



Clean Water State Revolving Fund Loan Program

Annual Report
State Fiscal Year 2010

September 30, 2010



State of Oregon
Department of
Environmental
Quality



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Basic Financial Statements
OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND LOAN PROGRAM
BALANCE SHEET
ENTERPRISE FUND
June 30, 2010

	<u>Loans</u>	<u>Administration</u>	<u>Total</u>
Assets			
Current			
Cash and Cash Equivalents	\$ 50,081,396	\$ 6,881,050	\$ 56,962,446
Loan Interest Receivable, Net	4,688,403	-	4,688,403
Treasury Interest Receivable	-	-	-
Due From Other Funds	-	-	-
Total Current Assets	54,769,799	6,881,050	61,650,849
Non-Current			
Loans Receivable, Net	435,467,102	-	435,467,102
Loan Interest Receivable, Net	3,456,302	-	3,456,302
Deferred Charges	155,104	-	155,104
Total Non-Current Assets	439,078,508	-	439,078,508
Total Assets	<u>\$ 493,848,307</u>	<u>\$ 6,881,050</u>	<u>\$ 500,729,357</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ -	\$ 9,073	\$ 9,073
Payroll Payable	-	93,414	93,414
Compensated Absences Payable	-	43,229	43,229
Loan Disbursements Payable	3,526,487	-	3,526,487
Due To Other Funds	-	18,632	18,632
Bond Interest Payable	211,141	-	211,141
Bonds Payable, Current Portion	1,438,065	-	1,438,065
Total Current Liabilities	5,175,693	164,348	5,340,041
Non-Current Liabilities			
Compensated Absences Payable	-	10,507	10,507
Bonds Payable, Net of Current Portion	17,557,265	-	17,557,265
Total Non-Current	17,557,265	10,507	17,567,772
Total Liabilities	22,732,958	174,855	22,907,813
Total Unrestricted Net Assets	471,115,349	6,706,195	477,821,544
Total Liabilities and Unrestricted Net Assets	<u>\$ 493,848,307</u>	<u>\$ 6,881,050</u>	<u>\$ 500,729,357</u>

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

**OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING LOAN PROGRAM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Loans</u>	<u>Administration</u>	<u>Total</u>
Operating Revenues			
Loan Interest	\$ 14,541,530	\$ -	\$ 14,541,530
Interest on Cash and Cash Equivalents	222,189	46,430	268,619
Loan Fees	-	1,323,717	1,323,717
State Match Deposits	-	-	-
Total Operating Revenues	<u>14,763,719</u>	<u>1,370,147</u>	<u>16,133,866</u>
Operating Expenses			
Bond Interest	788,482	-	788,482
Other Bond Costs	10,636	-	10,636
Principal Forgiveness on Loans	13,445,109	-	13,445,109
Salaries and Benefits	-	1,077,703	1,077,703
Services and Supplies	-	203,881	203,881
Indirect Costs	-	197,786	197,786
Total Operating Expenses	<u>14,244,227</u>	<u>1,479,370</u>	<u>15,723,597</u>
Operating Income	519,492	(109,223)	410,269
Non-Operating Revenues			
Federal Grants	28,064,112	-	28,064,112
Total Non-Operating Revenues	<u>28,064,112</u>	<u>-</u>	<u>28,064,112</u>
Change in Net Assets	28,583,604	(109,223)	28,474,381
Unrestricted Net Assets, Beginning	<u>442,531,745</u>	<u>6,815,418</u>	<u>449,347,163</u>
Unrestricted Net Assets, Ending	<u>\$ 471,115,349</u>	<u>\$ 6,706,195</u>	<u>\$ 477,821,544</u>

The accompanying notes are an integral part of the financial statements

**OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND LOAN PROGRAM
STATEMENT OF CASH FLOW
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Loans</u>	<u>Administration</u>	<u>Total</u>
Cash Flows From Operating Activities			
Repayments from loan interest	\$ 14,346,338	\$ -	\$ 14,346,338
Repayments from loan principal	51,550,790	-	51,550,790
Disbursements to Borrowers	(61,378,257)	-	(61,378,257)
Receipts from Loan Fees		1,323,717	1,323,717
Receipts from Treasury interest credits	222,189	46,430	268,619
Receipts from the State of Oregon	-		-
Payments to vendors	-	(212,371)	(212,371)
Payments to employees	-	(1,050,471)	(1,050,471)
Payments for indirect cost	-	(196,366)	(196,366)
Net Cash Provided (Used) by Operating Activities	<u>4,741,060</u>	<u>(89,061)</u>	<u>4,651,999</u>
Cash Flows From Noncapital Financing Activities			
Federal Grants	28,064,112	-	28,064,112
Net Proceeds of 2009A Bonds	4,925,796		
Principal payments on bonds	(930,323)	-	(930,323)
Interest payments on bonds	(768,133)	-	(768,133)
Net Cash Provided (Used) by Noncapital Financing Activities	31,291,452	-	31,291,452
Net Increase (Decrease) in Cash and Cash Equivalents	36,032,512	(89,061)	35,943,451
Cash and Cash Equivalents, Beginning	<u>14,048,884</u>	<u>6,970,111</u>	<u>21,018,995</u>
Cash and Cash Equivalents, Ending	<u>\$ 50,081,396</u>	<u>\$ 6,881,050</u>	<u>\$ 56,962,446</u>

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	<u>\$ 519,492</u>	<u>\$ (109,223)</u>	<u>\$ 410,269</u>
Adjustments to Reconcile Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Bond Interest Payments Reported as Operating Expense	768,133	-	768,133
Amortization of Bond Costs	10,636	-	10,636
Amortization of Bond Discount	12,380	-	12,380
Amortization of Bond Premium	(7,976)	-	(7,976)
(Increase)/Decrease in Loan Interest Receivable	(195,191)	-	(195,191)
(Increase)/Decrease in Amount Due From Other Funds	-	-	-
(Increase)/Decrease in Loans Receivable	2,804,956	-	2,804,956
Increase/(Decrease) in Loan Disbursements Payable	812,686	-	812,686
Increase/(Decrease) in Accounts Payable	-	(9,577)	(9,577)
Increase/(Decrease) in Payroll Payable	-	13,466	13,466
Increase/(Decrease) in Amount Due To Other Funds	-	2,507	2,507
Increase/(Decrease) in Bond Interest Payable	15,944	-	15,944
Increase/(Decrease) in Compensated Absences Payable	-	13,766	13,766
Total Adjustments	<u>4,221,568</u>	<u>20,162</u>	<u>4,241,730</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 4,741,060</u></u>	<u><u>\$ (89,061)</u></u>	<u><u>\$ 4,651,999</u></u>

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

Notes to the Basic Financial Statements

Enterprise Fund

June 30, 2010

1. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oregon Department of Environmental Quality have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

The Oregon Clean Water State Revolving Fund (CWSRF) was established pursuant to Oregon Revised Statutes 468.423 – 468.440 and the 1987 amendments to the federal Clean Water Act. The purpose of the CWSRF is to provide low interest loans to local governments for the planning, design and construction of wastewater treatment facilities, implementing nonpoint source pollution management plans, and the design and implementation of estuary management plans. The loan repayment period is a maximum of 20 years, and all repayments, including interest and principal, must be credited to the State Revolving Fund.

The CWSRF program is administered by the State of Oregon Department of Environmental Quality (DEQ). The CWSRF program consists of several funds to record loan and related activity and an administrative fund that collects loan fees and pays the operating costs of the program, and are collectively referred to as the Fund. DEQ's primary responsibilities for the CWSRF include obtaining capitalization grants from the U.S. Environmental Protection Agency (EPA), soliciting potential interested parties for loans, negotiating loan agreements with eligible public agencies, reviewing and approving payment requests from loan recipients, monitoring the loan repayments, and conducting inspection and engineering reviews to ensure compliance with all applicable laws, regulations, and program requirements.

DEQ charges the Fund for staff time spent on CWSRF activities, and the Fund pays those expenses from the Administration fund. The charges include the salaries and benefits of the employees, as well as indirect costs allocated to the Fund. The rate of indirect cost is negotiated annually with EPA.

The Annual Financial Report is prepared for the U.S. Environmental Protection Agency as an Enterprise Fund of the State of Oregon, which uses the accrual basis of accounting. For the purpose of the State of Oregon's Comprehensive Annual Financial Report (CAFR), the Fund is included as a Governmental Fund – Special Revenue. Due to differences in basis of accounting, there may be differences between the amounts reported in these financial statements and the State of Oregon's CAFR.

B. Basis of Presentation – Fund Accounting

DEQ programs and accounts are organized by "funds", each of which is a separate accounting entity. Each major program utilizes a separate set of self-balancing accounts to record the assets, liabilities, net assets, revenues and expenses of their activities. DEQ's CWSRF loan program is classified as a proprietary fund. Proprietary funds contain two types of funds: Enterprise Funds and Internal Service Funds. The CWSRF loan program is accounted for in an Enterprise Fund.

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises.

C. Measurement Focus and Basis of Accounting

The basic financial statements for the Fund are presented as an enterprise fund. As such, the Fund is accounted for using the flow of economic resources measurement focus and is maintained on the accrual basis of accounting, in accordance with State policy (OAM 15.40.00). Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred, regardless of the timing of the related cash flow. All revenues and expenses of the Fund are considered to be operating revenues and operating expenses. All assets and liabilities associated with the operations of the Fund are included on the Balance Sheet. The State has elected to follow the accounting pronouncements of the Governmental Accounting Standards Board (GASB), as well as statements issued by the Financial Accounting Standards Board on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements. The State, however, does not apply FASB pronouncements issued after November 30, 1989.

D. Cash and Cash Equivalents

All monies of the Fund are deposited with the Office of the State Treasurer, which is responsible for maintaining these deposits in accordance with Oregon law. The Fund considers all such deposits to be cash and cash equivalents. Interest earnings on these deposits are received by the Fund on a monthly basis. The Fund has no other cash deposits or investments.

E. Loans Receivable

Loans are funded by Federal capitalization grants, State matching funds, loan repayments and fund earnings. The CWSRF monies are disbursed to borrowers on a cost reimbursement basis. When borrowers have incurred qualifying expenses, they request a loan disbursement from the Fund, and at that time a disbursement is made and recorded in the Fund accounting records. Interest begins accruing when funds are disbursed to the borrower. After the project is complete, repayment begins with an interest only payment. Full repayment must be received by the Fund within 20 years of project completion. Loans Receivable are stated net of the allowance for principal forgiveness.

F. Capital Assets

Capital assets are those assets costing \$5,000 or more and having a useful life of at least one year, under State policy (OAM 15.60.10). Capital assets must be capitalized and reported in the accounting records at historical cost, and depreciated over the useful life of the asset. The CWSRF loan program currently has no capital assets.

G. Deferred Charges

The Deferred Charges shown on the Balance Sheet are the cost of issuing the State match bonds sold to raise the required matching for the federal capitalization grants. These expenses consist of bond issuance costs and are amortized over the life of the bonds using the straight-line method. The \$155,104 represents the unamortized issuance costs of four bond issues (1997A, 2000A, 2008A and 2009A). There is presently no related arbitrage liability.

H. Long-Term Obligations

Long term obligations of the Fund consist of bonds issued to provide the required State matching funds for the federal capitalization grants, and the non-current portion of compensated absences. Bonds issued on behalf of the CWSRF are reported on the Balance Sheet net of the related premium and/or discount. Bond premium, discount and issuance costs are amortized over the life of the bond issues. Bond premium and discount are reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets as bond interest expense. Bond issuance costs are reported as Other Bond Costs.

I. Compensated Absences

Employees accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the State does not pay any amounts when employees separate from State service. A liability for vacation leave (compensated absences) is accrued when incurred in proprietary funds as employees may be paid for up to a maximum of 250 hours of accrued vacation leave upon separation from State service.

2. Cash and Cash Equivalents

On June 30, 2010, the book balance of cash and cash equivalents was \$56,962,446 and the bank balance was \$58,940,267. All cash in the Fund is deposited in demand accounts with the State Treasurer in the Oregon Short-Term Fund (OSTF), a cash and investment pool for use by all state agencies.

A bank depository that holds public fund deposits in excess of amounts insured or guaranteed is required to pledge collateral with a value at least equal to its maximum liability and as otherwise prescribed in ORS 295.001 to 295.108. The maximum liability for a well capitalized bank depository is 10 percent of the greater of: all public funds held by the bank depository as shown on the most recent treasurer report; the average of the balances of public funds held by the bank depository as shown on the last four immediately preceding treasurer reports; or an amount otherwise prescribed in ORS 295.001 to ORS 295.108. The maximum liability for an adequately capitalized bank depository is 25 percent of the greater of: all public funds held by the bank depository as shown on the most recent treasurer report; the average of the balances of public funds held by the bank depository as shown on the last four immediately preceding treasurer reports; or an amount otherwise prescribed in ORS 295.001 to ORS 295.108. The maximum liability for an undercapitalized bank depository is 110 percent of the greater of: all public funds

held by the bank depository or the average of the balances of public funds held by the bank depository as shown on the last four immediately preceding treasurer reports. In addition, the State Treasurer may require any bank depository that holds public funds to pledge collateral with a value not less than 110 percent of the greater of all public funds held by the bank depository or the average of the balances of public funds held by the bank depository as shown on the last four immediately preceding treasurer reports

All deposits in the OSTF are with financial institutions participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all non-interest bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under the Transaction Account Guarantee Program is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules. Consequently, the bank balance of the OSTF at June 30, 2010 is fully insured.

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the State Treasurer will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The CWSRF does not have a policy regarding custodial credit risk for deposits; however, the insurance and collateral requirements for deposits in the OSTF are established by banking regulations and Oregon law.

Further details of the investments and a copy of the OSTF audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896 or located at the following web site: <http://www.ost.state.or.us/About/Investment/Default.asp#OSTF>.

3. Loans Receivable

The Fund makes loans to qualified entities at interest rates ranging from zero percent to the market rate (see ORS 468.440). Interest rates vary depending on the length of the loan, the type of loan, and program rules (at OAR 340-054). Rates range from 25% of the bond rate for 5 year loans to 65% of the bond rate for 20 year loans. Recipients make semiannual or, in some cases, annual payments, generally starting six months after project completion. There is an allowance account for that portion of loan disbursements that will not be repaid due to principal forgiveness offered to some borrowers. The detail of loans receivable as of June 30, 2010 is as follows:

Total Loan Disbursements to-date	\$705,201,257
Loan Disbursements Payable, 6/30/2010	3,526,487
Total Principal Payments Received From Borrowers	(259,656,018)
Less: FY 2009 Bad Debt	(159,515)
Less: Principal Forgiveness on Disbursements	(13,445,109)
Total Loans Receivable, 6/30/2010	<u>\$435,467,102</u>

4. Bonds Payable

In July 2003 EPA agreed to the use of the CWSRF Fund assets to pay the principal and interest on general obligation bonds that were previously issued by the State to provide the 20 percent state matching funds as required by the Clean Water Act. The following table summarizes bonds outstanding as of June 30, 2010:

General Obligation Pollution Control Bonds									
Original Issue				Bonds Outstanding					
Series	Due Dates	Interest	Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
1997 A	1998 – 2018	3.80%	5.00%	\$8,000,000	\$4,590,000		\$410,000	\$4,180,000	\$430,000
2000 A	2001 – 2021	4.15%	5.50%	8,000,000	5,765,000		350,000	5,415,000	365,000
2008A	2009 – 2028	2.00%	4.50%	4,800,000	4,642,581		170,323	4,472,258	178,065
2009A	2010 – 2029	2.00%	4.00%	4,890,000	0	4,890,000	0	4,890,000	465,000
Total				\$25,690,000	\$14,997,581	\$4,890,000	\$930,323	\$18,957,258	\$1,438,065

The bond interest rates noted above differ depending on the term of the individual security. Thus, those securities with the longest term yield the highest interest rate.

The following table summarizes the amounts necessary to pay all future bonded debt principal and interest requirements as of June 30, 2010 for each year during the next five-year period ending June 30, 2015, and in five year increments thereafter.

Years Ending June 30	Bond Principal	Bond Interest	Total Debt Service
2011	\$ 1,438,065	\$ 807,949	\$ 2,246,014
2012	1,253,226	755,895	2,009,121
2013	1,678,387	698,855	2,377,242
2014	1,298,548	638,513	1,937,061
2015	1,431,290	576,864	2,008,154
2016 – 2020	7,037,742	1,851,888	8,889,630
2021 – 2025	3,063,548	637,992	3,701,540
2026 – 2030	1,756,452	146,329	1,902,781
TOTALS:	\$ 18,957,258	\$ 6,114,284	\$ 25,071,542

5. Changes In Long-Term Liabilities

The liability for compensated absences is calculated based on the vacation accrual at 6/30/2010 for each employee whose duties include CWSRF related activities. Data for this calculation is obtained at year end from DEQ’s Payroll Department.

Bonds payable includes amounts payable on bonds issued to benefit the CWSRF fund, and also includes the unamortized amounts of bond discount or premium.

The long term liability activity for the year ended June 30, 2010 was as follows:

	Bal. at 6/30/2009	Increases	Decreases	Bal. at 6/30/2010	Due Within One Year
Bonds Payable	14,997,580	4,890,000	930,323	18,957,257	1,438,065
Issuance Premium	24,164	139,313	7,976	155,501	0
Issuance Discount	(100,150)	(29,658)	(12,380)	(117,428)	0
Total Bonds Payable	14,921,594	4,999,655	925,919	18,995,330	1,438,065
Compensated Absences	39,970	50,717	36,950	53,737	43,229
Total Long-Term Liabilities	14,961,564	5,050,372	962,869	19,049,067	1,481,294

6. Loan Fees

In order to support administration and project management costs, loan fees are assessed on loans originating after 1992. A fee of 0.5 percent is assessed on the outstanding loan principal balance and is collected annually, beginning with the second loan payment. Fees are deposited to a separate Treasury account and will be used only for administrative and project management costs. Also, fees on planning loans are not assessed, in order to encourage Oregon communities to complete more planning.

7. Employee Retirement Plan

The 2003 Oregon Legislature created the Oregon Public Service Retirement Plan (OPSRP). Public employees hired on or after August 29, 2003 become part of OPSRP, unless membership was previously established in the Oregon Public Employees Retirement System (PERS). The OPSRP pension plan has two components: the Pension Program (defined benefit) and the Individual Account Program (defined contribution). PERS member contributions go into the Individual Account Program (IAP) portion of OPSRP. PERS members retain their existing PERS accounts, but member contributions are deposited in the member's IAP account, not into the member's PERS account. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. That report may be obtained by writing to the Fiscal Services Division, Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Oregon Public Employees Retirement System (PERS)

The department's employees who were plan members before August 29, 2003 participate in the Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS is administered by the Public Employees Retirement Board under the guidelines of Oregon Revised Statutes, chapter 238. The PERS retirement allowance, payable monthly for life, may be selected from several retirement benefit options. Options include survivorship benefits and lump sum payments. PERS also provides death and disability benefits.

The department is required by statute to contribute actuarially computed amounts as determined by PERS (the agency). Rates are subject to change as a result of subsequent actuarial valuations. The rate of each covered employee's salary for fiscal year 2010 was 2.06%. Employer contributions for the years ending June 30, 2010, 2009, and 2008 were \$12,615, \$34,768 and \$28,355, respectively, equal to the required contributions for each year.

Public employees hired on or after August 29, 2003 become part of OPSRP, unless membership was previously established in the Oregon Public Employees Retirement System (PERS). The OPSRP pension plan has two components: the Pension Program (defined benefit) and the Individual Account Program (defined contribution). PERS member contributions go into the Individual Account Program (IAP) portion of OPSRP. PERS members retain their existing PERS accounts, but member contributions are deposited in the member's IAP account, not into the member's PERS account.

Oregon Public Service Retirement Plan (OPSRP)

The 2003 Oregon Legislature created the Oregon Public Service Retirement Plan (OPSRP), also a cost-sharing multiple-employer defined benefit pension plan. The Pension Program is administered by the Public Employees Retirement Board under the guidelines of Oregon Revised Statutes, chapter 238A. The OPSRP pension plan has two components: the Pension Program (defined benefit) and the Individual Account Program (defined contribution). Employees hired after August 28, 2003, participate in OPSRP after completing six months of service. The Pension Program provides a monthly pension benefit is payable for life as well as death and disability benefits as established by ORS Chapter 238A.

The department is required by statute to contribute actuarially computed amounts as determined by PERS (the agency). Rates are subject to change as a result of subsequent actuarial valuations. The rate of each covered employee's salary for fiscal year 2010 was 2.84%. The department now has permanently assigned CWSRF employees hired on or after August 29, 2003 and therefore is required to contribute to the OPSRP Pension Program. Employer contributions for the years ending June 30, 2010, 2009 and 2008 were \$3,373, \$6,405 and \$351, respectively, equal to the required contribution amount.

Beginning January 1, 2004, PERS members became part of the Individual Account Program (IAP) portion of OPSRP. PERS members retain their existing PERS accounts, but member contributions are now deposited in the member's IAP account, not into the member's PERS account. All covered employees are required by State statute to contribute 6.0 percent of their salary to the plan. Current law permits State agencies to pay the 6.0 percent member contributions for their employees. The amount contributed by DEQ for the years ending June 30, 2010, 2009, and 2008 were \$43,868, \$36,683 and \$28,641, respectively, equal to the required contributions for each year.

8. Other Post Employment Benefit Plans

The Fund's employees may be eligible to participate in health insurance plans and other benefit plans after retirement, collectively known as Other Postemployment Benefits (OPEB). OPEB plans are offered through the Public Employees Retirement System (PERS) as established by ORS 238 and the Public Employees Benefit Board (PEBB) as established by ORS 243. A copy of the audited annual financial report may be obtained from Fiscal Services Division, Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Retirement Health Insurance Account

The Retirement Health Insurance Account (RHIA) is a cost-sharing multiple-employer OPEB plan which provides a payment of up to \$60 toward the monthly cost of health insurance for eligible PERS members. To be eligible for the RHIA subsidy, the member must: 1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more creditable service in PERS, 2) receive both Medicare Parts A and B coverage, and 3) enroll in a PERS-sponsored health insurance plan.

The Department is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as a result of subsequent actuarial valuations. The rate of each covered employee's salary for the fiscal year end June 30, 2010 was .29 percent, which is embedded within the total PERS contribution rate. Combined employer contributions for the years ended June 30, 2010, 2009 and 2008, were approximately \$174, \$288, and \$212, respectively, equal to the required contributions each year.

Retiree Health Insurance Premium Account

The Retiree Health Insurance Premium Account (RHIPA) is a single-employer OPEB plan that provides for payment of the average difference between the health insurance premiums paid by retired state employees, under contracts entered into by the PERS Board, and the health insurance premiums paid by state employees who are not retired. Retired state employees are qualified to receive the RHIPA subsidy if they had eight or more years of qualifying service in PERS at the time of retirement or are receiving a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage.

The Department is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as a result of subsequent actuarial valuations. The rate of each employee's covered salary for the fiscal year ended June 30, 2010 was .08 percent, which is embedded within the total PERS contribution rate. A copy of the Oregon PERS annual financial report may be obtained from Fiscal Services Division, PERS, P.O. Box 23700, Tigard, Oregon 97281-3700. The Fund's actual contribution for the year ended June 30, 2010, 2009, and 2008, was approximately \$48, \$78 and \$57, respectively, which was equal to the actuarial required contribution.

The Oregon Legislature has the sole authority to amend the benefit provisions and funding policy for the RHIA plan.

Public Employees Benefit Board Plan

The Public Employees Benefit Board (PEBB) plan is an agent multiple-employer plan which offers medical, dental and vision benefits to eligible retired employees. Chapter 243 of the Oregon Revised Statutes assigns PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. The PEBB Plan allows qualifying retired employees to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. The PEBB Plan funding policy provides for contributions at amounts sufficient to fund benefits on a pay-as-you-go basis. Active employees do not make contributions. Participating retirees pay their own monthly premiums based on a blended premium rate since retirees are pooled together with active employees for insurance rating purposes. PEBB activity is reported as part of the State of Oregon's annual report and does not issue a separate financial report.

The State of Oregon's liability was \$47.7 Million for the fiscal year ended June 30, 2010. The Fund's portion of this liability was not specifically identified.

9. Commitments

As of June 30, 2010 the CWSRF has active loan agreements in the amount of \$265,889,780 and has disbursed a total of \$137,147,897 in cash to these active borrowers. The amount of undisbursed loan commitments is, therefore, \$128,741,883.

10. Risk Financing

The State Services Division of the Department of Administrative Services administers property and casualty insurance programs covering State government. It is the policy of the division to minimize purchases of commercial insurance for most of the risks of losses to which the State is exposed, as it believes it is more economical to manage the State's risks internally. For accounting purposes, the division sets aside assets for actuarially forecasted losses in the Insurance Fund, an internal service fund. The Insurance Fund, established under Chapter 278 of the Oregon Revised Statutes, services claims for the following kinds of risks: direct physical loss

or damage to State property; tort liability claims brought against the State, its officers, employees, or agents; inmate injury; workers' compensation; and employees, elected officials, and members of commissions and boards for honesty and faithful performance. The Insurance Fund is backed by commercial policies, such as an excess property policy with a limit of \$400 million and a blanket commercial excess bond with a limit of \$20 million. The division purchases commercial insurance for specific insurance needs not covered by the Insurance Fund.

All State agencies, commissions, and boards participate in the Insurance Fund. The division allocates the cost of servicing insurance claims and payments by charging an assessment to each State entity based on its share of services provided in a prior period. The total statewide assessment is based on independent biennial actuarial forecasts and division expenses, less any available fund balance in the Insurance Fund from the prior biennium.

The division purchases workers' compensation insurance for the State from SAIF Corporation. The Insurance Fund reimburses SAIF Corporation for the State's workers' compensation claim costs and service fees.

The CWSRF participates in this risk financing program through DEQ, which, as a State agency, is a participant. Settlements have not exceeded insurance coverage in each of the past three years.

11. Subsequent Events

On July 29, 2010, the Department issued 2010 Series A general obligation bonds, generating approximately \$5 million dollars, to provide the required matching funds for CWSRF grant money awarded by EPA. In addition, the federal fiscal year 2010 capitalization grant from EPA was awarded September 15, 2010, in the amount of \$23,017,000.

Supplemental Information

The following information is presented for the purpose of additional analysis and to satisfy federal reporting requirements. This information is not subjected to the procedures applied in the audit of the basic financial statements and the auditors have expressed no opinion on this information.

CWSRF Program Goals

DEQ continues to meet the long-term and short-term program goals identified in *DEQ's Clean Water State Revolving Fund Loan Program Final Intended Use Plan – State Fiscal Year 2010*. DEQ's achievements in meeting these goals are discussed below. It is DEQ's intent to review the short and long term program goals to determine if these goals should be modified or replaced in the Intended Use Plan for FY 2011.

Long Term Program Goals

Goal #1: To protect public health and the waters of the state by offering financial assistance for water pollution control projects.

The Oregon Clean Water State Revolving Fund (CWSRF) continues to execute loans through its financial assistance program for water quality improvement projects that protect public health and Oregon's waters. During state FY 2010, the CWSRF program signed 36 new loans with local governments for water quality improvement projects in the total amount of \$98,688,359. DEQ amended 16 existing loans that increased project funding by \$21,723,487. DEQ also amended 7 existing loans that decreased project funding by \$11,330,834, bringing a total net amount of project assistance in state fiscal year 2010 to \$109,081,012.

Table 1. Amount of new loans and total net loan amount of funding provided in each program year (including loan increases, decreases and cancellations). Please note this table includes a correction for the fiscal year 2009, for a loan increase that was anticipated to be in FY 2010, was actually executed prior to 6/30/2009, and was not included in the previous year's table.

Fiscal Year	Number of New Loans		Amount of New Loans and Amendments	
	Per Year	Cumulative	Per Year	Cumulative
1989-1991	4	4	7,421,676	7,421,676
1992	22	26	22,004,798	29,426,474
1993	25	51	39,393,294	68,819,768
1994	5	56	10,214,683	79,034,451
1995	7	63	3,925,367	82,959,818
1996	12	75	40,017,705	122,977,523
1997	20	95	60,289,058	183,266,581
1998	22	117	89,961,162	273,227,743
1999	9	126	35,445,740	308,673,483
2000	4	130	18,141,807	326,815,290
2001	6	136	15,707,776	342,523,066
2002	8	144	30,152,111	372,675,177
2003	12	156	34,511,307	407,186,484
2004	24	180	68,586,641	475,773,125
2005	23	203	52,245,950	528,019,075
2006	16	219	67,146,297	595,165,372
2007	21	240	41,253,968	636,419,340
2008	10	250	48,249,084	684,668,424
2009	10	260	37,916,243	722,584,667
2010	36	296	109,081,012	831,665,679

Goal #2: To provide financial support for water quality improvements to all waters of the State.

The CWSRF loan program strives to help improve the quality of Oregon's water without regard to project location, size of borrower and type of project (i.e., point source, nonpoint source or estuary). During FY 2010 DEQ provided total assistance of \$109,081,012, which can be categorized as follows:

Point Source:	\$82,363,099
Nonpoint Source:	26,717,913
Estuary:	0
Northwest Region:	\$29,715,118
Western Region:	48,761,514
Eastern Region:	30,604,380

Goal #3: To administer the Clean Water State Revolving Fund to ensure its financial integrity, viability and perpetuity as a source of financial assistance.

Loan interest rates remain below the market rate to meet the program goal of providing low cost financing. Investment earnings are at the market rate of interest and are managed by the State Treasurer, as required by state statute. Earnings on cash balances contribute significantly to program growth, adding approximately \$31.2 million to program capital from program inception through FY 2010. During FY 2010 investment rates averaged approximately 0.6%, adding \$0.2 million to the fund. Total earnings on cash deposited with the State Treasurer's Office are down because the interest rates declined steadily during the fiscal year.

The cash flow model used by the CWSRF program continues to provide a financially sound tool to maximize the loans made to communities while balancing the different factors that affect the timing of projects and disbursement of funds. DEQ will continue to utilize this tool to ensure all borrowers have financial assistance when needed.

The program also continues to receive federal capitalization grants on an annual basis, and as required by federal regulations the State must provide matching amounts for those grants. Consequently, the Fund continues to grow as a result of the infusion of this new capital each year. Net assets of the Fund increased during state FY 2010 by \$41,917,477 to \$491,266,653.

Short Term Program Goals**Goal #1: To continue to maintain the revolving nature of the Fund and to maintain an active pace of disbursements in conjunction with the receipt of new funds and loan repayments.**

Outstanding loans increased by approximately \$10.6 million during FY 2010, as loan disbursements outpaced the repayment of loan principal by borrowers. During FY 2010 the amount of available cash on deposit with the State Treasurer's Office increased significantly, primarily as a result of prepayments received from borrowers. Disbursements during FY 2010 totaled \$58,940,716. DEQ will continue to use the cash flow model to assist in maximizing future financial assistance while maintaining the financial stability of the Fund.

Goal #2: To provide funding to local communities to the maximum extent possible within the constraints of sound financial management, law and regulation.

The CWSRF Loan Program provided approximately \$109 million in financial assistance to Oregon communities during FY 2010. This amount includes \$11.3 million in loan reductions due to communities using less than the original loan amounts to complete their projects. Without considering

the loan reductions during FY 2010, total assistance provided through new loans and loan increases was \$120.4 million. DEQ is confident that demand for CWSRF loan funds will continue to be strong in coming years.

Goal #3: To increase the number of loans for both nonpoint source and estuary management projects.

New administrative rules approved by the Environmental Quality Commission during FY 2003 were intended to make the CWSRF loan program more accessible to those entities trying to complete nonpoint source or estuary projects. Interest rates and fees were reduced, the project scoring criteria was modified to make it more equitable for nonpoint source and estuary projects, and a new loan type, the “sponsorship option”, was introduced. These changes were to encourage Oregon communities to address reducing nonpoint source pollution. During FY 2010 DEQ executed nonpoint source loans totaling \$26.7 million. DEQ continues to explore options for providing funding for nonpoint source projects around the state.

Goal #4: To make the CWSRF loan program more accessible to a wider range of water quality projects statewide.

The rule changes described under Goal #3 were designed to help accomplish the objective of Goal #4. CWSRF staff actively discuss DEQ’s CWSRF loan program with public agencies around the state to promote the use of program funds for a variety of projects. Other DEQ staff, primarily with the nonpoint source and stormwater programs, talks to organizations around the state such as soil and water conservation districts about SRF funding for needed projects.

During FY 2011 and beyond DEQ believes there will be additional activity in the nonpoint source loans. Irrigation districts continue to express interest in completing projects with SRF funding. There may also be ways to provide SRF funds for smaller projects, through the soil and water conservation districts. Barriers include the limited availability of SRF funds and the difficulty that some organizations have in finding a good source of revenue to repay SRF loans.

Goal #5: To continue our participation with other state and federal programs in providing financial assistance to Oregon communities.

DEQ continues to work with other State agencies, including the Oregon Business Development Department, as well as the federal USDA Rural Development office to educate Oregon communities about the CWSRF Loan Program and the availability for financing water quality improvement projects. A key component of this collaboration between the agencies is the “One Stop Meetings”, which allow local communities to meet with various state and federal financing agencies and learn about the financing options that may be available for their projects. DEQ’s CWSRF loan program intends to continue this partnership through FY 2011 and beyond and to pursue new ideas for community outreach and marketing. DEQ also participated with other funding agencies in workshops around the State for the purpose of assisting communities in moving forward with their infrastructure projects and exploring ways to pay for those projects.

Goal #6: To ensure all projects funded under the 2009 ARRA are under contract or under construction by February 17, 2010, as required by federal law.

EPA awarded DEQ grant funding under the American Recovery and Reinvestment Act of 2009. DEQ received the grant on June 8, 2009 and the amount awarded was \$44,271,000. DEQ public noticed the Intended Use Plan and projects were allocated this funding on July 10, 2009. All 13 projects funded with ARRA money were under contract or under construction by February 17, 2010, as required by law.

Goal #7: To use, to the extent required and within the capability of the program, ARRA money and funding from the regular CWSRF loan program in combination to assist communities who need to complete water quality improvement projects.

DEQ's intent is to combine financing from the regular CWSRF loan program with the financing provided to at least two ARRA borrowers. This would include the Clackamas County Service District and the Metropolitan Wastewater Management Commission. Funding from the regular CWSRF loan program will assist these borrowers in moving forward with their projects timely, with low cost financing that the SRF can provide. Combined funding is also being provided to the City of Astoria for its CSO reduction project known as the Denver Street Storage Project. DEQ believes that at least three of the irrigation district ARRA funded projects will also seek additional funding through the regular SRF program.

Additional Financial Information

The following tables provide additional financial information and data on program activity, capitalization, and certain U.S. Environmental Protection Agency requirements.

Table 2. Capitalization funding of Oregon's Clean Water State Revolving Fund since its inception through June 2010.

Federal Fiscal Year	Federal Capitalization Grant Award Amount	20 percent State Match Amount	Administrative Allowance (4% of Grant)	Net Available Amount for Loans
1989	\$10,655,073	\$2,131,015	(\$426,203)	\$12,359,885
1990	11,021,373	2,204,275	(440,855)	12,784,793
1991	23,183,622	4,636,724	(927,345)	26,893,001
1992	21,949,191	4,389,838	(877,968)	25,461,061
1993	21,712,581	4,342,516	(868,503)	25,186,594
1994	13,472,415	2,694,483	(538,897)	15,628,001
1995	13,914,054	2,782,811	(556,562)	16,140,303
1996	22,791,123	4,558,224	(911,645)	26,437,702
1997	7,011,959	1,402,392	(280,478)	8,133,873
1998	15,211,548	3,042,310	(608,462)	17,645,396
1999	15,212,835	3,042,568	(608,513)	17,646,890
2000	15,161,256	3,032,251	(606,450)	17,587,057
2001	15,026,517	3,005,303	(601,061)	17,430,759
2002	15,059,979	3,011,996	(602,399)	17,469,576
2003	14,962,068	2,992,414	(598,483)	17,355,999
2004	14,971,077	2,994,215	(598,843)	17,366,449
2005	12,172,941	2,434,588	(486,918)	14,120,611
2006	9,892,200	1,978,440	(395,688)	11,474,952
2007	0	0	0	0
2008	19,755,273	3,951,055	(790,211)	22,916,117
2009	7,664,700	1,532,940	(306,588)	8,891,052
ARRA	44,271,000	0	(1,770,840)	42,500,160
Totals	\$345,072,785	\$60,160,358	(\$13,802,911)	\$391,430,232

Note: No match was required for the ARRA grant. Beginning with the 2004 grant, DEQ has chosen to use 100% of the federal grants to make loans and will pay for administrative costs using its loan fee income. The 4% is shown for all years because DEQ has the option of using this 4% amount in later years. Also, the fiscal year 2010 federal grant was not awarded as of June 30, 2010

Federal Grants and State Match

The CWSRF loan program is capitalized by grants from the EPA. EPA began awarding these annual grants to Oregon's CWSRF program in federal fiscal year 1989, although in 2007 the grant was

withheld. The State of Oregon must also contribute an amount equal to 20 percent of the federal capitalization amount. As of June 30, 2010, EPA has awarded capitalization grants in the amount of \$345,072,785 to DEQ's CWSRF program, including the 2009 ARRA grant which had no matching requirement.

Table 3. Capitalization grant awards, amounts drawn on each grant as of the balance sheet date, and balances available for loans and administrative costs.

Year	Grant Amount	Total Draws as of June 30, 2009	2010 Draws	Total Draws as of June 30, 2010	Grant Funds Available June 30, 2010
1989-2008	293,137,085	293,137,085	0	273,381,812	0
2009	7,664,700	2,909,669	4,755,031	7,664,700	0
2010	0	0	0	0	0
ARRA	44,271,000	0	23,309,081	23,309,081	20,961,919
Totals	345,072,785	296,046,754	28,064,112	324,110,866	20,961,919

Prior to 1993 DEQ's matching contribution was provided through appropriation of State general fund resources. Beginning in 1993 state matching funds were provided by issuing General Obligation Pollution Control Bonds. Between 1993 and 2003 Oregon issued \$29,980,000 in state match bonds and transferred the proceeds plus interest to the CWSRF as state match. In July 2003 EPA allowed the CWSRF to assume \$23,765,000 of previously issued bonds, and principal and interest payments on those bonds to be paid from interest earnings of the SRF.

Table 4. Payments on CWSRF Match Bonds since July 2003

Bond Issue	Balance 8/22/2003	PAYMENTS			Balance 6/30/2010
		FY 04-08	FY 2009	FY 2010	
1993A	1,865,000	1,865,000			0
1994A	3,965,000	3,965,000			0
1995B	3,755,000	3,755,000			0
1997A	6,660,000	1,680,000	390,000	410,000	4,180,000
2000A	7,520,000	1,425,000	330,000	350,000	5,415,000
TOTALS:	23,765,000	12,690,000	720,000	760,000	9,595,000

Note: The FY 2004 payment on the 2000A issue was paid prior to August 22, 2003 using non-SRF funds.

Interest paid on bonds transferred to the SRF was approximately \$745,000 in 2004, \$897,000 in 2005, \$727,000 in 2006, \$614,000 in 2007, \$583,000 in 2008, \$549,000 in 2009, and \$513,889 in 2010. Since July 2003 Oregon has issued bonds to provide state match, with all principal and interest on such bonds being paid by the SRF.

Table 5. Principal payments on CWSRF Match Bonds issued since July 2003.

Bonds Issued Date	Amount	Principal Paid					
		Paid 2004	Paid 2005	Paid 2008	Paid 2009	Paid 2010	6/30/2010
2003C	3,000,000	3,000,000	0				-
2004A	6,000,000	0	6,000,000				-
2008A	4,800,000	0	0	0	157,419		4,642,581
2009A	4,890,000	0	0	0	0	0	4,890,000
TOTAL:	18,690,000	3,000,000	6,000,000	0	157,419		\$ 9,532,581

Table 6. Planned schedules for active loans, loan terms, and estimate of future funding demand on the CWSRF loan program.

Borrower	Loan Number	Date Loan Signed	Start Date	Completion Date	Loan Amount	Term (Yrs)	Interest Rate	Annual Fee
Albany	R06105	9/25/2009	2/01/2010	10/10E	4,000,000	20	0%	0.5%
Astoria	R06117	11/20/2009	1/22/2010	12/10E	4,000,000	20	0%	0.5%
Central Or. I.D.Athena	R06216	9/15/2009	5/26/2009	4/02/2010	4,000,000	20	0%	0.5%
Clackamas Co. S.D.	R06224	10/26/2009	10/01/2008	12/11E	4,000,000	20	0%	0.5%
Farmers I. D.	R06322	9/15/2009	4/1/2009	12/10E	4,000,000	20	0.0%	0.5%
MWMC	R06648	9/24/2009	4/20/2009	5/17/2010	4,000,000	20	0.0%	0.5%
Millersburg	R06654	9/25/2009	2/01/2010	10/10E	4,000,000	20	0.0%	0.5%
Milwaukie	R06655	10/12/2009	1/1/2009	12/11E	4,000,000	20	0.0%	0.5%
Pendleton	R06724	9/22/2009	1/27/2010	4/11E	4,000,000	20	0.0%	0.5%
St. Helens	R06801	9/21/2009	9/21/2009	12/10E	4,000,000	20	0.0%	0.5%
Scappoose	R06809	9/17/2009	9/10E	12/10E	705,660	20	0.0%	0.5%
Swalley I.D.	R06896	9/15/2009	3/01/2009	10/10E	3,100,000	20	0.0%	0.5%
Three Sisters I.D.	R06914	9/15/2009	10/01/2008	10/10E	465,340	20	0.0%	0.5%
Astoria	R11793	11/20/2009	1/22/2010	10/10E	3,475,436	20	2.95%	0.5%
Athena	R11851	1/17/2007	7/10E	7/11E	18,000	5	1.11%	0.0%
Athena	R11852	3/23/2010	5/01/2010	10/10E	1,543,900	2	1.06%	0.0%
Canyonville	R20591	4/23/2009	6/01/2009	11/10E	200,000	5	1.25%	0.0%
Charleston S.D.	R21923	4/21/2010	6/01/2010	10/10E	1,035,150	20	2.34%	0.5%
Clackamas Co. SD	R22403	4/12/2010	10/26/2009	12/11E	5,000,000	20	2.77%	0.5%
Coburg	R23042	10/10/2005	10/10/2005	10/11E	6,786,126	20	2.81%	0.5%
Coquille	R24293	12/28/2006	3/27/2009	7/11E	6,936,440	20	2.88%	0.5%
Drain	R29200	1/19/2010	10/10E	4/11E	90,000	5	1.13%	0.0%
East Fork I.D.	R30141	1/5/2005	1/3/2008	10/10E	150,000	20	2.92%	0.5%
Enterprise	R31450	8/22/2006	9/1/2006	5/09E	7,745,810	20	2.98%	0.5%
Farmers I.D.	R32242	8/1/2008	7/1/2008	10/11E	4,825,000	20	3.03%	0.5%
Florence	R33422	2/12/2010	1/01/2010	12/11E	4,923,260	20	0.0%	0.5%
Gardiner S.D.	R35540	7/31/2009	5/26/2009	9/10E	215,000	5	1.18%	0.0%
Gold Beach	R37813	2/22/2010	10/27/2008	3/12E	5,000,000	20	0.00%	0.5%
Gresham	R39192	9/5/2006	12/1/2006	7/22/2010	3,734,876	20	2.98%	0.5%
Gresham	R39193	2/24/2010	2/01/2010	12/14E	5,000,000	20	0.00%	0.5%
Hermiston	R43770	4/21/2010	1/01/2010	5/12E	4,047,328	20	2.83%	0.5%
Hines	R44631	11/27/2002	12/1/2002	11/15/2006	1,559,349	20	3.14%	0.5%
Klamath Co. Schools	R52601	2/19/2010	7/01/2009	12/10E	2,472,000	20	0.00%	0.5%
Madras	R62370	7/27/2006	4/18/2006	10/10E	4,632,181	20	2.98%	0.5%
Maywood Park	R63960	5/1/2002	5/1/2004	12/31/10E	30,000	5	2.66%	0.5%
MWMC	R64840	12/2/2008	12/02/2008	6/13E	8,000,000	20	1.00%	0.5%
MWMC	R64841	6/30/2009	7/01/2009	12/12E	1,279,700	5	1.25%	0.0%
MWMC	R64842	4/7/2010	4/07/2010	5/17/2010	3,500,000	20	2.77%	0.5%
Moro	R66790	7/31/2009	10/26/2008	10/10E	157,000	5	1.25%	0.0%

Borrower	Loan Number	Date Loan Signed	Start Date	Completion Date	Loan Amount	Term (Yrs)	Interest Rate	Annual Fee
Mosier	R67170	5/10/2006	9/1/2006	7/01/2009	1,710,000	20	2.87%	0.5%
Nyssa	R69980	3/13/2008	7/16/2008	10/10E	4,885,500	2	1.11%	0.0%
Nyssa	R69981	12/28/2009	10/10E	4/11E	100,000	5	1.13%	0.0%
Oak Lodge S.D.	R70030	1/21/2010	10/10E	6/14E	5,000,000	20	0.00%	0.5%
Pendleton	R72400	4/5/2010	1/27/2010	4/11E	2,400,000	20	2.77%	0.5%
Portland	R74164	9/19/2003	9/19/2003	6/11E	6,404,380	20	1.00%	0.5%
Portland	R74171	1/2/2007	10/10E	6/13E	1,057,365	20	1.00%	0.5%
Rainier	R75263	11/26/2007	12/1/2005	9/01/2009	7,000,000	20	2.87%	0.5%
Redmond	R76072	6/30/2004	7/1/2005	6/10E	10,183,559	20	2.94%	0.5%
Reedsport	R76210	12/17/2004	7/01/2005	12/10E	13,500,000	20	3.06%	0.5%
Riddle	R77401	12/21/2007	1/1/2008	10/10E	150,000	5	1.14%	0.0%
Riddle	R77402	2/24/2010	7/10E	6/11E	2,523,125	20	0.00%	0.5%
Rogue Valley	R78495	5/25/2006	9/6/2006	6/10E	5,200,000	20	2.87%	0.5%
St. Helens	R80161	8/19/2003	5/3/2007	12/10E	2,053,000	15	2.69%	0.5%
St. Helens	R80162	7/1/2009	12/01/2009	12/10E	550,000	5	1.25%	0.0%
St. Helens	R80163	7/27/2010	7/10E	4/14E	4,500,000	20	2.83%	0.5%
Sweet Home	R89751	4/1/2005	7/29/2005	10/10E	5,886,440	20	2.92%	0.5%
Sweet Home	R89752	1/21/2010	10/10E	6/11E	5,000,000	20	0.00%	0.5%
Three Sisters ID	R91410	12/17/2009	11/1/2009	3/13E	2,000,000	20	0.00%	0.5%
Three Sisters ID	R91411	4/28/2010	3/1/2010	10/10E	334,660	20	2.77%	0.5%
Tillamook	R91567	4/21/2006	12/1/2005	10/10E	16,926,224	20	2.87%	0.5%
Toledo	R91801	6/15/2010	7/01/2010	12/10E	100,000	5	1.09%	0.0%
Vernonia	R93642	3/2/2006	3/2/2006	6/12E	8,600,000	20	2.93%	0.5%
Warrenton	R94944	4/30/2007	6/11E	6/11E	1,920,304	20	2.73%	0.5%
Winston	R97791	7/31/2009	10/19/2009	6/11E	160,000	5	1.25%	0.0%
Woodburn	R98413	7/19/2007	6/1/2008	4/11E	700,000	5	1.10%	0.0%
Woodburn	R98414	7/19/2007	6/1/2008	5/11E	9,093,175	20	1.64%	0.5%
Yachats	R99100	6/17/2005	3/27/2005	4/03/2009	6,700,000	20	2.90%	0.5%
Total					\$251,265,288			

Notes:

Dates followed by an "E" are estimates.

For projects that include construction: The "Start Date" is the Construction Start Date, and the "Completion Date" is the Initiation of Operations Date.

Projects are deleted from this list when fully disbursed.

The "One Time Fee" column has been deleted, because that fee is no longer applicable

The following summarizes loan activity during fiscal year 2010 and program administrative expense. This demonstrates DEQ's compliance with the federal requirement, 40 CFR §35.3135(c), to execute binding commitments in an amount equal to or greater than 120% of all federal grant payments within one year of those payments on a cumulative basis.

Total loans as of June 30, 2009	\$722,584,667
Total Admin. Exp. Pd. From Grants	8,863,620
Total Commitments	731,448,287

Federal Payments thru 2009	273,381,812
FISCAL YEAR 2010 ACTIVITY	
Loans	109,081,012
Admin. Expense Pd. From Grants	0
Federal Payments (prior yr.)	22,664,942
Cumulative Total Loans as of June 30, 2010	831,665,679
Cum. Total Admin. Exp. Pd. From Grants	8,863,620
Total Commitments	840,529,299
Cum. Total Fed. Payments thru 2009	296,046,754
Commitments as a percentage of federal payments (cumulative)	284%

Loans to Major Local Agencies

As of June 30, 2010, DEQ has made loans through the Fund to 25 local governments for a total of \$10,000,000 or more, and in the aggregate, exceeds \$570,000,000. The outstanding balances of these loans represent approximately 72 percent of the total loans receivable.

Table 7. CWSRF borrowers with loans totaling more than \$10 million (as of June 30, 2010).

Borrower	Loan Amount	Outstanding Amount	Current Status
Albany, City of	78,202,059	69,000,000	(1)
Ashland	23,920,068	16,530,415	Repayment
Astoria	18,115,436	11,908,475	(1)
Brookings	13,100,000	8,996,690	Repayment
Corvallis	21,963,693	13,435,453	Repayment
Dallas	14,880,000	8,805,591	Repayment
Eugene,	25,592,592	0	Paid
Florence	17,202,415	7,459,481	(1)
Gresham	55,726,432	8,024,380	(1)
Newport, City of	20,228,883	9,741,089	Repayment
Ontario	13,971,689	4,710,982	Repayment
Portland	40,858,234	18,207,272	(1)
Prineville	16,285,213	12,557,231	Repayment
Rainier	10,110,684	9,882,692	Repayment
Redmond	21,138,406	12,290,426	(1)
Reedsport	13,500,000	11,076,498	Active
Salem	29,665,805	27,951,150	Repayment
Sweet Home	14,795,479	6,984,071	(1)
Tillamook	20,080,207	16,051,129	(1)
Warrenton	11,333,960	8,136,486	(1)
Woodburn	40,142,846	20,007,623	(1)
Clackamas Co. S.D.#1	12,578,125	1,914,640	Active
Farmers Irrigation Dist.	15,625,000	12,552,603	(1)
MWMC	16,779,700	5,478,214	Active
Rogue Valley Sewer Ser	10,771,968	3,899,444	(1)
Totals	576,568,894	325,602,035	
Total loans	831,665,679		

Notes:

(1) Borrower has both active loans and loans in repayment.

Table 8 below lists all new loans executed and all loan increases and decreases processed during the fiscal year 2010. The table also includes: the project's priority ranking from the Project Priority List for new loans, an indication of whether new loans will be required to comply with the federal "cross-cutter" laws, and an indication of whether the project was issued a Categorical Exclusion or was required to complete an Environmental Review.

1st Quarter (July 2009 – September 2009):

Loan #	ER/CE?	Borrower	Action	Ranking	Amount	Cross-Cutters?
80162		St. Helens	New	124	550,000	N/A
97791		Winston	New	158	160,000	N/A
66790		Moro	New	132	37,500	N/A
35540		Gardiner Sanitary	New	94	125,000	N/A

56200		Lebanon	Decrease	N/A	-600,000	N/A
06322	CE	Farmers	New	23	4,000,000	YES
06914	N/A	Three Sisters	New	39	465,340	YES
06216	N/A	Central OR	New	18	4,000,000	YES
06809	CE	Scappoose	New	38	705,660	YES
06801	CE	St. Helens	New	18	4,000,000	YES
32242		Farmers	Increase	N/A	1,825,000	N/A
06724	CE	Pendleton	New	25	4,000,000	YES
06648	CE	MWMC	New	11	4,000,000	YES
06896	N/A	Swalley	New	16	3,100,000	YES
06105	CE	City of Albany	New	5	4,000,000	YES
06654	CE	City of Millersburg	New	5	4,000,000	YES
98413	N/A	City of Woodburn	Increase	N/A	100,000	N/A

SUBTOTAL: 34,468,500

2nd Quarter (October 2009 – December 2009):

Loan #	ER/CE?	Borrower	Action	Ranking	Amount	Cross-Cutters?
98414	N/A	Woodburn	Increase	N/A	1,263,086	N/A
39190	N/A	Gresham	Decrease	N/A	-2,317,942	N/A
06655	CE	Milwaukie	New	2	4,000,000	YES
91567	N/A	City of Tillamook	Increase	N/A	2,457,389	N/A
80930	N/A	City of Scappoose	Cancelled	N/A	-705,660	N/A
65580	N/A	City of Milwaukie	Cancelled	N/A	-3,610,150	N/A
06224	CE	Clackamas Co. S.D.	New	2	4,000,000	YES
22402	N/A	Clackamas Co. S.D.	Cancelled	N/A	4,075,436	N/A
64840	N/A	MWMC	Increase	N/A	1,731,962	N/A
06117	CE	City of Astoria	New	26	4,000,000	YES
11793	CE	City of Astoria	New	26	3,475,436	YES
37812	N/A	City of Gold Beach	Decrease	N/A	-145	N/A
87161	N/A	City of Stanfield	Increase	N/A	30,653	N/A
27610	N/A	Deschutes SWCD	Decrease	N/A	-21,501	N/A
66790	N/A	City of Moro	Increase	N/A	119,500	N/A
91410	CE	Three Sisters I.D	New	39	2,000,000	YES
69981	N/A	City of Nyssa	New	144	100,000	N/A
19810	N/A	Town of Butte Falls	Increase	N/A	17,000	N/A

SUBTOTAL: 12,464,192

3rd Quarter (January 2010 – March 2010):

Loan #	ER/CE?	Borrower	Action	Ranking	Amount	Cross-Cutters?
29200	N/A	Drain	New	144	90,000	N/A
89752	CE	Sweet Home	New	39	5,000,000	YES
70030	CE	Oak Lodge	New	46	5,000,000	YES
33422	CE	Florence	New	63	4,923,260	YES
76210	N/A	Reedsport	Increase	N/A	2,700,000	N/A
98414	N/A	Woodburn	Increase	N/A	3,736,914	N/A
35540	N/A	Gardiner	Increase	N/A	50,000	N/A
10512	N/A	Albany	Increase	N/A	1,038,124	N/A
52601	CE	Klamath Co. Schools	New	32	2,472,000	YES
64840	N/A	MWMC	Increase	N/A	4,268,038	N/A

37813	ER	City of Gold Beach	New	32	5,000,000	YES
77402	CE	City of Riddle	New	44	2,523,125	YES
39193	CE	City of Gresham	New	1	5,000,000	YES
30141	N/A	East Fork I.D.	Increase	N/A	150,000	N/A
11852	ER	City of Athena	New	65	1,543,900	YES

SUBTOTAL: 43,495,361

4th Quarter (April 2010 – June 2010):

Loan #	ER/CE?	Borrower	Action	Ranking	Amount	Cross-Cutters?
72400	CE	Pendleton	New	25	2,400,000	YES
64842	CE	MWMC	New	11	3,500,000	YES
91567	N/A	Tillamook	Increase	N/A	2,197,062	N/A
22403	CE	Clackamas Co.	New	2	5,000,000	YES
21923	ER	Charleston	New	79	1,035,150	YES
43770	CE	Hermiston	New	4	4,047,328	YES
91411	N/A	Three Sisters	New	39	334,660	YES
91801	N/A	City of Toledo	New	113	100,000	N/A
75262	N/A	City of Rainier	Increase	N/A	38,759	N/A

SUBTOTAL: 18,652,959

ANNUAL TOTAL: 109,081,012

Implementation of the Loan Award By-Pass Procedure

DEQ's CWSRF loan program uses an approach to execute new loans that is known as a by-pass procedure. This approach is based on DEQ's authority under the federal regulations to base the IUP on whether projects are ready to proceed and simultaneously to use the ranking of projects as the criteria for determining the funding priority of those projects that are in fact ready to proceed. Each loan application submitted to DEQ is scored and ranked by CWSRF program staff and is included in the IUP. Projects can only be funded if they are included in the IUP and are "ready to proceed". "Ready to proceed" includes satisfying all CWSRF requirements, including for example, a land use compatibility statement, an environmental review (if applicable) and documentation supporting compliance with the federal cross cutting authorities. An applicant is not considered ready to execute a loan agreement until all such requirements have been satisfied.

If enough projects are ready to proceed, the CWSRF loan program may not have sufficient funds available to accommodate all those requests. In this situation, DEQ will award loans to projects that are ready to proceed in rank order based on the Project Priority List ranking as published in the IUP. If the number of projects ready to proceed does not require all available CWSRF program funds, DEQ will award loans without regard to ranking, since available funds will accommodate all projects ready to proceed. This encourages applicants to proceed with their projects, and helps to put CWSRF funds to work in a timely manner.

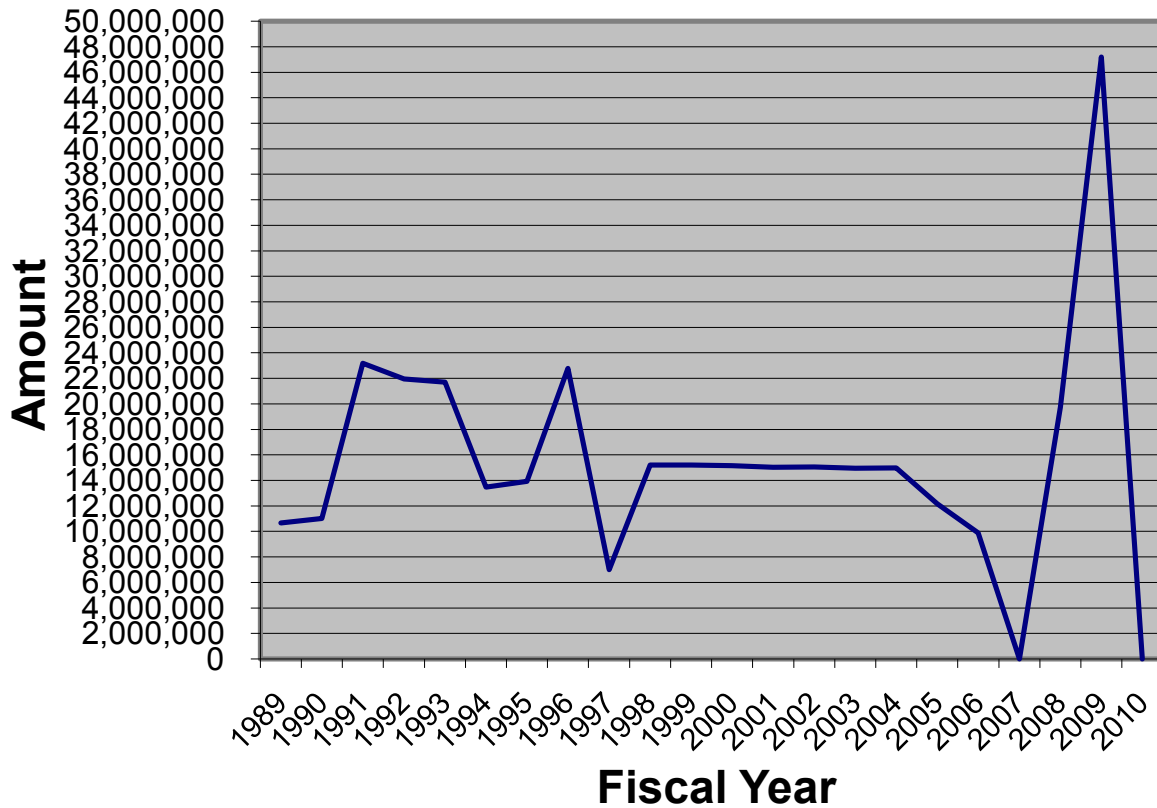
This by-pass procedure approach prevents a situation where DEQ would have to wait for the highest ranking projects to satisfy all CWSRF program requirements before offering loans to lower ranking projects that are ready to proceed. If DEQ did not implement this approach, the CWSRF program would be greatly impacted in its ability to loan financing in a timely manner for projects that are ready to proceed. Most new loans executed in state FY 2010 were to high ranking projects, although the by-pass procedure was implemented for projects that were allocated funding under ARRA.

The following schedule shows the availability of federal funds according to the grant payment schedules, the actual transfer of state matching funds, and compliance with the federal requirement (40 CFR §35.3135(b)) that the cumulative state match transfers equal at least 20% of the cumulative federal grant payments available.

Federal Grant Payments thru 2009(corrected)	\$296,046,754
State Match Payments thru 2009	59,438,875
Match as a percentage of fed. Grants:	20.08%
Fiscal Year 2010 Activity	
Grant Payments (excluding ARRA)	4,755,031
Match Payments (this is new money to the SRF)	4,925,796
Cumulative Totals:	
Grant Payments	\$300,801,785
Match Payments	64,364,671
Match payments as a percentage of federal Payments:	21.40%

Figure 1. Federal capitalization grants awarded to the CWSRF loan program since 1989 (the 2009 amount includes the ARRA grant of \$44,271,000, awarded June 3, 2009)

CWSRF Cap Grants



The following schedule summarizes the FY 2010 disbursements, administrative expense and federal grant draws. It also documents the pace of the program, by indicating the ratio of federal funds drawn to total funds (from all sources) utilized over the life of the program.

TOTALS AT 6/30/2009

Total loan disbursements	\$643,823,000
Total administrative expense	14,194,260
Total funds utilization:	658,017,260
Total federal grant draws	296,046,754

Grant draws as a percent of total funds utilization: 45.0%

Fiscal Year 2010 Activity

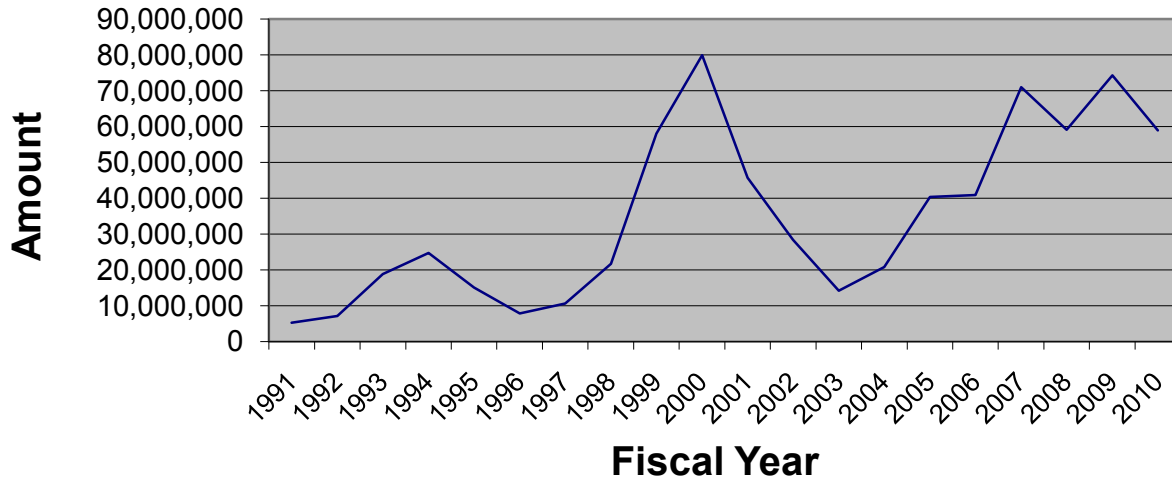
Loan disbursements	58,940,716
Admin. Expense	1,443,174
Federal grant draws	28,064,112

Cumulative loan disbursements	\$702,763,716
Cumulative admin. expense	15,637,434
Cumulative total funds utilization	718,401,150
Cumulative federal grant draws	324,110,866

Grant draws as a percent of total funds utilization: 45.1%

Figure 2. Amount of loan disbursements processed during each state fiscal year.

CWSRF Loan Disbursements

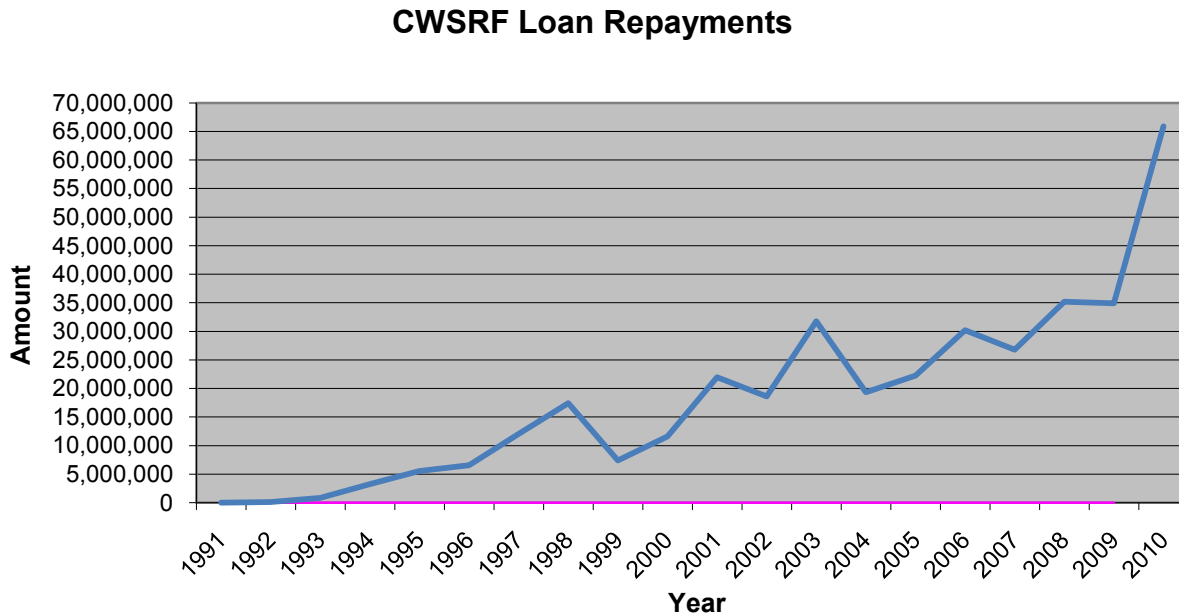


Refinancing Rule Exclusion and Compliance

Federal regulations define “refinancing” to include construction costs which have been incurred prior to signing loan agreements. A cumulative exclusion amount of \$2 million each year is available to offset these situations. When the cumulative exclusion is exceeded, payment of the “refinanced” costs will be made ratably over eight quarters.

Exclusion available as of June 30, 2009	\$29,546,767
FY 2010 exclusion amount available	2,000,000
FY 2010 exclusion amount used	4,152,870
Exclusion available as of June 30, 2010	\$27,393,897

Figure 3. Loan repayments (principal and interest) the CWSRF loan program has received since 1991.



CWSRF Financial Indicators – State FY 2010

The following financial data shows how successful Oregon’s CWSRF loan program is based on six financial indicators that were developed by the EPA/States SRF Workgroup. These indicators show Oregon’s progress in funding as many water quality improvement projects as possible while maintaining the program’s equity in perpetuity. The data is based on Oregon’s CWSRF program activity through June 30, 2010 in relation to six financial indicators.

Indicator #1: Return on Federal Investment

Shows the amount invested in water quality beneficial projects for each federal dollar invested (total loan disbursements/total federal draws (for loans and administrative costs))

(A) Total Loan Disbursements:	702,763,716
(B) Federal draws for loans:	315,247,246
(C) Federal draws for Admin:	8,863,620
(A)/(B+C)	216.83%

Indicator #2: Percentage of Closed (executed) Loans to Funds Available For Loans

Shows the amount of signed loan agreements compared to the amount of funds available for loans

(A) Amount of signed loan agreements:	831,665,679
(B) Cumulative Cap Grants:	345,072,785
(C) Cumulative State Match:	64,364,670
(D) Loan Principal Repaid:	259,656,018
(E) Operating Profit	
(1) Interest from loans:	112,287,863
(2) Interest from investments:	31,187,458

(3) Administrative Expense:	8,863,620
(F) Match Bond Payments from the SRF	28,593,808
(A)/(B+C+D+E1+E2-E3-F)	107.30%

Indicator #3: Percentage of Funds Disbursed to Closed Loans

Shows the amount of funds actually disbursed compared to the amount of signed loan agreements

(A) Total Loan Disbursements:	702,763,716
(B) Total Signed Loan Agreements:	831,665,679
A/B	84.50%

Indicator #4: Benefits of Leveraging

DOES NOT APPLY TO OREGON PROGRAM

Indicator #5: Perpetuity of Fund

Demonstrates whether the program is maintaining its contributed capital

(A) Interest on Loans	112,287,863
(B) Interest on Investments	31,187,458
(C) Fed. Admin. Allowance	13,802,911
(D) Actual Admin. Costs	8,863,620
A+B+C-D	148,414,612

A positive result indicates the Program is maintaining its capital base

Indicator #6: Estimated Subsidy - Current Fiscal Year

An estimate of the CWSRF interest rate subsidy, stated as a percentage of the market rate

(A) Estimated Market Int. Rate:	4.37%
(B) Average CWSRF Loan Rate:	0.87%
A-B	3.50%
(A-B)/A	80.1%

Binding Commitments and Funds Available

EPA requires that the CWSRF program execute binding commitments at least equal to the amount of funds available in the program, within one year of that fund availability. Table 9 shows the amount of funds available as of June 30, 2009, and this amount is then compared to the amount of the binding commitments executed as of June 30, 2010 (\$831,665,679). The amount of binding commitments as a percentage of funds available from 2009 is 113.0%.

Table 9. Binding commitments executed and amount of funds available.

FUNDS AVAILABLE AS OF JUNE 30, 2009:

Total Federal Cap Grants Awarded	Total State Match	Total Principal Repayments	Total Interest Repayments	Total Investment Interest	Total Early Principal Repayments FY 06 - 08	TOTAL FUNDS AVAILABLE
345,072,785	59,453,605	208,105,228	97,941,525	31,187,458	3,879,367	737,881,234

TOTAL BINDING COMMITMENTS AS OF JUNE 30, 2010:

831,665,679

BINDING COMMITMENTS AS A PERCENTAGE OF FUNDS AVAILABLE FROM 2009:

112.7%

Early Principal Repayments for FY 2007 – 2009		
Borrower and Loan number	Amount	Fiscal Year
Hines 44630	11,353	FY 07
Hubbard 46610	300,000	FY 07
Waldport 94340	28,012	FY 08
Newport 68931	3,540,002	FY 08
Total	3,879,367	

Note: DEQ has 3 years to commit early principal payments

Program Income

Program income is defined to be income earned by the CWSRF that is directly attributable to receipt of federal grant money. In the CWSRF loan program this applies to fees collected on loans originally disbursed from federal grant money. Program income can be collected during a grant period (the time a grant is considered active by EPA), or can be collected after a grant period (since loan repayment generally continues for 20 years). The following schedules show the amount of program income from fees collected during and after grant periods, for each capitalization grant, during fiscal year 2010. The 1989 – 1991 grants are not shown, because the related loans are either paid in full or were assessed no fees:

1992 Cap Grant

Program Income from Fees, earned during grant period: \$0
 Program Income from Fees, earned after grant period: \$2,220

1993 Cap Grant

Program Income from Fees, earned during grant period: \$0
 Program Income from Fees, earned after grant period: \$44,015

1994 Cap Grant

Program Income from Fees, earned during grant period: \$0
 Program Income from Fees, earned after grant period: \$33,856

1995 Cap Grant

Program Income from Fees, earned during grant period: \$0

Program Income from Fees, earned after grant period:	\$40,046
1996 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$61,119
1997 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$21,699
1998 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$49,494
1999 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$43,626
2000 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$41,897
2001 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$41,896
2002 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$55,014
2003 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$40,245
2004 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$63,245
2005 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$49,576
2006 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$40,785
2008 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$12,312
2009 Cap Grant	
Program Income from Fees, earned during grant period:	\$810
Program Income from Fees, earned after grant period:	\$0

Total FY 2010 program income from fees, during grant period:	\$810
Total FY 2010 program income from fees, after grant period:	\$641,045
Total fees collected in FY 2010 that are NOT program income:	\$681,861
Total loan fees collected during FY 2010:	\$1,323,716

Summary of fees collected since program inception (first fee was paid in April 1994):

Total program income, earned during grant period, since program inception:	\$1,879,195
Total program income, earned after grant period, since program inception:	\$6,098,840
Total fees collect since program inception – NOT program income:	\$6,499,142

Income From Loan Fees & Payment of Administrative Costs

CWSRF loan programs are allowed to pay for the costs of administering the programs with up to four percent of the capitalization grant funds each year. If a state chooses not to use grant funds for that purpose it may “bank” the four percent and use it at a later time. Oregon has chosen, beginning in December 2004, to use 100% of its grant funds to make loans, and to pay the administrative costs of the program using the loan fee charged on all our design/construction loans (except interim loans). This annual fee is authorized under OAR 340-054-0065(7).

During FY 2010 DEQ collected \$1,323,716 in fee revenue from borrowers, including \$641,855 in program income. All of the FY 2010 administrative costs were paid from loan fee revenues. The following summarizes loan fee activity during state fiscal year 2010.

Beginning Net Assets in Fees Fund (6/30/2009, corrected)	\$6,815,418
Fees received during FY 2010	1,323,717
Interest credited by Treasury Dept.	46,430
Administrative expense, FY 2010 (see income statement)	1,479,370
Ending Net Assets in Fees Fund (6/30/2010)	\$6,706,195

Total administrative expense since state fiscal year 1991 is \$15,637,435. Until December 2004 all administrative costs of the program were paid using the four percent allowed from the capitalization grant. Total administrative expenses paid from capitalization grants to that date were \$8,863,620. Since December 2004 DEQ has incurred an additional \$6,773,815 in administrative expense, which has been paid solely from the loan fees charged to borrowers. The \$6,773,815 paid from fee revenues is considered allocated as follows: \$1,879,195 from program income earned during grant periods, and \$4,894,620 from program income earned after grant periods.

Loan Portfolio and Activities

Project Selection Procedures

Letters of information and solicitation (using both paper and electronic form) are sent annually to all public agencies in Oregon including cities, service districts, and sanitary districts. DEQ scores and ranks all eligible applications that are received based upon criteria in DEQ administrative rules. These projects are then included in the Intended Use Plan.

As applications are received, or requests for loan increases are received, they are funded in rank order if funds are available, with requests for loan increases receiving first priority. When there are not enough funds for all of the projects that are ready to proceed, allocations of new funds are made on a competitive

basis. The cash flow model is updated with the projected schedules for new loans to be sure that cash will be available when needed. During fiscal year 2010 22% of the available loan funds were used to provide increases to existing loans and 100% were used for new loans (this totals more than 100% because DEQ also processed loan amendments to decrease the amount of several loans, thereby increasing the amount available for other projects).

The available funds are calculated annually in the Intended Use Plan considering all of the cash flow anticipated for the funding period. The maximum funding for any single borrower is calculated at 15% of the available funds (the maximum may be exceeded when no other requests for increases or unfunded applications are on hand). Reserve amounts are calculated as follows:

- Small Community Reserve: 15% of available funds for communities with populations of 5,000 or less.
- Facilities Planning Reserve: a maximum of \$3,000,000 will be available for facilities planning loans.
- Expedited Loans Reserve: \$2,000,000, although this amount may be increased at the Department's discretion.

Increases for existing loans are funded first. After increases, applicable projects are funded from the reserves for Small Communities, Facilities Planning and Expedited Loans. The balance of available funds is used to finance all other projects that have completed applications in Priority List order. When the reserve funds have been depleted, Small Community, Facilities Planning and Expedited projects compete with all other projects for funding.

If more funds become available during the year based on the cash flow model, over and above the original available funds calculation, additional increases and new loans are funded in priority order.

Project Scoring Criteria

An application for an eligible proposed project is ranked based on the program's criteria established by Oregon Administrative Rule 340-054-0025(4) Table 1. Criteria are as follows:

Category 1: Proposed Project's anticipated benefit for water quality or public health

1A--(0 or 8 points)--Project addresses water quality or public health issue within a "special status" water body

1B--(0-6 points)--Project addresses noncompliance with water quality standards, a public health issue or effluent limits related to surface waters

1C--(0-6 points)--Project addresses noncompliance with water quality standards or a public health issue related to groundwater

1D--(0-12 points)--Project ensures that a source already in compliance maintains that compliance.

1E--(0-8 points)--Project improves or sustains aquatic habitat supporting state or federally threatened or endangered species

1F--(0-12 points)--Project incorporates wastewater reuse or a water quality-related conservation process

1G--(0-7 points)--Project improves water quality by mitigating any of the following pollutants: temperature, dissolved oxygen, contaminated sediments, toxics on the EPA Priority Pollutants List, bacteria or nutrients

1H--(0-5 points)--Project supports the implementation of a Total Maximum Daily Load (TMDL) allocation or action plan for a Ground Water Management Area

1I--(0-6 points)--Project addresses a water quality or public health issue involving "Persistent Bioaccumulative Toxics" (PBT's)

Category 2: Potential water quality or public health consequences of not funding the proposed project

2A--(0-5 points)--If the proposed project is not implemented, water quality standards are likely to be exceeded or existing exceedances are likely to worsen

2B--(0-5 points)--If the proposed project is not implemented, the resulting impact is likely to cause a public health problem

2C--(0-5 points)--A unique opportunity to implement the proposed project currently exists due to timing, finances or other limitations that would not allow this project to be implemented in the future

Category 3: Other considerations

3A--(0-3 points)--Project has significant educational or outreach component

3B--(0-3 points)--Project demonstrates innovative technology which is transferable

3C--(0-3 points)--Project is a partnership with other group(s), incorporating self-help, financial or in-kind support

3D--(0-5 points)--Project incorporates monitoring, reporting or adaptive management

3E--(0 or 1 point)--Project addresses or includes risk management, safety or security measures

3F--(0-minus 5 points)--Applicant's past performance with previous Department loans or grants such as, but not limited to, failure to satisfy match requirements of a grant, failure to complete the project or failure to submit any other required deliverable in a timely manner.

Project Information

During state FY 2010, 17 projects, totaling \$46,821,434 were started and 19 projects, totaling \$118,111,149 were completed. During the same period there were 25 projects that required either an environmental review or received a categorical exclusion from such review. All these projects were required to complete environmental reviews.

Other Program Requirements

Environmental Review

Environmental review during state FY 2010 was completed on all Title II Equivalency projects. For these projects, DEQ reviewed all requests for categorical exclusions, environmental assessments and environmental impact statements submitted by CWSRF borrowers according to the requirements of the National Environmental Policy Act. After incorporation of any DEQ review comments, public comments were solicited through notices published in one statewide and one local newspaper of general circulation. Notices were also mailed directly to other state and federal agencies, and other interested parties.

Applicable Federal Authorities and Laws

All State Revolving Fund projects receiving federal funds are required to comply with federal laws and authorities, as identified in the Initial Guidance of January 1988. Specific language agreeing to comply with these laws and authorities and a list of "cross-cutter" requirements are included in each loan agreement. Compliance is reviewed by each CWSRF program regional project officer.

At the end of each fiscal year, all borrowers receiving disbursements during the year are sent a statement showing the funding sources of the disbursements. Compliance with the Single Audit Act and OMB Circular A-133 in the annual audit of the borrower's financial statements is required if "first round" federal funds are "passed through" in loan disbursements. DEQ's borrowers are considered to be Sub-Recipients for purposes of Circular A-133.

Public Involvement

Public involvement is provided during development of the CWSRF Intended Use Plan. All public agencies that submit CWSRF applications are notified of the public comment period for the Proposed Intended Use Plan. A public notice is published in the Daily Journal of Commerce notifying the general public of the document's availability for review. The Proposed Intended Use Plan is available on DEQ's web page during this time. Public comments on the proposed Project Priority List and Intended Use Plan are addressed after the public comment period, and appropriate revisions are made.

Compliance With Applicable Federal Laws

EPA determined in 2006 that DEQ's CWSRF loan program had not consistently documented project compliance with all related federal laws, specifically pertaining to environmental review and the "cross-cutters" for all Section 212 projects (40 CFR §35.3140). As a result, EPA withheld the federal fiscal year 2007 grant from DEQ until such time when DEQ had procedures in place to ensure compliance with federal laws. DEQ was required to revise procedures, develop new program documents, and revise the CWSRF Procedures Manual which includes the State Environmental Review Process (SERP). Upon EPA's approval of meeting these requirements, DEQ was awarded both the FY 2007 and 2008 federal capitalization grants together. The entire amount of these grants was considered the FY 2008 grant. EPA has required DEQ's CWSRF loan program to document compliance with all applicable cross-cutters for all projects until such time DEQ can document cross-cutter compliance with projects in an amount equal to the cumulative capitalization grants received. The amount of this "backlog" of documentation deficiency was originally determined to be \$181,758,016. The amount of backlog at June 30, 2009 was reported to be \$187,531,712. During FY 2010 two grant awards were made, totaling \$49,026,031 (the ARRA grant was actually awarded June 8, 2009, however was not included in the FY 2009 Annual Report). New loans executed during FY 2010 that were compliant with the SERP total \$100,645,199, leaving a backlog of \$135,912,544 as of June 30, 2010.