

LOCAL COMMUNITY LOAN INSTRUCTIONS

These are the instructions for completing the **Local Community Loan Application** to the Clean Water State Revolving Fund Loan program. The application is comprehensive in scope. It was intentionally designed to collect the level of information needed by DEQ to rank projects based on their environmental benefit to Oregon's water quality. The application contains thirty-two questions, contained in six sections:

1. Program Description
2. Water Body
3. Water Quality/Public Health Benefits
4. Education, Involvement and Technology
5. Program Schedule and Budgeting
6. Supporting Documents and Certification

The application form should provide adequate space for detailed responses to most of the questions. If additional space is needed, feel free to submit that information, well labeled as a separate attachment. . When an additional document is requested, it is recommended that those documents be submitted as a specific "attachment".

It is expected that applicants will need clarification when responding to some of these questions. DEQ encourages applicants to work closely with their regional DEQ Project Officer in accurately completing this application. **In addition to the application form, applicants must also submit all of the applicable exhibits requested on the "exhibits and requirements checklist"** which is available at <http://www.deq.state.or.us/wq/wqgrant/Applications/LCLChecklistForProjects.pdf>

If you do not know the name or phone number of your DEQ Project Officer or need other assistance, please contact Larry McAllister at (800) 452-4011, ext. 6412 or direct at 503 229-6412.

LINE INSTRUCTIONS

Section 1: Program Description

1. **PUBLIC AGENCY.** The complete legal name of the entity applying for the loan, the mailing address, phone numbers, fax number and email address.
2. **CONTACT PERSON.** Provide current information for the staff person who is knowledgeable about the proposed program, and will be DEQ's contact for the program.
3. **CWSRF LOAN REQUEST.** This is the amount the applicant is requesting from the CWSRF loan program. Loan proceeds are generally disbursed on a reimbursement basis. If the full loan amount is not needed, the loan will be amended (i.e., decreased) at the completion of the program. No interest or fees are charged for loan proceeds not disbursed.
4. **LOAN PROGRAM DESCRIPTION.** Provide enough detail to ensure a clear understanding of the scope of the local loan program. A detailed, full description of the entire program (additional to this application form) is also required. See Section 6 of the application
5. **TOTAL ESTIMATED PROGRAM COST.** This figure should represent the latest information on the estimated cost of the entire program. This is the cost that will be financed from all funding sources including the applicant.
6. **PROGRAM CATEGORIES.** Identify the appropriate category for the program (or part of the program) being financed with CWSRF loan (These are EPA-defined categories and used for DEQ reporting purposes only).

Section 2: Water body

7. **What water body, if any, will the program impact?** The intention is to know what specific water body or area of groundwater will be impacted by this program. Provide information that specifically names the waterbody(s) and when possible, the location of the program in relation to or within that waterbody. If the program is expected to impact multiple water bodies, then indicate which sub-basins will be impacted.
8. **Is the water body(s) impaired or limited by a pollutant addressed by this program?** Will this program address a pollutant that is impacting this water body? Explain how this program will reduce or eliminate that pollutant or pollutants. For information on Oregon's impacted water bodies, see the DEQ's 303(d) Listing located at: <http://www.deq.state.or.us/wq/303dlist/303dpage.htm>
9. **Will this program mitigate these water quality parameters?** These pollutants may be the same as those described in question 8, or different. Temperature is considered a pollutant when water temperature increases to the point where it impacts aquatic species. Dissolved oxygen is considered a pollutant when the level falls outside a range that benefits the ecological health of the water body. Contaminated sediments might include various oils and minerals or the amount of suspended sediment itself. Nutrients of concern include nitrogen, phosphorus, potassium etc. Please describe such mitigation on an attached sheet, labeled "Attachment A".
10. **Special Status water body.** If appropriate, indicate which designation qualifies the water body(s) and provide some detail of the location of the proposed program to the special status water body.

Section 3: Water Quality/Public Health Benefits

11. **Documented problems being addressed by this program.** Will this program address/impact a documented noncompliance issue? The documented problem may be either water quality standards, a water related public health issue or an effluent limits issue. If appropriate, describe the problem being addressed by the proposed program. Describe to what effect this program will improve the problem. Indicate the source of the documentation of this problem. Attach copies of the documentation if not already on file at DEQ.

- 12. Will this program address a documented problem associated with groundwater?** The documented problem may be either an issue related to water quality standards or a water related public health issue. Describe the problem being addressed by the proposed program. Indicate the source of the documentation of this problem. Describe in detail how the program will improve or eliminate the documented problem. Attach copies of the documentation if not already on file at DEQ.
- 13. Does the program resolve a noncompliance issue or enforcement action?** If appropriate, indicate which enforcement/violation issue has occurred and will be addressed by this program. Attach copies to the application.
- 14. How does this program satisfy the identified enforcement action or resolve the noncompliance?** Specifically describe what action needs to be taken to resolve the indicated noncompliance and how this program will accomplish this.
- 15. Will this program ensure that an activity remains in compliance?** DEQ will recognize certain “proactive proposals”. These are proposed projects that are implemented for a water quality activity, while that activity is still operating successfully within all regulations. To qualify the activity has to currently be in compliance. If this project qualifies, please explain what is motivating this project and how long (in years) this project should assure that the activity remains in compliance.
- 16. Improving or maintaining aquatic habitat supporting threatened or endangered species.** If this question is relevant, describe the threatened or endangered species. Describe the connection between the proposed program and the local habitat of such a species. Explain how this program will benefit that habitat.
- 17. Does the program incorporate water conservation?** Describe how this program promotes a reduction in water usage or need. Indicate the lifespan or duration of this conservation effort.
- 18. Does the program support implementation of a Total Maximum Daily Load Water Quality Implementation Plan or Groundwater Management Area Action Plan?** Describe which WQ plan or GW action plan the program supports and describe specifically how the program supports that plan. Explain the activities within this program that result in supporting such plans.
- 19. Persistent Bioaccumulative Toxics (PBTs).** Addressing these PBTs is a DEQ priority. On a separate attachment, list any PBTs impacting local water quality standards or a public health issue that will be mitigated by this program and how that mitigation will occur.

20. **Impact on water quality standards if the program is not implemented at this time.** Explain what impact can be expected on local water quality standards if this program is not funded at this time. Give a best estimate of when standards will be exceeded or worsened.
21. **Impact on public health if the program is not implemented at this time.** What reason is there to think a public health problem might occur if this program is not implemented at this time. Please describe the potential health problem.
22. **Will there be an opportunity to implement this program in the future?** What factors, if any, make this program necessary to implement now? Describe any circumstances that may not allow this same program or a similar program in the future? Having funding arranged does not qualify as a unique opportunity unless the source of those funds will not be available in the future.

Section 4: Education, Involvement and Technology

23. **If appropriate, describe any education/outreach aspects of program?** Does the program incorporate an educational component? What educational topic will be addressed? How will this occur? Who is the intended audience? How frequently will education or outreach be provided?
24. **Innovative Technologies.** Describe what, if any, innovative technologies will be incorporated in this program. What makes them innovative?
25. **Transferability of such innovative technologies.** If appropriate, list the circumstances or conditions that would make the above technologies attractive solutions to water quality improvement needs in other communities. Are these technology costs prohibitive? Do they address needs that are common in other Oregon communities?
26. **Other assistance.** Describe any other support (additional funding or other types of support) being provided by other organizations? Describe in as much detail as is known what the support will entail (dollar amounts, volunteer labor).
27. **Monitoring and reporting.** If monitoring (and reporting of those findings) is incorporated in this program, describe what the monitoring will consist of, and how the resulting information will be beneficial to long term water quality improvement efforts by the applicant and other organizations. Also explain any proposed adaptive management plans incorporated in the program.
28. **Risk management and security/safety measures.** Describe any of these areas intended to be included in the program.

Section 5: Program Schedule and Budgeting

29 Program Schedule. These dates should represent the most current information on the start and completion of the proposed program. This question is intended to provide DEQ with an idea when this program would be implemented.

30. Program Costs and Funding.

These two tables are intended to show that sufficient funds will be available to cover all known program costs. Total Costs should equal Total Funding and be the same as the Total Estimated Program Cost in Question 6.

Table A. Program Budget. In the Total Program Budget column, list all of the budgeted project costs by general category. In the Loan Funded Costs column, identify which of these costs will be covered by the CWSRF loan proceeds. This budget is an estimate and is not binding. Funds will be available in whichever category is needed up to the full amount of the loan.

Table B. Funding Sources. Identify each of the funding sources with the dollar amount expected. If funding is tentative, add a note explaining the situation. If the CWSRF loan is a “back-up” funding source to cover a tentative funding source or possible cost overruns, add a note to explain this.

31. ESTIMATED CWSRF LOAN DISBURSEMENT SCHEDULE. Loan proceeds are disbursed when copies of the invoices or other documentation of costs are submitted. List the estimated amount of loan funds to be requested each three months. This can be based on a rough estimate of the program schedule and is not binding. The quarterly disbursement requests should add up to the CWSRF Loan Request amount in question 3.

32. LOAN STRUCTURE: Check the box of the preferred loan structure. The most common CWSRF loan is the Revenue-Secured Direct Loan with a 105% rate coverage and a 100% loan reserve. This is also the mostly likely structure of a Local Community Loan. The source of revenue will be agreed upon prior to the loan agreement being signed. Read the description below to see if this is your preference. If not, continue reading the other options to find the appropriate structure.

REVENUE SECURED DIRECT LOAN. Most CWSRF loans are direct loans secured by an existing “revenue stream”. If that is your preference, check the box next to “Revenue-Secured Direct Loan” and fill in the Debt Service Coverage Factor and Loan Reserve Percentage, as described below. Most borrowers choose the 105% coverage and the 100% loan reserve requirement. This pair requires the least increase in sewer rates but the largest amount to be set aside in a restricted loan reserve account. After reading the description below, if this is your choice, fill in “105%” and “100%” in the blanks below revenue-secured loan. Otherwise, select a pair appropriate to your situation. (For a proposed loan repayment schedule on your project, call Rick Watters at (503) 229-6814.)

| PAIRED COVERAGE FACTORS AND RESERVE REQUIREMENTS | |
|---|--|
| COVERAGE FACTOR (Net Sewer Revenues before Debt Service as a % of Annual Debt Service Payment) | LOAN RESERVE REQUIREMENT (% of 1/2 of average annual debt service) |
| 105% | 100% |
| 115% | 75% |
| 125% | 50% |
| 135% | 25% |

The selection of the Coverage Factor will affect the borrower's sewer system rates, since rates must be maintained which generate sufficient revenue to:

- pay for operation and maintenance of the system, debt service on prior loans and bonds, and reserves for replacement of the facilities being financed; and
- leave a balance at least equal to the Coverage Factor multiplied by the CWSRF loan repayment due that year.

The Loan Reserve Requirement determines the amount that the borrower must retain in a restricted reserve account. Funding of the reserve account must equal the Loan Reserve Requirement multiplied by one-half the average annual CWSRF loan repayment.

The Loan Reserve may be funded with CWSRF loan proceeds if funding the reserve imposes an undue financial hardship on the borrower. In this case, the loan reserve amount would be added to the loan-funded program costs to determine the loan amount. Advise your Project Officer if you would like to pursue this option.

If the borrower has or incurs other sewer system debt obligations which, in the judgment of the DEQ, have inadequate reserves or may adversely affect the ability of the borrower to repay the loan as scheduled, the DEQ may require the Borrower to provide additional coverage and reserves on the non-CWSRF debt.

There are several other types of loan structures available other than the revenue-secured direct loan, as described below.

GENERAL OBLIGATION (G.O.) BONDS. The borrower may sell general obligation bonds to the DEQ. In order to do this, the local jurisdiction must have voter approval before DEQ can sign a loan agreement. Indicate the election date of voter approval (or when an election is scheduled). If voter approval has not yet been received, discuss funding plans with the DEQ project officer or the Headquarters staff.

RATED REVENUE BONDS. The borrower may sell rated (investment grade) revenue bonds or other debt obligations to the DEQ if the repayment stream is **not** subject to appropriation through the budget process.

ALTERNATIVE LOAN. If a General Obligation Bond, Rated Revenue Bond, or Revenue Secured Loan would be unduly burdensome, the borrower may propose an alternative financing plan which has a credit quality substantially equal to, or better than, the credit quality of a revenue-secured loan. An example of this structure is a loan secured by sewer assessments.

DISCRETIONARY LOAN. A borrower with a population of less than 5,000 which, in the judgment of the DEQ, cannot practicably comply with the requirements of the types of loans described above is eligible for a Discretionary Loan. The security structure of this loan would be based upon the financial situation of the borrower. Due to the fact that Discretionary Loans are higher risk, they are limited in amount and are available only for projects which address significant water quality problems.

Section 6: Supporting Documents and Certification

EXHIBITS. Submit this application with the applicable exhibits listed on the checklist. Talk with your DEQ Project Officer about which exhibits are applicable. If an exhibit has already been submitted to DEQ through another DEQ program, discuss this with the DEQ Project Officer so that a copy of the exhibit can be obtained.

AUTHORIZATION. The person authorized to sign for the applicants certifies the applicant's intended compliance with the stated requirements by signing and dating the application.

SEND APPLICATION AND EXHIBITS TO YOUR DEQ PROJECT OFFICER at the appropriate DEQ office listed.