1. INTRODUCTION

The Safe Drinking Water Act (SDWA) amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) program to assist public water systems to finance the cost of the infrastructure needed to achieve or maintain compliance with SDWA requirements and protect public health. This Intended Use Plan (IUP) details the intended use for the State Fiscal Year 2012 (FY 2011) Capitalization Grant funds. The Capitalization Grant amount is $9,268,000. Congress will appropriate these funds in FY 2011 and for a $9,268,000 grant; the required state match will be $1,853,600. The state Program Match will be $926,800. The West Virginia Infrastructure and Jobs Development Council (Infrastructure Council) committed the funds for the required 20 percent match at its June 1, 2011 meeting.

From the FY 2011 Capitalization Grant, $6,394,920 (along with the state match, and projected earned interest and loan repayments through June 30, 2011), shall be used to construct projects. These funds are the Drinking Water Treatment Revolving Fund (DWTRF). The 2% Technical Assistance is used to contract a Continuing Education Training program for water operator training and certification. The 4% Administration funding is used to manage the DWTRF program and some in-kind service is being requested to supplement staff support for program oversight. The 15% Local Assistance funding is used in implementing the required state Source Water Protection Program, assessing, and assisting in the technical, managerial and financial capacity of small systems. The 10% Program Management funding is used for enhancing the Public Water Supply Supervision Program (PWSS). Some in-kind service is being requested from the 4%, 10%, and 15% set-asides.

2. PROJECTS

A. Project Funding Requirements

Approval from the Infrastructure Council is required for any project to receive DWTRF assistance. The Infrastructure Council with recommendations from its Water Technical Review Committee and the Funding Committee must approve all projects. Both of the following requirements must be considered for funding of projects:

1) At least 15% of the funds in the DWTRF must go to systems serving less than 10,000 total persons. Federal code allows crediting prior year’s excess above the 15% for the annual requirement.

2) West Virginia legislation authorizes the DWTRF requirement for disadvantaged communities. “The division of health shall, in accordance with the provisions of the safe drinking water act, establish a program for loan subsidies to disadvantaged communities. Thirty percent of the federal capitalization grants made to this state shall be dedicated to the funding of projects for disadvantaged communities” (Authority §16-13C-3). This requirement is not a federal requirement. At least thirty percent of the cumulative federal
funds will be used for disadvantaged communities. The 30% requirement will be calculated on a cumulative basis of awarded grants.

B. The Project Priority List (PPL) Process

The PPL process uses an application that the water system must complete to be considered for DWTRF funding. This application process has improved the DWTRF program by listing only those systems that are truly interested in using low interest loan funds. This eliminates the need to bypass many projects that are not interested in using the DWTRF low interest loan money.

After each water system submits an application through the Infrastructure Council it:

1) Has its project scored using DWTRF criteria;

2) May be contacted concerning its interest in DWTRF funding; and

3) If the water system is interested in DWTRF, submits a form to be included on the next priority list that is put out to public notice.

Water systems that are the closest to going to bid, (e.g., the project design is complete and a PSC application has been submitted, etc.) are given top priority when giving out binding commitment letters, thus, some projects which have not received other funding or have not been designed will be bypassed in accordance with our IUP.

In order to fund more projects with DWTRF funds, the PPL may be put out to public notice several times a year so that projects approved by the Infrastructure Council and have been scored and ranked, can be given binding letter of commitments sooner.

Also, prior to putting the PPL out to Public Notice, water systems that have been on the prior PPL, but have not received a funding commitment, will be contacted about the status of their project(s) and if they still potentially wish to be funded by the DWTRF.

Projects requesting DWTRF funding assistance are prioritized as described in Attachment 1, DWTRF Project Priority Ranking System. Three categories (public health, regulatory compliance, and affordability) are used to determine project scoring. Projects that apply for DWTRF funding are ranked on a PPL (Attachment 2, Project Priority List/Comprehensive List). The PPL includes the name of the public water system, description of the project, priority assigned, expected financial terms, size of community served, and whether or not the system is disadvantaged. The highest ranked projects on the PPL are contacted concerning their project status to determine if funding from the DWTRF is appropriate and the project is ready to proceed. It is the ultimate responsibility of the water system to inform OEHS of changes to their readiness to proceed status.

Projects expecting to receive assistance from the DWTRF FFY 2011 Capitalization Grant Funds are on the Funding List Detailed Description (Attachment 3). Projects that rank lower on the...
PPL may still receive funding should one or more of the higher ranked projects be bypassed using the bypass procedure described below. Projects on the most recent PPL are also eligible to receive funding from previously awarded capitalization grants.

C. Bypass Procedure

Prior to implementing the bypass procedure, water systems listed on the PPL will be reviewed to determine their project status as compared to the ready to proceed project awaiting a funding commitment for their project. Based on the review, OEHS will determine whether to bypass the project and select another project for funding commitment consideration. The following provisions will be used to bypass a project on the PPL:

1) Even though the project is for a system that is defined as a Significant Non-Complier (SNC) of the Safe Drinking Water Act, using EPA’s criteria for SNC designation, it is determined the proposed project will not ensure compliance.

2) The project is for a system that would not have operators properly certified to operate and maintain the system by the time the project is to receive funding.

3) The project changes significantly in scope and requires re-evaluation of the proposal using the DWTRF ranking system.

4) The project is unable to proceed in a timely manner.

5) Other project funding is not committed. Should the bypassed project be within the fundable range, it may be funded at a later date.

6) The project costs significantly exceed the anticipated loan amounts. The project scope could be reduced to within the available DWTRF loan amount provided the ranking does not change.

7) The system declines the assistance.

8) The project is not determined as technically and financially feasible by the Infrastructure Council.

9) The project is unable to meet the schedule developed and agreed upon by the project sponsor and OEHS.

10) A lower ranked project attains a higher rating due to revised information, such as an environmental or public health emergency.
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11) The water system is not considered as having the managerial, financial, and technical capacity, even after project completion, based upon a Capacity Development Assessment by OEHS.

12) One or more Green Infrastructure Projects are required to be funded from the Capitalization Grant further down the list.

When OEHS bypasses a project, the project will remain on the PPL for consideration at a future time. If the project no longer needs or wants DWTRF funding, it is removed from future PPLs. OEHS will provide technical assistance (as needed) with bypassed projects to assist them in being eligible for the future funding. OEHS will provide low interest design loans to increase the project pace, where needed.

In cases where a project is bypassed, the next project on the list (not being bypassed) will be funded within the funds available through the criteria outlined in this section. If a funded project comes in under cost, the remaining funds may be used to fund additional project work that can be associated with the project scope; to fund the next project on the PPL (if the cost does not exceed the available funds); or to fund other water system project needs as deemed appropriate by OEHS.

D. Emergency Projects

Projects to remediate an imminent significant hazard to a community’s public health may be considered an “Emergency” project if approved by OEHS. An emergency project may not be required to be on the approved PPL if the evaluation by OEHS verifies the urgency of the project execution to avoid a major impact to the water system’s customers. All emergency projects must be reviewed at the Infrastructure Council and approved by it.

E. Loan Terms and Fees

Eligible public water systems use the DWTRF assistance to fund the cost of infrastructure needed to achieve or maintain compliance with the SDWA and other drinking water regulations. OEHS proposes to use $8,248,520 ($6,394,920 of federal funds and $1,853,600 state matching funds) to provide loans to public water systems for infrastructure improvements. Additional subsidization in the form of grants, principal forgiveness, or negative interest amounting to at least 30% ($2,780,400) of the $9,268,000 capitalization grant will be provided to water systems. The required 20% ($1,853,600) will be used to fund green reserve infrastructure projects (see Green Infrastructure section below for details).

Interest Rate

a) The affordability standard for annual water user rates is set at 1.5% of Median Household Income (MHI) for 4,000 gallon monthly usage. Water rates equal to or greater than this standard will be considered disadvantaged. Water rates below this standard will be considered non-disadvantaged.
Funding will be provided at up to 50% principal forgiveness in combination with the remaining funding at a 0% loan for disadvantaged public water systems. Non-disadvantaged water systems will be eligible for 2% loans. These rates will be effective for any water system project approved at the Infrastructure Council prior to July 15, 2011.

For those projects approved at Infrastructure Council after July 15, 2011, a ½% loan for disadvantaged public water systems will be provided with up to 50% principal forgiveness. Non-disadvantaged water systems will be eligible for 2 ½% loans.

b) If DWTRF funding replaces another agency’s grantor loan funds on a previously approved Infrastructure Council project, additional subsidization can be provided to maintain the approved level of affordability. If the project was determined to be disadvantaged by the Infrastructure Council prior to calendar year 2008, that determination will carry over to this grant.

**Loan Terms**

Terms are given up to 20 years for non-disadvantaged loans and up to 30 years for disadvantaged community water systems loans.

**Administrative Fees**

OEHS administrative fee for projects approved by the Infrastructure Council prior to July 15, 2011, is 1% of the loan amount to be repaid and the fee is paid evenly over the life of the loan. For projects approved by the Infrastructure Council after July 15, 2011, the OEHS administrative fee is ½% of the loan amount to be repaid and the fee is paid evenly over the life of the loan. This administrative fee may be adjusted to make the project affordable. Administrative fees for principal forgiveness loans will be waived.

**Design Loans**

The DWTRF provides design loans to eligible public water systems for projects on the PPL. The purpose of design loans is to make the projects more attractive for outside additional funding and to decrease the time between project design and construction. The loans will be offered at the same terms as those deemed for infrastructure improvements. Loan payback will begin in the full fiscal quarter following design loan closure.

**Graduated Loan Repayment**

The DWTRF loan program can provide graduated loan repayment schedules to make projects more affordable to water systems. In this case, the water system will start repayments following construction completion, but the initial payments will be reduced until one or more existing debts are paid in full. Then, the water system will make accelerated DWTRF payments within the loan period. This will allow a level debt service payment for water systems to make infrastructure projects more affordable.
F. Project Selection and Loan Activities

The PPL was developed from the projects DWTRF was not able to fund from the American Recovery and Reinvestment Act Capitalization Grant. Project representatives were contacted to determine if they were still desired DWTRF funding. Those projects who indicated they still desired to be considered for funding were kept on the list and any other project recently submitting an application to OEHS was added to the list. The PPL is being updated and will be finalized at a later date.

The Funding List Detailed Description (Attachment 3) describes the projects most likely to be funded from this Capitalization Grant. It also describes the predicted amounts of required principal forgiveness may be applied at the time of issuance of this IUP. One project (City of St. Mary’s) has been reviewed and OEHS has determined that it meets the Green Project Reserve requirement. This project qualified for $3,885,728 as GPR which exceeds the Capitalization Grant 20% GPR requirement of $1,853,600.

The Funding List Detailed Description attachment also lists the projects most likely to receive principal forgiveness. A total of $2,800,000 is being proposed for three projects on the list. This amount exceeds the Capitalization Grant 30% principal forgiveness requirement of $2,780,400.

G. Additional Subsidization

The Capitalization Grant requires that not less than 30% of assistance provided is in the form of additional subsidies. OEHS has the authority to offer principal forgiveness and negative interest loans in an amount up to 100% of a loan made by the State’s DWSRF program. The Funding List Detailed Description includes three projects that are eligible to receive at least $2,800,000 in subsidization for disadvantaged water systems. The 30% amount of the capitalization grant funds is $2,780,400, so OEHS has met the requirement for additional subsidization.

H. Green Infrastructure (Green Project Reserve – GPR)

The Capitalization Grant requires that, to the extent there are sufficient eligible project applications, not less than 20% of the funds provided for projects be used for water efficiency, energy efficiency, green infrastructure, or other environmentally innovative activities. The Funding List Detailed Description includes one project with a total assistance amount of $3,885,728 designated as meeting one or more of the specific objectives required by this provision. This project includes $3,885,728 for the approved business case to improve water and energy efficiency by replacing deteriorated distribution water lines. A business case has been developed for this project and was approved by OEHS as a green infrastructure project for the purposes of this requirement. The approved business case is shown in Attachment 3.
The State has determined the green project reserve components of this project meets the green project reserve requirement and totals $3,885,728. The 20% green project reserve requirement for OEHS is $1,853,600 therefore; the State has met the green project reserve with the project listed in the Fundable List.

3. FINANCIAL STATUS

The DWTRF will be managed by OEHS with assistance (through a contract agreement) from the West Virginia Water Development Authority (WDA). The WDA maintains the financial records and insures bond conditions and audit requirements are met. OEHS manages the DWSRF set-aside funds.

A. Total amount of funds in the DWSRF (Construction & Set-Asides)

The amounts available for the DWSRF Program are as shown in Tables 1, 2, and 3. Table 4 shows the amounts disbursed and obligated through March 2011.

TABLE 1. FUNDS AWARDED PRIOR TO STATE FISCAL YEAR 2011 (Construction & Set-Asides)

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Environmental Protection Agency (Total from 1998 through and including 2011)*</td>
<td>$119,439,500</td>
</tr>
<tr>
<td>WV State Match – Infrastructure Council (Total from 1998 through and including 2011)</td>
<td>$19,987,900</td>
</tr>
<tr>
<td>WVDHHR: 10% Set-Aside State Match (Total from 1998 through and including 2011)</td>
<td>$8,781,082</td>
</tr>
<tr>
<td></td>
<td>SUB-TOTAL</td>
</tr>
<tr>
<td>Loan Repayments (As of April 30, 2011)</td>
<td>$17,760,308</td>
</tr>
<tr>
<td>Admin. Fee (typ. 1%)/Fee Invest Interest (As of April 30, 2011)</td>
<td>$2,192,018</td>
</tr>
<tr>
<td>Interest Earnings WV DWTRF (As of April 30, 2011)**</td>
<td>$3,491,990</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
</tr>
</tbody>
</table>

* Table 1 does not include the in-kind services for the following grants:
  - FS-99390003 - $10,000 for Northbridge Environmental Program Manager Support (4%)
  - FS-99390006 - $134,176 for AWOP/PBT Contractor Support (10%)
  - 2F-99390009 - $250,000 for Admin Support of ARRA Projects (4%)

** Includes loans and investment interest earnings (not including interest on administrative fee).
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TABLE 2. FUNDS AWARDED DURING STATE FISCAL YEAR 2011
(Construction & Set-Asides)

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Environmental Protection Agency (FS-99390010-1)</td>
<td>$21,719,000.00</td>
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<tr>
<td>WV State Match - Infrastructure Council (FS-99390010-1)</td>
<td>$4,343,800.00</td>
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<tr>
<td>WVDHHR: 10% Set-Aside State Match (FS-99390010-1)</td>
<td>$873,950.00</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$26,936,750.00</strong></td>
</tr>
</tbody>
</table>

Table 2 includes the following in-kind services:
- Administration - $250,000 for Project administration support
- Program Management - $200,000 for Compliance & Enforcement support

TABLE 3. FUNDS REQUESTED DURING STATE FISCAL YEAR 2012
(Construction & Set-Asides)

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Environmental Protection Agency (FS-99390011)</td>
<td>$9,268,000.00</td>
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<tr>
<td>WV State Match - Infrastructure Council (FS-99390011)</td>
<td>$1,853,600.00</td>
</tr>
<tr>
<td>WVDHHR: 10% Set-Aside State Match (FS-99390011)</td>
<td>$700,000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$11,821,600.00</strong></td>
</tr>
</tbody>
</table>

Table 3 includes the following in-kind services:
- Administration - $224,458 for Project Administration & Compliance support
- Program Management - $25,542 for Compliance & Enforcement support
- Local Assistance - $100,000 for AWOP/PBT support
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### TABLE 4. SET-ASIDE FUNDS DISBURSED OR PROJECTED THROUGH STATE FISCAL YEAR 2011 & CONSTRUCTION LOANS AND COMMITMENTS THROUGH MARCH 2011 (Construction & Set-Asides)

<table>
<thead>
<tr>
<th>Set-Aside Funds</th>
<th>Funds Received Thru SFY 2011*</th>
<th>Additional Funds From FS-99390011</th>
<th>Minus In-Kind Services</th>
<th>Total Incoming Funds</th>
<th>Funds Disbursed as of 3/31/11</th>
<th>Funds Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration (4%)</td>
<td>$4,491,536</td>
<td>$370,720</td>
<td>-$734,458</td>
<td>$4,127,798</td>
<td>$3,080,427</td>
<td>$1,047,371</td>
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<tr>
<td>Small Systems Technical Assistance (2%)</td>
<td>$2,420,891</td>
<td>$185,360</td>
<td>$2,606,251</td>
<td>$2,038,301</td>
<td>$567,950</td>
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</tr>
<tr>
<td>Program Management Federal (10%)</td>
<td>$10,320,152</td>
<td>$926,800</td>
<td>$13,246,952</td>
<td>$8,410,802</td>
<td>$2,836,150</td>
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</tr>
<tr>
<td>Program Management State Match (10%)</td>
<td>$9,655,032</td>
<td>$700,000</td>
<td>$10,355,032</td>
<td>$8,070,774</td>
<td>$2,284,258</td>
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<tr>
<td>Total Program Management</td>
<td>$19,975,184</td>
<td>$1,626,800</td>
<td>-$359,718</td>
<td>$21,242,266</td>
<td>$16,481,576</td>
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<tr>
<td>Local Assistance (15%)</td>
<td>$15,181,930</td>
<td>$1,390,200</td>
<td>-$100,000</td>
<td>$16,472,130</td>
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<td>$4,488,478</td>
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<td>Total Set-Aside Funds</td>
<td>$42,069,541</td>
<td>$3,573,080</td>
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<td>$44,448,445</td>
<td>$33,583,956</td>
<td>$10,864,489</td>
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<td>Construction Assistance Funds</td>
<td>$108,743,991</td>
<td>$6,394,920</td>
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<td>$115,138,911</td>
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<tr>
<td>20% State Match</td>
<td>$24,331,700</td>
<td>$1,853,600</td>
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<td>$26,185,300</td>
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<tr>
<td>Loan Repayments (As of April 30, 2011)</td>
<td>$17,760,308</td>
<td>$800,000</td>
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<td>$18,560,308</td>
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<tr>
<td>Interest on Loans (As of April 30, 2011)</td>
<td>$1,024,598</td>
<td>$3,000</td>
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<td>$1,027,598</td>
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<tr>
<td>Interest Earnings (As of April 30, 2011)</td>
<td>$2,467,392</td>
<td>$1,200</td>
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<td>$2,468,592</td>
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<tr>
<td>Total Funds For Loans</td>
<td>$154,327,989</td>
<td>$9,052,720</td>
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<td>$163,380,709</td>
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<td>Closed Loans (As of April 30, 2011)</td>
<td>$145,039,438</td>
<td>$7,574,455</td>
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<td>$152,613,893</td>
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<tr>
<td>Letters of Commitment</td>
<td>$10,766,816</td>
<td>$163,380,709</td>
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<td>$164,147,523</td>
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<tr>
<td>Planned Future Letters of Commitment</td>
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<td>$163,380,709</td>
<td></td>
<td>$163,380,709</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Committed/Planned Funds</td>
<td></td>
<td></td>
<td></td>
<td>$163,380,709</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds Remaining To Be Committed</td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees on DWTRF Assistance (Including Interest Earnings)</td>
<td>$2,192,018</td>
<td>$340,000.00</td>
<td>$2,532,018</td>
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<td>$2,532,018</td>
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<tr>
<td>Total Program Funds</td>
<td>$198,589,547</td>
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<td>$210,561,171</td>
<td>$196,964,665</td>
<td>$13,396,507</td>
<td></td>
</tr>
</tbody>
</table>

Table 4 “Funds Received” includes the in-kind services for the following capitalization grants:
- FS-99390003 - $10,000 for Northbridge Environmental Program Manager Support (4%)
- FS-99390006 - $134,176 for AWOP/PBT Contractor Support (10%)
- 2F-99390009 - $250,000 for Admin Support of ARRA Projects (4%)
- FS-99390010-1 - $250,000 for Admin Support of Projects (4%)
- FS-99390010-1 - $200,000 for Compliance/Enforcement Contractor Support (10%)
- FS-99390011 - $150,000 for Administration Support of Projects (4%)
- FS-99390011 - $74,458 for Compliance/Enforcement Contractor Support (4%)
- FS-99390011 - $25,542 for Compliance/Enforcement Contractor Support (10%)
- FS-99390011 - $100,000 for AWOP/PBT Contractor Support (15%)

### B. Uses of the New Funds (Construction & Set-Asides)

Below is a summary of the amounts to be used for each activity. Any funds not used for set-aside activities will be used for construction projects. Please note that the DWTRF interest earnings are utilized to supplement the construction funds, specifically for project overruns, as necessary.
**TABLE 5. USES OF NEW/REQUESTED FUNDS**  
*(Construction & Set-Asides)*

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>Federal Funds</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>$370,720</td>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$370,720</td>
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<tr>
<td>Technical Assistance</td>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$185,360</td>
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</tr>
<tr>
<td>State Program</td>
<td></td>
<td>$926,800</td>
<td>$700,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$1,626,800</td>
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</tr>
<tr>
<td>Management</td>
<td>$1,390,200</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$1,390,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>$6,394,920.00</td>
<td>$1,853,600</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$8,248,520</td>
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</tr>
<tr>
<td>Total</td>
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<td>$1,853,600</td>
<td>$700,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$11,821,600</td>
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<td></td>
</tr>
</tbody>
</table>

Notes: Administrative Fees, Interest Earnings, and Loan Repayments are not included in the IUP  
Administration includes $224,458 for in-kind services  
State Program Management includes $24,542 for in-kind services  
Local Assistance includes $100,000 for in-kind services

C. Types of projects to be funded.

OEHS is considering funding four projects as described in Attachment 3. These projects include water treatment plant upgrades, distribution system upgrades, and extensions to new customers. Projects solely for economic growth or projects solely for fire protection are not eligible for DWTRF assistance.

4. GOALS OF THE DWSRF

A. Short Term Goals

1) The DWTRF utilization rates have historically been in the 60 to 70 percent range for the last five years. The utilization rate achieved in 2010 was 95.5% as a result of providing water systems a combination of ARRA funds as principal forgiveness with base loan agreements. This most recent utilization rate exceeds the national average and the average of EPA’s Region 3 states. The planned 2011 utilization rate goal is 93%.

OEHS will continue to focus on the following actions:

- Continue use of an application process for water systems expressing a specific interest in obtaining DWTRF funds.
- Recommend DWTRF funding for Infrastructure Council applications when the water system could take a DWTRF loan and not exceed a reasonable percent of medium household income (MHI).
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- Generate and advertise a project priority list more frequently than once per year to enable water systems more access to the DWTRF fund.
- Market the DWTRF fund at funding agency meetings and utility system conferences.
- Over commit DWTRF funds but not exceed reasonable federal funding commitments, repayments, and interest.

2) Provide design loans (or grants if available) to water systems to enable them to fund the design stage of the project to move the project forward at a faster pace. Projects tend to stagnate because engineering consultants are reluctant to absorb the up-front design costs until the project goes to bid. They typically require water systems to fund the design and other soft costs through a design loan.

3) Provide financial assistance to eligible drinking water systems to eliminate drinking water problems and improve drinking water quality in the state, closing 75% of the construction loans within 12 months.

4) Protect source water from future contamination through Source Water Assessment and Protection (SWAP) and WHP programs:
   - Continue developing and implementing SWAP/WHP programs.
   - Determine if water sources are groundwater under the direct influence (GWUDI) of surface water.
   - Continue collaborating with West Virginia Department of Environmental Protection’s (WVDEP) Underground Injection Control (UIC) Program.
   - Update and expand Geographic Information System (GIS) capabilities.

5) Continue implementation of the Capacity Development Strategy including assisting existing public water supplies in acquiring and maintaining the technical, managerial, and financial capacity to comply with the federal SDWA. Provide assistance to ensure that all new community water supplies and new non-transient non-community supplies have the technical, managerial, and financial capacity to comply with current regulations and those regulations likely to be in effect, when the system initiates operations.

6) Continue development, enhancement, and improvement of the Public Water Supply Supervision (PWSS) through improved methodology and consistency of the sanitary surveys. This includes completion of a full complement of staffing in the district offices and final development of an automated data collection system for private laboratories to forward results of total organic compounds.

7) Continue to implement an operator training continuing education program focusing on training course/instructor criteria and operator training requirements.
8) Continue to participate in the monthly meetings of the Infrastructure Council by performing technical reviews on all proposed water projects; and, coordinate and recommend the most feasible funding sources in accordance with established state rules and procedures.

9) Enact “Summary of OEHS Action Items” based on comments by the US EPA for the SFY 2010 Site Review.

10) Efficiently and effectively administer the supplemental set-aside work plan grant and contractor activities:

- Preliminary Evaluation, Planning, and Project Design Grants
- Source Water Protection Grants
- Geographic Information System Mapping
- Capacity Development and Source Water Assistance Program
- Area Wide Optimization Program Performance Based Training
- Source Water Security Enhancements Grants
- WV Utility Management Institute
- Water Distribution and Chief Operator Training

B. Long Term Goals

1) Provide the necessary infrastructure replacement, upgrade, and coverage as determined in the Infrastructure Council’s 2005 Public Water and Systems Inventory and Assessment Report (approximately 725 million dollars needed for drinking water infrastructure) and the 2007 EPA Drinking Water Needs Survey and Assessment. This is done with the overall goal of upgrading water quality for existing public water customers and providing water to private customers whose water currently does not comply with the SDWA. The above will be achieved through the following:

- Capacity Development Program: Continue to conduct financial, managerial and technical capacity assessments on public water systems and provide necessary assistance to ensure compliance with the SDWA.
- Continue to participate in the Infrastructure Council process on a monthly basis to oversee the technical review committee for the technical review of applications and to maximize all available state and federal funding sources.

2) Continue to develop the Safe Drinking Water Information System (SDWIS) database of existing public water systems to include:

- System infrastructure mapping
- System inventory
- Compliance history
- Sampling history
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- Operator certification

This can be utilized to quickly assess an existing system as well as evaluate proposed new projects/systems. The database will also have capability of interfacing with other existing databases.

3) Develop the DWTRF to ensure the long term perpetuity of the fund where after the initial capitalization years, the loan repayments in the fund will be used to finance additional projects. Long term funding will be achieved as follows:

- Conduct financial, managerial, and technical capacity assessments under the Capacity Development Program on all potential loan recipients to assure fiscal responsibility.
- Monitor repayment activity of loan recipients and take aggressive action for collection of delinquent payments from loan recipients.
- Market the DWTRF through various conferences (WV Rural Water Association Conference, American Water Works Association, Infrastructure Council Meetings, etc.), pamphlets/brochures, and quarterly newsletters on DWSRF program activities.
- Provide drinking water infrastructure design loans as needed to increase the project completion rate.
- Analyze the ability to meet long term perpetuity of the fund by using the EPA financial planning model. Use the EPA financial Planning Model to determine the impacts of using grants, in the long term and their impacts on the long term financial viability of West Virginia DWTRF’s program, especially if Congress ends the Capitalization Grant in 2020. The EPA financial planning model can be used to determine the amounts of upfront grants given to disadvantaged communities as well as principal forgiveness due to the inability for a community in a distressed area to pay a loan back. It can also be used to evaluate the effects of various loan rates and terms to ensure the perpetuity of the DWTRF program.

4) Maintain the DWTRF utilization rate at the national average, or EPA Region III average.

5) Close the DWTRF loans to recipients within twelve months of a binding letter of commitment.

5. SET-ASIDE ACTIVITIES

In addition to the DWTRF construction fund, there are four “set-aside” or non-project accounts to be administered by OEHS. These separate accounts include Administration of the Loan Program, Technical Assistance, State Program Management, and Local Assistance. In addition to funding for staff expenses, there are also programs being undertaken to improve the health and
safety of state water systems. These activities are described in more detail in the associated grant application work plan.

The different set-aside accounts are specified in the SDWA to enable the state to finance the cost of administering and managing the DWTRF program and supporting local public water systems. These accounts are described in more detail below.

The goals, objectives, methods, outputs, and outcomes for these set-asides are located in the work plan.

A. Administration ($370,720; includes $224,458 in-kind services)

The SDWA authorizes the state to use 4% of the Capitalization Grant for administration of the DWTRF program. The full 4% is being requested for this activity. The state plans to use 4% of the Capitalization Grant solely for administration costs of the program. This grant will provide $150,000 in-kind contract services through EPA to supplement staff oversight of the DWTRF program. $74,458 for in-kind services will provide compliance oversight of water systems to ensure they will be eligible for DWTRF funding. Administrative tasks include but are not limited to:

1) Developing legislation regarding issues related to the DWSRF.
2) Preparing the Capitalization Grant agreement.
3) Developing memorandums of understanding between federal and state agencies.
4) Reviewing West Virginia Infrastructure Council applications.
5) Preparing the IUP.
6) Providing project review, priority ranking procedures, environmental reviews, and required DWTRF project information coordination (project scheduling, advertisements, loan closure).
7) Providing project inspections, administration of the funds.
8) Tracking and accounting of the funds.
9) Auditing of the funds.
10) Processing payment requests, and managing loan repayments.
11) Assisting Compliance & Enforcement staff in providing monitoring.

The DWTRF program will fully utilize the WDA, which already administers state-funded construction loans to public wastewater and water systems.

OEHS, WDA, Infrastructure Council, State Treasurer, and Auditor’s Offices have been involved in coordinating efforts to expedite disbursing construction funds to the state’s public water systems and meeting critical construction needs.
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B. State Program Management ($926,800 – Federal; $700,000 - State Match Cash; $226,800 - State Gift Non-Cash) ($24,542 in-kind service request included)

The SDWA authorizes the state to use up to 10% from the federal Capitalization Grant to support the Public Water Supply Supervision (PWSS), Data Information System Management, PWS operator certification and programs, and a USGS Time of Travel Study program. It will support the Interstate Commission on the Potomac River Basin (ICPRB), and water systems needing to improve their facilities and security. This year all of the funds are being requested. These funds require a dollar-for-dollar match and this match is made through state appropriations and the “Gift That Keeps on Giving”. OEHS is requesting $24,542 for in-kind services to assist the Compliance and Enforcement section in completing its work.

C. Technical Assistance ($185,360)

The SDWA authorizes the state to use up to 2% of each capitalization grant to provide technical assistance to small water systems. The full 2% is being requested for this activity. Small water systems are defined as those that serve less than 10,000 persons. These set-aside funds will be used for technical, financial, and managerial continuing education training to water system operators to meet their certification and training requirements. A contractor, meeting the state requirements, will coordinate the technical assistance program.

D. Local Assistance and Other State Activities ($1,390,200 includes $100,000 in-kind service)

The SDWA authorizes the state to use up to fifteen percent (15%) of the federal capitalization grant for this set-aside, but no more than ten percent (10%) may be used for any one activity. The full amount of the available funds is being requested for this set-aside. These set-aside funds will be used for the Capacity Development Program, the Wellhead Protection (WHP) Program, Data Information System Management, improving Geographical Information System (GIS) capabilities, operator certification courses, a mobile training unit, a drug return program, and an internet website for GIS support. $100,000 in-kind services will provide the state with additional Area Wide Optimization Program (AWOP)/Performance Based Training (PBT).

6. PUBLIC COMMENT PROCESS

The public comment period for this IUP was during the period of June 10 through July 11, 2011. OEHS posted the IUP on the web site and made it available at all district offices and the central office. The draft IUP was sent to key stakeholders for comment. A public notice was published in the West Virginia Register (State Register) in June 2011 concerning the web posting and public comment period. A public meeting was held on June 23 at the OEHS central office to receive public comments. There were no public comments from the meeting.