

Water Pollution Control State Revolving Fund Intended Use Plan and Project Priority List

State Fiscal Year 2022

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MONTANA
WATER POLLUTION CONTROL STATE REVOLVING FUND
SFY20 INTENDED USE PLAN

I. INTRODUCTION

The primary purpose of the Intended Use Plan (IUP) is to identify the proposed annual intended uses of the federal and state funds available to the Montana Water Pollution Control State Revolving Fund (WPCSRF) program. Federal dollars appropriated in one year are available for use in the next year (i.e. the FFY21 appropriation is available in FFY22). Montana's WPCSRF federal capitalization grant for federal fiscal year 2021 is \$7,779,000. The State match will be raised through the sale of general obligation bonds or revenue anticipation notes as the need for funds arises. The draft IUP will be reviewed by the public and a hearing will be held to allow an opportunity to publicly comment on the draft IUP.

The IUP includes the following:

- I. Introduction
- II. List of Projects
- III. Order of Funding
- IV. Uses of the Revolving Fund
- V. Goals and Objectives
- VI. Activities to be Supported
- VII. Assurances and Specific Proposals
- VIII. Criteria and Method for Distribution of Funds
- IX. Extended Financing
- X. Public Comment, Amending IUP, State Commitment of Funds

II. LIST OF PROJECTS

The WPCSRF program was developed to provide low interest loans for the planning, design and construction (or implementation) of water pollution control projects. A complete list of any and all eligible projects that are considered possible candidates for assistance from the WPCSRF program at this time can be found in **Attachment I**, the Project Priority List (PPL). In addition to the PPL, this IUP also contains a list of new projects expected to receive WPCSRF funds for the period July 2021 through June 2022 (SFY22) in **Attachment III**.

A binding commitment will be in the form of a letter to the borrower describing the project and indicating the amount of the loan and the time at which the funds will be made available. The binding commitment obligates the State to make the loan and the borrower to receive the proceeds and repay the loan, as per specified terms.

III. ORDER OF FUNDING

The following factors will be considered when the project is ranked by the program:

1. Need for and benefit to be derived from the project as determined by the annual project priority list. The project ranking criteria were changed in FY12 to alleviate some past concerns by program staff related to inconsistency of project ranking and to provide more emphasis on public health and water quality protection instead of readiness to proceed. However, readiness to proceed remains one of the primary ranking categories. As in the past, the ranking criteria still integrate point source and nonpoint source projects. Additional points are given if the project is part of a DEQ compliance strategy or a Total Maximum Daily Load (TMDL) watershed restoration plan. Also, points assigned toward refinancing existing long-term debt is only awarded a total of 10 priority points and interim financing projects are limited to 25 total points per project so that more funds are directed toward new projects that provide direct benefit to water quality or human health.
2. Ability of the municipality or private person to finance the project, with and without loan assistance (See Section IX).
3. Amount of financial assistance available from the revolving fund and the cumulative amount of funds requested by other applicants.

IV. USES OF THE WATER POLLUTION CONTROL STATE REVOLVING FUND

The WPCSRF may be used to:

1. Provide low interest loans to municipalities for wastewater treatment systems, new interceptors, collectors, and appurtenances, infiltration/inflow correction, sewer system rehabilitation, correction of combined sewer overflows, and construction of new storm sewers and detention basins. The low interest loans can be made for up to 100 percent of the total project cost. Approximately \$683 million in loans (this does not include agricultural nonpoint source projects) have been made to communities in Montana. Each of these loans has had a total loan interest rate of 4% or less. Program interest rates will be evaluated and set annually. The interest rate for WPCSRF loans for SFY22 will be 2.50%.
2. Provide interim financing during construction for eligible projects. The interim financing rate for SFY22 will be 1.75%. The maximum term of the interim loan is the shorter of the construction period or three years.
3. Refinance qualifying debt obligations for water pollution control facilities if the debt was incurred and construction initiated after March 7, 1985. Approximately \$11.9 million of debt has been refinanced through this program in the past. However, due to high demand for WPCSRF funds during the period covered by this IUP, it is not anticipated that WPCSRF funds will be provided for refinancing in SFY22.
4. Guarantee or purchase insurance for local debt obligations. As of May 2021, no loans have been made for this purpose.
5. Provide a source of revenue or security for general obligation bonds, the proceeds of which are deposited in the revolving fund. There is a 0.25% loan loss reserve surcharge

included as part of the 2.50% interest rate. The purpose of the surcharge is to pay principal and interest on state G.O. Bonds if the Debt Service Account is insufficient to make payments. This is to secure \$21.2 million in State General Obligation Bonds. The excess over the required reserve has periodically been transferred to the principal account to make loans. In SFY22, it is anticipated that approximately \$200,000 in excess loan loss reserve funds will be transferred to the principal account, therefore, would be counted as additional state match for future capitalization grants.

6. Provide loan guarantees for similar revolving funds established by municipalities. As of May 2021, no loans have been made for this purpose.
7. Finance non-point source pollution control (Section 319) implementation projects or programs. As of May 2021, approximately \$81 million has been loaned for these types of projects. This includes irrigation, landfill and stormwater projects.
8. Earn interest on program fund accounts. At the beginning of SFY13, cash flow analysis demonstrated this program will continue to be a strong source of loan funds after the federal grants are terminated. Interest income to date has been used to pay off program G.O. Bond debt. The cumulative interest earned in the program on investments is approximately \$9.16 million through May of 2021.
9. Pay reasonable administrative costs of the WPCSRF program not to exceed 4% (or the maximum amount allowed under the federal act) of all federal grants awarded to the fund. In addition to using WPCSRF funds for administration, each loan has a 0.25% administrative surcharge included in the 2.50% interest rate. These fees are not considered part of the loan principal. The reserve generated from this loan surcharge will be used for WPCSRF administration costs not covered by the EPA grants. Capitalization grants are approved by Congress every year and EPA is currently projecting WPCSRF funding for at least a few more years. However, if needed, these administrative funds could be transferred to the principal account and used to make loans. In SFY22, it is anticipated that no administrative surcharge funds will be transferred to the principal account.

The special administrative fees collected through loan repayments can be broken down into two categories. If the fees are repaid from direct federal loans during the grant period (i.e., from capitalization grants that are still open as of May 2021 – see list below) the uses of these fee funds will be limited to either SRF program administration or transfers to the principal account, as indicated above. However, fees repaid from loans made from capitalization grants that have been closed or from recycled funds, may be used for other purposes as long as those uses are consistent with the federal Clean Water Act, this Intended Use Plan, the Operating Agreement between DEQ and EPA, the Trust Indenture and DEQ and DNRC rules and laws governing the WPCSRF program.

FFY18, FFY19, and FFY20 grants are the only open cap grants at this time. Projects drawing funds from these grants are:

Anaconda-Deer Lodge	Bigfork
Plentywood Phase I	Shelby III - Lagoon
Broadus	Shelby III - Liner
Cascade	
Vaughn	
Eureka	
Hardin	
Great Falls - Storm	
Sidney	
RAE WSD	

The special administrative fee collected from these combined projects in SFY22 is expected to be approximately \$54,465. The total special administrative fees expected to be collected in SFY22 are approximately \$1.217 million. Therefore, approximately \$1.16 million could be used for Clean Water Act-related purposes other than SRF administration and loans. Of the \$1.217 million to be received in SFY22, it is anticipated that about \$820,000 will be required for SRF administration, and approximately \$358,000 will be used for Clean Water Act-related purposes, as indicated below.

The WPCSRF program is expecting to use up to \$85,000 of the special administrative fee funds for advanced training for staff, consultants and wastewater treatment operators to help promote operational optimization of wastewater treatment throughout Montana, especially with regard to nutrient and ammonia reduction. This training is a free service to Montana's operators. Special administration fees (up to \$80,000) are also expected to be used for partial funding of a wetland specialist to provide outreach, technical assistance and education for conservation and protection of natural wetlands. Approximately \$85,000 will be directed towards personal services and operating expenses for a wastewater technical assistance provider within DEQ to assist with optimization efforts, plant start-ups, O&M reviews, and operator training. Up to \$35,000 of these fee-based funds are anticipated to be used to fund water pollution control training costs for the Montana Water and Wastewater Operators Initiative (MW2OI), which provides specific education to water and wastewater operators in Montana. The WPCSRF program will contribute up to \$50,000 annually (SFY22 through SFY24) for the monitoring and testing of a constructed wetland pilot study to evaluate its use as a low-tech ammonia and nutrient reduction "technology" to help lagoons affordably reduce these effluent parameters. Due to a reduction in federal PPG funding in FFY21, approximately \$23,000 of special administration fees will be used to pay salaries and operating costs of WPCSRF technical staff for technical assistance to Montana communities for operation and maintenance inspections, advanced operations training and support. The total annual cost of the training, the wetland specialist, METC, technical assistance providers, and the nutrient pilot study, including indirect costs, is expected to be approximately \$358,000.

A determination of which projects are to be selected from the PPL, the amount of assistance, and the financing terms and conditions will be made by the Montana Department of Environmental Quality (DEQ) and the Montana Department of Natural Resources and Conservation (DNRC). See Section VIII below for a discussion on the distribution of funds.

The entire state match for the current federal grant has already been deposited into the SRF fund and disbursed on eligible activities. Therefore, all loan cash draws in SFY22 will be at a 100% federal proportion, however, administrative draws will be at the conventional 83.33% federal and 16.67% state match. During SFY22, State of Montana will continue to issue state match bonds and sweep excess SRF fees and deposit both sources of match into the SRF to be used for projects. These funds will be used to match future federal grants.

At the Governor's discretion, the state may transfer up to 33% of its Drinking Water SRF capitalization grants, on a cumulative basis, to the WPCSRF or an equal amount from the WPCSRF to the Drinking Water SRF. This transfer authority was effective thru fiscal year 2001. One-year extensions of this transfer authority were granted through the Appropriation Bills for federal fiscal years 2002 - 2021. In addition to transferring grant funds, states can also transfer state match, investment earnings, or principal and interest repayments between SRF programs.

Table 1 itemizes the amount of funds that have been transferred between the WPCSRF and DWSRF programs to date. It is expected that approximately \$5 million in funds will be transferred from the DWSRF to the WPCSRF during the next 12 months.

TABLE 1 - AMOUNTS AVAILABLE TO TRANSFER BETWEEN STATE REVOLVING FUND PROGRAMS

Year	Transaction Description	Banked Transfer Ceiling	Transferred from WPCSRF to DWSRF	Transferred from DWSRF to WPCSRF	DWSRF Funds Available for Transfer	WPCSRF Funds Available for Transfer
1997	DW Grant Award	4,892,646	---	---	4,892,646	4,892,646
1998	DW Grant Award	7,242,675	---	---	7,242,675	7,242,675
1999	DW Grant Award	9,705,729	---	---	9,705,729	9,705,729
2000	DW Grant Award	12,265,539	---	---	12,265,539	12,265,539
2000	Transfer (2nd Rnd \$)	12,265,539	4,750,328	-0-	17,015,867	7,515,211
2001	DW Grant Award	14,835,942	---	---	19,586,270	10,085,614
2001	Transfer (2nd Rnd \$)	14,835,942	4,032,158	-0-	23,618,428	6,053,456
2002	DW Grant Award	17,493,267	---	---	26,275,753	8,710,781
2004	DW Grant Award	20,134,608	---	---	28,917,094	11,352,122
2004	Transfer (2nd Rnd \$)	20,134,608	-0-	2,559,810	26,357,284	13,911,932
2005	Transfer (2nd Rnd \$)	20,134,608	-0-	2,570,403	23,786,881	16,482,335
2005	Transfer (2nd Rnd \$)	20,134,608	-0-	1,000,000	22,786,881	17,482,335
2005	DW Grant Awards	25,608,821	---	---	28,261,094	22,956,548
2005	Transfer (1st Rnd \$)		-0-	5,000,000	23,261,094	27,956,548
2006	DW Grant Award	28,324,490	-	-	25,976,763	30,672,217
2007	DW Grant Award	31,040,060	-	-	28,692,333	33,387,787
2008	Transfer (2nd Rnd \$)		2,500,000		31,192,333	30,887,787
2008	DW Grant Award	33,728,240			33,880,513	33,575,967
2009	Transfer (1st Rnd \$)			5,000,000	28,880,513	38,575,967
2009	DW Grant Award	36,416,420			31,568,693	41,264,147
2009	DW ARRA Grant Award	42,851,420			38,003,693	47,699,147
2010	DW Grant Award	47,330,510			42,482,783	52,178,237
2011	Transfer (1st Rnd \$)			3,000,000	39,482,783	55,178,237
2011	DW Grant Award	50,438,450			42,590,723	58,286,177
2012	DW Grant Award	53,400,200			45,552,473	61,247,927
2013	DW Grant Award	56,179,130			48,331,403	64,026,857
2014	DW Grant Award	59,097,980			51,250,253	66,945,707
2015	DW Grant Award	61,997,690			54,149,963	69,845,417
2016	DW Grant Award	64,740,650			56,892,923	72,588,377
2017	DW Grant Award	67,460,180			59,612,453	75,307,907
2018	DW Grant Award	71,208,650			63,360,923	79,056,377
2019	Transfer (2nd Rnd \$)			3,000,000	60,360,923	82,056,377
2019	DW Grant Award	74,839,970			63,992,243	85,687,697
2020	DW Grant Award	78,473,600			67,625,873	89,321,327
2021	DW Grant Award	82,103,930			71,256,203	92,951,657
2022	Transfer (2nd Rnd \$)			5,000,000	66,256,203	97,951,657
Total			\$11,282,486	\$27,130,213		

V. GOALS AND OBJECTIVES

Long-Term Goal and Objectives

The long-term goal of the WPCSRF is to maintain, restore and enhance the chemical, physical and biological integrity of the State's waters for the benefit of the overall environment and the protection of public health.

Objectives:

1. Provide affordable financial assistance for eligible applicants concurrent with the objective of maintaining a long-term, self-sustaining State Revolving Fund Program.
2. Fulfill the requirements of pertinent federal, state and local laws and regulations governing water pollution control activities, while providing the state and local project sponsors with maximum flexibility and decision-making authority regarding such activities.

Short-Term Goal and Objectives

The short-term goals of the WPCSRF are to continue to preserve and improve the quality of the state's waters (surface and groundwater), meet the water pollution control needs of the state, and eliminate any public health hazards related to the discharge of inadequately treated wastewater or other pollutants. As an estimated measure of the environmental benefits attained through funding of water pollution control projects, the WPCSRF program will continue to complete an EPA environmental benefits spreadsheet for each project during 2022.

Objectives:

1. Maintain and promote the WPCSRF program, which provides low interest financing (up to 100 percent loans) for water pollution control projects; provide loans for approximately 25 new projects in SFY22 (some projects may have more than one loan).
2. Ensure the technical integrity of WPCSRF projects through the review of planning documents, design plans and specifications, construction activities and development of a sound operation and maintenance program.
3. Ensure compliance with all pertinent federal, state and local water pollution control laws and regulations.
4. Obtain optimum turnover of the funds for the State in the shortest reasonable time; fund eligible NPS projects.
5. Simplify the administrative and regulatory requirements of the program, without sacrificing project quality, to make the financial assistance readily accessible; coordinate on a regular basis with DNRC and financial consultants to consider ways to improve the program and optimize use of resources.

6. Apply for all available appropriated federal funds contingent upon federal legislation.

VI. INFORMATION ON THE ACTIVITIES TO BE SUPPORTED

The primary type of assistance to be provided by the WPCSRF is expected to be loans. On a more limited basis, the State may provide funds for refinancing existing debt, guarantee or buy insurance for local debt obligations, or leverage bond issues, although none of these activities are expected during the period covered by this IUP.

These types of assistance will be provided to local communities, sanitary sewer districts, counties, eligible private persons, or other sub-governmental units recognized under Montana statutes for the construction of publicly owned wastewater treatment facilities or non-point source water pollution control projects.

The State plans on reserving \$400,000 of the federal capitalization grant for administrative expenses in SFY22.

VII. ASSURANCES AND SPECIFIC PROPOSALS

The State will assure compliance with the following sections of the law in the State/EPA Operating Agreement, of which this document is a part. In addition, the State has developed specific proposals for implementation of those assurances in the rules promulgated by the Montana Department of Environmental Quality (DEQ) and the Montana Department of Natural Resources and Conservation (DNRC).

- Section 602(a) - Environmental Reviews - The State of Montana certifies that it will conduct environmental reviews of each Title II project receiving assistance from the WPCSRF. Montana will follow EPA approved, NEPA-like procedures in conjunction with such environmental reviews.
- Section 602(b)(3) - Binding Commitments - The State of Montana certifies that it will enter into binding commitments equal to at least 120% of each quarterly grant payment within one year after receipt (on a cumulative basis).
- Section 602(b) (4) - Timely Expenditures - The State of Montana certifies that it will expend all funds in the WPCSRF in an expeditious and timely manner.
- Section 602(b)(6) - Compliance with Title II Requirements - The State of Montana certifies that the applicable Title II requirements listed under this section will be satisfied in the same manner as projects constructed under Title II of the Clean Water Act.

Additional requirements for Clean Water SRF programs, including Montana's WPCSRF program, were included in the Federal Water Resources Reform and Development Act (WRRDA) which was passed by Congress in 2014. A summary of the requirements and a brief description of how the WPCSRF program will address them are included below.

Cost and Effectiveness: The SRF recipient must certify that it has studied and evaluated the cost and effectiveness of the proposed project and, to the maximum extent possible, has selected the alternative that maximizes the potential for water efficiency and energy conservation. The WPCSRF program will require a simple certification statement from the recipient in the final stages of the planning phase of a project that cost and effectiveness requirements have been met. We feel that planning document requirements currently contained in Circular DEQ2 and the WWASACT Preliminary Engineering Report (PER) outline generally adequately address the cost and effectiveness requirement. Our experience has shown that most, if not all, engineering consultants consider energy usage in the alternative analysis in PERs and the practical opportunities for water conservation in water pollution control projects are limited.

Engineering Procurement: The State must either certify that the laws required for procurement of engineering services are equivalent to the federal requirements, which stipulates a qualifications-based selection process, or adopt the federal procurement requirements (40 U.S.C. 1101). Although Montana's procurement laws are consistent or equivalent to the federal requirements in most respects, DEQ's legal counsel felt that the differences between the state and federal laws were significant enough that the certification of equivalence could not be made. Therefore, the WPCSRF program will use the federal procurement requirements for architect and engineer procurement rather than try to change the state law.

Fiscal Sustainability Plans: A loan recipient must certify that it has developed and implemented a fiscal sustainability plan that includes: an inventory of critical assets; an evaluation of the condition and performance of the assets; evaluation and implementation of water and energy conservation efforts; and a plan for maintaining, repairing and replacement of treatment works. Some states, including Montana, do not give direct loans to communities. Rather, they buy the bonds that are issued by communities. The wording in the WRRDA pertaining to this requirement specifically refers to loans and, therefore, unless and until the wording in the law is modified, EPA has indicated that this requirement does not apply to Montana's WPCSRF program.

Extended loan terms: Loan terms can be extended to 30 years or to the useful life of the project, whichever is less. Affordability does not need to be a factor in extending loan terms. As indicated in this IUP, Montana WPCSRF program has removed the requirement that extended loan terms only apply to disadvantaged communities. However, the loan term cannot exceed the useful life of the project. For project components that may have a shorter life than the loan, replacement costs will be factored into the operating budget.

Affordability: Criteria for awarding principal forgiveness, based on affordability, must include unemployment rates, median household income and population trends. It is left up to each state as to how these three measures are weighed or incorporated into the evaluation of affordability. Please see discussion below for further details.

American Iron and Steel: All iron and steel products (as defined by WRRDA) in any project funded fully or in part with SRF funds must be produced in the USA. Iron and steel products are defined in WRRDA as: lined or unlined pipes and fittings, manhole

covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restrains, valves, structural steel, reinforced precast concrete, and construction materials. The WPCSRF program has been implementing this requirement, as required by previous federal grants, for several years now. Specification inserts and certification forms have been developed by the WPCSRF program and will continue to be used to help communities meet this requirement.

Federal Davis Bacon wages and Disadvantaged Business Enterprises: These requirements have been in place for some time and will continue to be a requirement. Davis Bacon requirements apply to all SRF-funded projects and DBE requirements apply to only those projects funded with federal WPCSRF funds.

Additional Subsidization: Under WRRDA, state CWSRF programs have the option of providing additional subsidization. The maximum amount of additional subsidization (AS) that a state program may award is dependent on the national appropriation amount. Some AS is allowed in proportion to the federal appropriation greater than \$1 billion. If the federal appropriation is less than \$1 billion, no AS is allowed. The criteria for awarding AS must be based on affordability or for water or energy efficiency, stormwater mitigation or sustainable project planning, design and construction. Montana has chosen to use affordability as the criterion for awarding AS.

In FFY2021, Congress provided a requirement for additional subsidy (AS) as part of the appropriation bill that is inconsistent with the WRRDA requirements. The appropriations bill requires that 10% of the capitalization grant to be used for AS. Per WRRDA, Montana has an option to use additional AS of up to 30%. EPA's interpretation of the conflicting language between WRRDA and the appropriation bill is that Montana must use at least 10% and not more than 40% of the grant amount for AS.

The Montana WPCSRF program has historically awarded the maximum AS (in the form of principal forgiveness) allowed by Congress in any individual year. This has generally been based on user rates per median household income. The provisions contained in WRRDA stipulate that unemployment rates and population trends also be considered as criteria for awarding AS. Please see discussion above on affordability requirements and Section VIII, Criteria and Method for Distribution of Funds.

VIII. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

Historically, WPCSRF funds were allocated on a first-come, first-served basis because the supply of funds exceeded the demand. This allowed for the funding of all the projects as they went into construction. However, due to annual federal requirements for principal forgiveness and green project reserve, it has become important to identify in each IUP which projects will be receiving SRF funds, including principal forgiveness, for the next fiscal year. **Please see Attachment III for a list of projects expected to receive WPCSRF funds and principal forgiveness in SFY22.**

Although not contained in WRRDA, the FFY2021 appropriations bill requires that at least 10% of the capitalization grant must be used to fund green projects as defined by EPA. Projects that qualify for the Green Project Reserve are those that address green infrastructure, water or

energy efficiency improvements, or other environmentally innovative activities. These projects are identified based upon information provided in the Clean Water Needs Survey that is required for each project that requests funding from the WPCSRF program. Each fiscal year the Resource Development (RD) Bureau housed within the Department of Natural Resources and Conservation requests a \$1 million dollar loan that they then administer to Montana farmers and ranchers for the implementation of agricultural best management practices (BMPs); primarily the conversion of flood irrigation operations to sprinkler irrigation systems. This loan to the RD Bureau meets the 10% green project reserve requirement for the capitalization grant. Projects that qualify in whole, or in part, for green reserve are identified in Attachment III.

The FFY21 Clean Water SRF federal appropriation is approximately \$1.63 billion, therefore, Montana has the option of awarding up to 40% of its capitalization grant in the form of principal forgiveness. The WPCSRF program is proposing to award 25% of its FFY21 cap grant, or \$1,946,850 as principal forgiveness.

The following factors will be considered in the allocation of principal forgiveness:

1. The WPCSRF program proposes to award principal forgiveness primarily based on affordability for those projects deemed ready to proceed to construction in SFY22. As required by federal law, three factors will be used to arrive at a composite affordability rate: the wastewater user rate per median household income (MHI), the local unemployment rate, and local population trends. The local population growth and unemployment rates will only be factored in if they are considered to have an unusual impact on affordability, as explained below.

A local unemployment rate greater than 150% of the current state average unemployment rate (3.8%) will be added to the ww rate/MHI value, using a weighting factor of 10%. For example, if the unemployment rate for community A is 10.5%, that rate would be approximately 4.8 percentage points higher than 150% of the average state unemployment rate. So, the MHI factor would be increased by $4.8\% \times 0.10 = 0.48$.

Population growth rates of about zero to 1.5% per year are viewed by the WPCSRF program as relatively normal based on many years of reviewing municipal wastewater planning documents. Therefore, growth rates above 1.5%/year or negative growth rates may pose exceptional affordability issues. Very high growth rates may put a higher financial burden on existing residents to accommodate the building of large treatment projects relative to the existing population. Decreasing growth rates leave fewer people to shoulder the financial burden of regulatory compliance. For a population growth factor, the WPCSRF proposes a method similar to the unemployment rate methodology but uses a weighting factor of 10% if the growth rate is either above 1.5%/year or less than -0.25%/year. For example, if the same community A has a growth rate of -0.4%/year, this is 0.15 percentage points less than -0.25%/year. Using a weighting factor of 10%, the MHI factor would be increased by: $0.15\% \times 0.10 = 0.015$.

The adjustment factor 10% for unemployment rates and population growth factors were determined following a basic sensitivity analysis. It is felt by the WPCSRF program that the most important factor in establishing a level playing field relative to affordability is the user rate per median household income; however, the other two factors, if outside of the

'normal' range of values, can legitimately affect affordability in comparison to a more normal range of these parameters.

2. Consideration will be given to the effectiveness of the principal forgiveness in reducing user rates for each project. If the infusion of principal forgiveness funds into a project results in a similar reduction of grant funds from another funding agency, with the end result being no or limited decrease in user rates, the WPCSRF program may instead allocate the principal forgiveness to another project where final user rates will, in fact, be reduced.
3. No community will be allowed to receive FFY22 principal forgiveness for more than one project and no project shall be awarded principal forgiveness more than once.
4. In order to spread the funds to more than one project, it is proposed that the principal forgiveness will be capped at \$375,000 or 25% of the long-term SRF loan amount, whichever is less. This cap and percentage may change slightly depending on the projects selected in the final IUP.
5. Projects seeking short-term financing will not be given principal forgiveness; only long-term loans will be eligible for additional subsidy. Principal forgiveness will not be given for refinancing of projects.
6. Projects receiving principal forgiveness will be allowed to receive extended loan terms of up to 30 years provided the loan term does not exceed the useful life of the improvements.

The proposed list of projects that will receive WPCSRF funds in SFY22 is included as Attachment III.

Loan terms and interest rates will be determined in accordance with the Administrative Rules adopted by the DNRC. The WPCSRF program may choose to limit the maximum amount of any loan if the demand for loan funds exceeds the availability of funds. Interest rates must be established to generate sufficient revenues to allow the State to make the principal and interest payments on general obligation bonds sold to generate the State match or meet project demand and to ensure the program is operated in perpetuity. Ability to repay the loan will also be considered when establishing loan terms. The types of financial assistance provided by the WPCSRF will initially be based on the applicant's request. It is anticipated that the majority of assistance will be provided in the form of direct loans (more precisely, the purchase of community-issued bonds by the WPCSRF program).

IX. EXTENDED FINANCING

In an effort to provide additional assistance to communities, the WPCSRF program will offer extended finance terms to qualifying projects. The extended loan terms allow communities up to 30 years to repay the loan. Loan terms cannot extend past the useful life of the improvements to be funded; therefore, it is expected that eligible projects will generally be new collection system piping and appurtenances. However, in certain situations, the WPCSRF program may consider extended financing for some treatment facilities if the replacement costs for the shorter-term assets (pumps, blowers, controls, lagoon liners, etc.) are set aside by the community on an annual basis to ensure continuity of treatment or use throughout the term of

the loan. The WPCSRF program reserves the right to limit extended term financing at any time in order to ensure the perpetuity of the fund. An evaluation of the funding baseline for the program will be done annually to ensure the historic annual baseline established to date (\$12,753,710), per EPA, is continually met.

X. PUBLIC COMMENT, AMENDING IUP, STATE FINANCIAL COMMITMENT

Public Review and Comment – One public hearing was held on June 17, 2021 in Helena to discuss the SFY22 PPL and to allow public comment on the draft IUP. Public notice concerning the PPL and IUP was posted in major newspapers across the state, and the notice and draft IUP was published on DEQ's website. There was a 30-day public comment period for the public to review and comment on the draft IUP. That comment period ended July 7, 2021.

Amending the IUP - A simple addition to the PPL and IUP will be allowed after notification has been provided to affected projects (if any) already on the list. If a project scheduled to receive loan assistance within the year is displaced by the addition of a new project, a formal public hearing, if requested, will be held to allow comment on the modifications to the PPL and IUP.

State Financial Commitment - The 1989 Montana Legislature passed House Bill 601, entitled the Wastewater Treatment Revolving Fund Act, which was subsequently signed into law by the Governor. The Act created the new program, established administrative procedures and allowed for a sale of state general obligation bonds in an amount not to exceed ten million dollars. The 1995 Montana Legislature passed House Bill 493, which was subsequently signed into law by the Governor. Among other things, the Act allowed for the sale of state general obligation bonds in an amount not to exceed an additional five million dollars. The 1999 Montana Legislature passed House Bill 110, which gives the WPCSRF an additional fifteen million dollars in general obligation-bonding authority. The 2003 Montana legislature passed House bill 46, which gives the WPCSRF an additional ten million dollars in general obligation-bonding authority. The combined bonding authority provided by these four bills furnishes the WPCSRF with forty million dollars in state general obligation bond authority, which provides enough funds to match all federal appropriations (1989-2019) that have been awarded to the program to date, as well as excess bond authority to match potential future federal appropriations. In 2005 with HB142, the Legislative session allowed the bond authority to be up to \$40 million in outstanding bonds. The State held its first bond sale in 1991. In June of 1996, Montana held its second and third bond sales to provide State match funds for projects scheduled to proceed in FFY 1997. In March of 1998, a fourth bond sale was held to provide State match for projects scheduled to proceed in FFY 1998 and 1999. In March of 2000, a fifth bond sale was held to provide State match for projects scheduled to proceed in FFY 2000 and 2001. In June 2001, a sixth bond sale was held to provide match for projects scheduled to proceed in 2002 and 2003. In June of 2003, a sixth bond sale was held to provide match for projects projected to proceed in 2003. In April of 2004, a seventh bond sale was held to provide match for projects projected to proceed in 2004. An eighth bond sale was held in April of 2005, to provide state match for proposed projects to proceed in 2005. The bond authorization includes notes to be issued instead of bonds. Note sales were held in October 2007, for \$500,000, in April 2008, for \$400,000, and in March 2009, for \$2,000,000. A bond sale of \$6,450,000 was held in 2010. In 2013, a bond sale of \$5,000,000 was held. A bond sale of \$24,365,000,000 was held in June 2015. A revenue anticipation note was issued in October 2016.

As discussed previously, the increased demand for funds may force the WPCSRF program to issue periodic bond anticipation notes (BANs) for the program in order to keep the projects moving through construction with adequate SRF funds. A bond anticipation note of approximately \$5,000,000 is anticipated in SFY22.

MONTANA
WPCSRF Project Priority List
 State Fiscal Year: 2022

<i>Rank</i>	<i>Name</i>	<i>EPAID</i>	<i>Category</i>	<i>Ranking Points</i>	<i>Amount Assist Type</i>	<i>Commit Date</i>
1	Polson Treatment	C302200	II	470	\$17,000,000 Loan	2/1/2017
2	Rocker Lift Station and Connection to Butte Metro	C302261	IVB	470	\$1,100,000 Loan	6/1/2021
3	Broadus WW Improvments	C303705	I, IIIB	430	\$1,000,000 Loan	6/1/2019
4	Sidney WWTP Phase 3 & Collection Improvements	C303394	I	430	\$4,100,000 Loan	3/1/2019
5	Townsend Treatment and I/I 2018	C301260	I	420	\$5,160,000 Loan	1/1/2019
6	Roberts Forcemain	C301305	IIIA	405	\$207,500 Loan	2/1/2020
7	Helena Westside Collection	C303218	IVA	390	\$2,754,000 Loan	12/1/2019
8	Wibaux Spray Irrigation	C301302	I	385	\$500,000 Loan	6/1/2021
9	Absarokee WWTF Improvements	C301308	II	385	\$4,650,000 Loan	5/1/2020
10	Thompson Falls Wastewater Improvements Project	C303706	II, IVA,IVB	380	\$4,000,000 Loan	9/1/2020
11	Plains WWTP	C301291	I	365	\$3,750,000 Loan	10/1/2020
12	Big Sky County W & Sewer Dist. - WWTF 2019 Upgrade	C301307	IIIB	365	\$1,400,000 Loan	6/1/2021
13	Belgrade WRRF Upgrade 2020	C303707	II, IIIB, IVB	365	\$15,850,000 Loan	4/1/2020
14	Twin Bridges Stormwater Control Project	C305181	VI	360	\$600,000 Loan	8/1/2019
15	Caras Park Storm Water Infiltration - Missoula	C305184		360	\$500,000 Loan	10/1/2021
16	Whitefish WWTP Upgrade 2019	C301288	II	360	\$17,400,000 Loan	9/1/2019
17	Riverside Connection to Bozeman Sewer	C302257	IVB	345	\$2,200,000 Loan	7/1/2021
18	Anaconda-Deer Lodge County WWTP Improvements	C301256	I	325	\$4,495,350 Loan	6/1/2019

<i>Rank</i>	<i>Name</i>	<i>EPAID</i>	<i>Category</i>	<i>Ranking Points</i>	<i>Amount Assist Type</i>	<i>Commit Date</i>
19	Bigfork Collection System Improvements (2019)	C304243	IIIB	320	\$1,573,000 Loan	1/1/2020
20	Miles City Lift Station & Colle Main Improv.	C304247	IIIB	320	\$2,500,000 Loan	4/1/2021
21	Shelby Storm Water Improvements Project 2016	C301283	VI	315	\$3,850,000 Loan	7/1/2019
22	Vaughn Treatment & Lift Station	C304227	I, IIIB	315	\$2,145,000 Loan	3/1/2018
23	Kalispell West Region Storm Water Project	C305182	VI	315	\$2,460,000 Loan	5/1/2021
24	Choteau Collection System Improvements 2021	C304240	IIIA	310	\$618,000 Loan	6/1/2021
25	Red Lodge Collection System 2021	C302270	III	310	\$400,000 Loan	6/1/2021
26	Great Falls Storm Water TIF 2019	C305183	VI	305	\$1,500,000 Loan	8/1/2019
27	Jordan Treatment System Improvements	C301312	I	300	\$450,000 Loan	7/1/2022
28	Harlowton UV and Solids Removal	C301306	IIIA	295	\$750,000 Loan	9/1/2020
29	Plentywood Collection System - Phase 2	C302254	IIIB	295	\$5,000,000 Loan	7/1/2020
30	Terry Wastewater Treatment Upgrades	C301285	I, IIIA	290	\$962,000 Loan	5/1/2020
31	St Regis Sewer District - Force Main Project	C302272	IVA	285	\$899,922 Loan	10/1/2021
32	Manhattan Wastewater Treatment Improvements	C301311	II	270	\$7,000,000 Loan	5/1/2022
33	Big Sky SD 363 - Lower Canyon LS & Main Extension	C302273	IIIA	265	\$32,000,000 Loan	5/1/2023
34	DNRC NPS Projects	C307175	VIIA, VIIE	265	\$1,000,000 Loan	10/1/2020
35	Red Lodge Storm Sewer	C305186	V	265	\$2,300,000 Loan	7/1/2021
36	Polson Collection System Improvements	C304244	IIIB	265	\$800,000 Loan	4/1/2020
37	Fort Smith W&S Dist WWTP Upgrades	C301218	I	265	\$3,000,000 Loan	1/1/2022
38	West Yellowstone WWTP 2021	C301313	I	260	\$22,000,000 Loan	5/1/2022
39	Hardin WWTP Upgrade Phase 3	C301304	I	255	\$600,000 Loan	7/1/2022

<i>Rank</i>	<i>Name</i>	<i>EPAID</i>	<i>Category</i>	<i>Ranking Points</i>	<i>Amount Assist Type</i>	<i>Commit Date</i>
40	Kalispell Lift Station	C302266	III	245	\$1,800,000 Loan	10/1/2021
41	Glendive - 2022 Main Replacement/Rehabilitation	C302268	IIIA	245	\$1,304,000 Loan	9/1/2021
42	Momont Lift Station Project - Missoula	C302271	IIIB	245	\$900,000 Loan	7/1/2022
43	Hardin WWTP Improvements Phase 2	301311	I	245	\$2,100,000 Loan	7/1/2021
44	Gardiner W&S District Lagoon Rehab	C301299	I	240	\$2,500,000 Loan	6/1/2021
45	Columbus Collection & UV 2015	C302244	IIIb, II	235	\$1,503,000 Loan	5/1/2016
46	Shelby WWTF Upgrades & Disinfection	C301280	IIIA	235	\$1,950,000 Loan	8/1/2018
47	Kalispell AWWTP EQ Basin Expansion	C301314	II	225	\$3,100,000 Loan	5/1/2022
48	Cascade collection and sludge removal	C302246	I, IIIB	225	\$548,000 Loan	7/1/2020
49	Kalispell AWWTP Fermenter Rehabilitation	C301315	II	225	\$2,500,000 Loan	5/1/2022
50	Fairview Collection System Improvements	C302269	IIIA	220	\$250,000 Loan	6/1/2021
51	Simms lagoon improvements	C301284	1	210	\$360,000 Loan	7/1/2022
52	Darby Wastewater Improvements	C303708	I, IIIA, IIIB	210	\$600,000 Loan	10/1/2021
53	RAE WWTP Improvements 2019	C301286	I	205	\$2,767,950 Loan	4/1/2020
54	Lockwood W & S District Ph 3 Sewer Improvements	C302262	IVA, IVB	195	\$20,800,000 Loan	9/1/2022
55	Havre I&I Improvements	C304222	IIIA	185	\$1,700,000 Loan	7/1/2022
56	Hill County RSID 21 Lift Station Rehabilitation	C302264	IIIA, IVA	185	\$260,500 Loan	8/1/2021
57	Drummond Lagoon Improvements	C304154	I	180	\$1,500,000 Loan	6/1/2022
58	Big Sandy Stormwater Improvements	C305185	VI	175	\$360,000 Loan	8/1/2022
59	Hardin Collection System Improvements Phase 1	C304246	IIIA, IIIB	175	\$770,986 Loan	10/1/2020
60	Helena Airport Gravity Sewer Main	C302275	IIIB	170	\$3,000,000 Loan	5/1/2022

Rank	Name	EPAID	Category	Ranking Points	Amount Assist Type	Commit Date
61	Paradise WW System Improvments	C303709	I, IVA, IVB	170	\$770,000 Loan	9/1/2021
62	Bozeman Davis Lift Station & Norton E Ranch Sewer	C302252	IVB	160	\$15,363,000 Loan	10/1/2020
63	Deer Lodge Collecti on System Project 2021	C304255	IIIA	155	\$415,000 0	4/1/2022
64	Polson Stormwater System Improvements	C306119	VIID	115	\$500,000 Loan	7/1/2022
65	East Helena Wastewater Improvements	C303710	I, IIIA	110	\$3,253,000 Loan	6/1/2022
66	Libby WWTP Improvements	C303151	I, IVA	110	\$2,000,000 Loan	6/1/2022
67	Helena, City of - Collection	C302250	IIIB	65	\$2,000,000 Loan	8/1/2021
68	Cut Bank North Glacier County W&S District	C302274	IIIB	55	\$25,000 Loan	7/1/2023
69	Ryegate Total Retention Lagoon Improvements	C304245	IIIA	25	\$665,000 Loan	9/1/2019
Total Project Assistance:					\$254,040,208	

PROJECT DESCRIPTION CATEGORIES

I	Secondary Treatment	VIID	NPS Urban Runoff
II	Advanced Treatment	VIII	NPS Ground Water
IIIA	Infiltration/Inflow Correction	VIII	NPS Marinas
IIIB	Major Sewer System Rehabilitation	VIII	NPS Resource Extraction
IVA	New Collectors & Appurtenances	VIII	NPS Brownfields
IVB	New Interceptors & Appurtenances	VII	NPS Storage Tanks
V	Correction of Combined Sewer Overflows	VII	NPS Sanitary Landfills
VI	Stormwater Control	VIII	NPS Hydromodification
VIA	NPS Agric. (Cropland)	VIII	Confined Animals-Point Source
VIB	NPS Agric. (Animals)	IX	Mining-Point Source
VIC	NPS Silviculture		

ATTACHMENT II

**PROGRAM FUNDING STATUS
MONTANA WPCSRF PROGRAM**

STATE FISCAL YEARS 1990 TO 2021

Capitalization Grants (NIMS line 57)	\$ 230,136,765
State Match (20% of cap grants).....	\$ 46,027,353
Overmatch: RIT, COI fees, investments, LLS (incl GO bonds in excess of 20% match)	89,445,802
Program Administration Expenses (NIMS line 244).....	\$ (8,370,720)
Available to Loan.....	\$ 357,239,200
Principal Repayments and Interest as of May 2021 (DNRC).....	\$ 402,410,502
Transfers to DWSRF (principal repayments) (NIMS line 83).....	\$ (10,847,727)
Transfers from DWSRF (direct capitalization grants) (NIMS line 61).....	\$ 13,000,000
Total Funds Available to Loan through May, 2021.....	\$ 761,801,975

SFY22

Capitalization Grant (FFY21)	\$ 7,779,000
DWSRF Transfer	\$ 5,000,000
State Match for FY20	
- Normal G.O. Bond match.....	\$ 1,555,800
- Additional BAN match.....	\$ 1,428,200
- Estimated Loan Loss Surcharge (LLS)	\$ 200,000
Program Administration Allowance.....	\$ (400,000)
Anticipated Investment Transfers (DNRC).....	\$ 1,250,000
Anticipated Principal Repayments and Interest (DNRC).....	\$ 29,689,646
Anticipated Overmatch (RIT or other).....	\$ 0
Anticipated transfers from special administration Acct	\$ 0
Available to Loan SFY22	\$ 45,074,446

Total Funds Dedicated to Loan

	\$ 806,876,421
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Loans closed as of May 2021 (DNRC).....

	\$(724,474,250)
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Funds available for Loans in SFY2022

	\$ 82,402,171
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Amount of estimated new loans identified on Attachment III of
Fiscal Year 2022 Intended Use Plan

	68,255,600
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Attachment III

State Fiscal Year 2022 IUP Attachment III
\$7.779M Cap grant (FFY21) updated 07/07/2021
Fundable projects for 2021/2022 construction

	Total Loan Amount	Green Project Reserve	First Rnd Total FFY21***	Principal Forgiver FFY21	1st rnd loan FFY21	Recycled or BAN SFY22	Unempl rate %	W/w rate/ MHI (%)	Annual growth rate %	Composite Factor %**	Affordability	Rank
SFY 2022 Construction Starts												
Darby W/WTF Improvements*	600,000			previous award		450,000						
Wibaux Spray Irrigation*	500,000			previous award		150,000						
Gardiner W&S District Lagoon Rehabilitation*	2,500,000			previous award		2,150,000						
Terry W/W Treatment Upgrades*	962,000			previous award		662,000						
Rocker W&S District Lift Station and Force Main*	1,360,000			previous award		1,020,000						
Roberts Forcemain*	150,000			previous award		112,500						
Twin Bridges Stormwater	366,200			N/A		366,200						
Miles City Lift Station & Collection Lift Station	2,351,000					2,351,000	3.2	0.58	-0.21	0.58	9	
Choteau Collection System Improvements - Interim Financing	618,000			N/A		618,000				0.00		
DNRC Resource Development Bureau (Non-Point Source 24)	1,000,000	1,000,000		N/A		1,000,000				0.00		
Manhattan Wastewater Treatment Improvements	6,918,000		1,355,400	375,000	980,400	5,562,600	3	2.34	2.64	2.45	1	
West Yellowstone W/WTP	20,000,000					20,000,000	3	0.71	0.79	0.71	8	
Hardin Phase 2 Treatment Improvements	2,789,400		668,400	167,100	501,300	2,121,000	9	2.06	0.087	2.39	2	
Glendive Main Replacement/Rehabilitation	1,304,000		1,304,000	326,000	978,000		3.4	1.83	-0.12	1.83	5	
Kalispell Lift Station	1,790,000		1,790,000	375,000	1,415,000		4.7	1.44	2.62	1.55	6	
Deer Lodge Collection System Project	415,000		415,000	103,750	311,250		3.1	1.78	-1.11	1.87	4	
East Helena Wastewater Improvemtns	2,502,000		2,502,000	375,000	2,127,000		3.2	2.17	0.49	2.17	3	
Plains W/WTP - Interim Financing	3,750,000			N/A		3,750,000						
Kalispell West Region Stormwater	2,460,000			N/A		2,460,000						
Riverside Connection to Bozeman	2,200,000			N/A		2,200,000						
Paradise - Interim Financing	770,000			N/A		770,000						
Caras Park Storm Water Infiltration	500,000			N/A		500,000						
Red Lodge Collection System	400,000			N/A		400,000						
Fairview Collection System Design	250,000			N/A		250,000						
Red Lodge Storm Sewer Project	2,300,000			N/A		2,300,000						
Kalispell A/WTP Fermenter	2,500,000			N/A		2,500,000						
Kalispell A/WTP EQ Project	3,100,000			N/A		3,100,000						
St. Regis Sewer Force Main Project	900,000		900,000	225,000	675,000		5.8	1.50		1.51	7	
Helena Airport Gravity Sewer Main	3,000,000					3,000,000	3.4	0.69	1.67	0.71	8	
Total	68,255,600	1,000,000	8,934,800	1,946,850	6,987,950	57,793,300						

Preaward costs to be reimbursed with FFY21 grant
 Min green project reserve required: \$777,900
 Minimum Principal Forgiveness required \$777,900
 Max Principal Forgiveness allowed: \$3,111,600
 Administration = \$400,000
 State match (20% of grant): \$1,555,800
 Total grant with Match \$9,334,800
Total Grant (including match)expenditures

9,334,800

This assumes a maximum 25% subsidy with a cap of \$400,000 for projects with the highest composite affordability factor.
 W/w rate / MHI taken from planning documents, possibly in combination with revised budgets, and census data.
 Unemployment rates taken from MT Dept of Labor and Industry website - by county. Current April 2021 unadjusted MT unemployment rate is 3.8%
 Growth rate (April, 2010 - July, 2020) from US Census data. Joe Ramler, MT Dept. of Commerce. Some data are by county and others by City (larger communities). Average annual for the 10-year period.
 * awarded principal forgiveness in prior years
 ** See narrative discussion on composite formula derivation.
 *** "First Round" funds are those directly associated with the EPA Capitalization Grant