving Fund

**Arizona's Clean Water Revolving Fund
2010 Funding Cycle - Fundable Range for Design Financial Assistance
Prepared Date: 6/9/2009**

Fundable Range Rank	MPL Rank	Applicant	Population	Project Title	Project #	Amount Requested	Subsidy Rate Index
1	7	Quartzsite, Town of	3,691	Expansion of Wastewater Treatment Facility	009 2010	\$225,426.00	70%
Total:						\$225,426.00	

Exhibit C:

2010 Fund Cycle Fundable Range for Construction

Arizona's Clean Water Revolving Fund

Arizona's Clean Water Revolving Fund
2010 Funding Cycle - Fundable Range for Construction Financial Assistance
Prepared Date: 6/9/2009

Fundable Range Rank	MPL Rank	Applicant	Population	Project Title	Project #	Amount Requested	Subsidy Rate Index
1	1	Lake Havasu City, City of	33,887	Lake Havasu City Wastewater System Expansion PY 8	002 2010	\$82,221,170.00	75%
2	6	Tombstone, City of	1,610	Skyline Sewer System Improvements	006 2010	\$792,000.00	70%
3	3	Yuma County Improvement District #07-09	5,000	Avenue B&C Colonia Sewer Collection System	003 2010	\$1,700,000.00	70%
4	9	Buckeye, Town of	15,150	Central Buckeye WWTP Upgrades and Expansion - Phase 2	023 2010	\$33,000,000.00	80%
5	12	Douglas, City of	18,207	City of Douglas, WWTP Compliance and Facility Improvements	025 2010	\$4,500,000.00	70%
6	11	Glendale, City of	248,731	Glendale Arrowhead Ranch Water Reclamation Facility	011 2010	\$7,100,000.00	75%
7	18	Phoenix, City of	1,631,000	Small Diameter Sanitary Sewer Rehabilitation	028 2010	\$1,400,000.00	80%
8	16	Clarkdale, Town of	2,323	Broadway Water Reclamation Facility	035 2010	\$11,641,152.00	80%
9	20	Surprise, City of	106,000	Litchfield Road Reclaimed Water Booster Station (Project #20726)	017 2010	\$1,500,000.00	80%
10	17	Phoenix, City of	1,631,217	Broadway Road Sewer Main Improvements, Segment 2B	029 2010	\$17,000,000.00	80%
11	19	Phoenix, City of	1,631,287	Relief Sewers - South West Phoenix	027 2010	\$2,000,000.00	80%
12	28	Surprise, City of	106,000	SPA 1 Water Reclamation Facility Recharge Wells	020 2010	\$6,000,000.00	90%
13	22	Wickenburg, Town of	5,082	Aztec Lift Station	033 2010	\$510,000.00	75%
14	26	Surprise, City of	106,000	Greenway/Ashton Road 16	021 2010	\$2,700,000.00	90%
15	25	Surprise, City of	106,000	SPA 1 Parkview Lane and Greenway Road 16	019 2010	\$1,500,000.00	90%
16	27	Surprise, City of	106,000	SPA 1 Greenway Road 16	018 2010	\$2,000,000.00	90%
17	24	Wickenburg, Town of	5,082	Calamity Wash Lift Station	034 2010	\$550,000.00	75%
18	30	Phoenix, City of	1,631,287	Retrofit and Water Audit Program	026 2010	\$250,000.00	85%
19	29	Tempe Water Utilities Department, City of	175,000	North Tempe Sewer Line Upgrade/Replacement	022 2010	\$1,200,000.00	80%

Total:

\$177,564,322.00