

STATE OF WISCONSIN
CLEAN WATER FUND PROGRAM
STATE REVOLVING FUND

INTENDED USE PLAN

for

EPA FFY 2011 CAPITALIZATION GRANT
for funding during
STATE FISCAL YEAR 2012

ADMINISTERED BY

THE WISCONSIN DEPARTMENT OF NATURAL RESOURCES
and
THE WISCONSIN DEPARTMENT OF ADMINISTRATION

November 2011

WISCONSIN DEPARTMENT OF NATURAL RESOURCES
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**WISCONSIN DEPARTMENT OF NATURAL RESOURCES CLEAN WATER FUND PROGRAM INTENDED USE PLAN
Covering Funding During State Fiscal Year 2012
For Receipt of the EPA Federal Fiscal Year 2011 Capitalization Grant**

I. INTRODUCTION

Section 606(c) of the Water Quality Act of 1987 (P.L. 100-4), requires that the State develop an annual Intended Use Plan (IUP) identifying the uses of funds available for its Clean Water state revolving loan program after providing for public comment and review. Assurances and specific proposals for meeting federal requirements identified under Section 606(c)(4) are provided in Attachment 2 (environmental review procedures) and Attachment 8 of the Operating Agreement between the State and EPA.

This document and attachments, which comprise Wisconsin's state fiscal year (SFY) 2012 Clean Water Fund Program (CWFP) IUP, indicate the intended use of the federal fiscal year (FFY) 2011 Clean Water State Revolving Fund (SRF) capitalization grant and required state matching funds, and other monies available in the revolving loan fund. The IUP is a part of Wisconsin's capitalization grant agreement package for FFY 2011 and covers anticipated activity during SFY 2012.

II. DESCRIPTION OF THE CLEAN WATER FUND PROGRAM AND FEDERAL SRF

The State of Wisconsin Clean Water Fund Program operates a financial assistance program consisting of Federal and State Accounts. (The accounting structure of the CWFP is described in Attachment 3 of the Operating Agreement.) The Department of Natural Resources (DNR) and the Department of Administration (DOA) jointly administer the program under the Environmental Improvement Fund (EIF).

The Federal Account constitutes the SRF. It is structured as a direct loan program. Proceeds from general obligation bonds issued by the State provide the state match.

The State Accounts are part of the state-run program. Proceeds from general obligation bonds issued by the State are used to establish a reserve account pledged as security for issuance of State Clean Water revenue bonds. Proceeds from the revenue bonds are loaned to municipalities. Interest earnings on the reserve account plus earnings derived from a subsidy fund are used to reduce the interest rate on a municipality's loan, thus providing an interest rate subsidy.

The IUP focuses on the loans made from the Federal Account--the State's SRF. References made to the State leveraged program are intended to demonstrate the commitment of Wisconsin in addressing water quality initiatives included in the Clean Water Act and that the State leveraged program and the State's SRF act complementarily to achieve the Act's goals.

III. GOALS OF THE FEDERAL PROGRAM

The Federal government started providing capitalization grants to states beginning in FFY 1989, as provided in Title VI of the Water Quality Act of 1987 (CWA). These grants, along with the required state match, are used to fund the Federal Account of the CWFP designed to operate in perpetuity to provide low interest loans for water pollution control projects.

Certain goals have been established for the SRF. These goals are listed below:

Short-Term Goals:

- Maintain effective partnerships with other State and Federal financing sources to coordinate funding and promote efficiency for both the agencies and the applicants;
- Develop strategies, programs, and mechanisms to ensure that municipalities are able to address the highest priority water quality problems;
- Direct funds to the state's most urgent water quality and public health needs;
- Allocate a minimum of 20% of capitalization grant funds to projects which incorporate water or energy efficiency, green infrastructure, or are environmentally innovative; and
- Provide additional economic assistance in the form of principal forgiveness with the highest amounts allocated to those applicants demonstrating the greatest financial need.

Long-Term Goals:

- Provide public outreach and education regarding program policies, procedures, and participation;
- Assist municipalities in achieving and maintaining compliance with all applicable state and federal water quality requirements and standards;
- Protect the public health and environmental quality of the state;
- Manage the revolving loan fund in such a way as to protect its long-term integrity and enable it to revolve in perpetuity;
- Provide economic assistance to municipalities, including those who may not have substantial credit histories, for the purposes of constructing and maintaining water quality related infrastructure; and
- Prevent environmental contamination of groundwater and surface water.

IV. SOURCES AND USES OF FUNDS

The State of Wisconsin is applying for the FFY 2011 capitalization grant in the amount of \$39,921,000. State match in the amount of \$7,984,200 is authorized under state law. General obligation bonds equivalent to the necessary state match will be issued prior to any draws on the capitalization grant.

A minimum of \$7,984,200 of the FFY 2011 capitalization grant must be used for projects or portions of projects qualifying under the green project reserve (GPR). A total of \$3,699,315 will be available as principal forgiveness funds. Further discussion on both these topics can be found in section VIII below.

V. PROGRAM ADMINISTRATION COSTS

Federal regulations allow up to four percent of the capitalization grant to be requested for program administration. The DNR is requesting the full four percent (\$1,596,840).

VI. TRANSFER OF FUNDS BETWEEN THE CWSRF AND DWSRF

No funds are being transferred between the CWSRF and the Drinking Water SRF.

VII. CLASSIFICATION OF AND INTEREST RATES FOR PROJECT TYPES UNDER THE CWFP

Wisconsin's CWFP is an environmentally prioritized loan financing program for municipal water pollution control projects. The CWFP contains six types of categories under which projects are classified. Projects receiving Federal SRF funding will be classified as one or more of the following and may receive a blended loan interest rate:

- Compliance Maintenance and New/Changed Limits Projects: These projects are necessary to maintain compliance with permit requirements or implement new or changed limits required by the DNR. The 2011-2013 State budget reduced the amount of subsidy the State provides. This change increased the interest rate for projects in this category from 60% of the State's cost of borrowing, as determined by the market rate on issued revenue bonds, to 75%.
- Septage Receiving Facilities: Wisconsin state assembly bill 449 was passed in April 2006. This bill pertained to septage receiving facilities and provides a 0% interest rate on projects or portions of projects funded by the CWFP that are for the receiving, treatment, and disposition of septage.
- Urban Stormwater and Urban Nonpoint Source Projects: The 2011-2013 State budget reduced the amount of subsidy the State provides. This change increased the interest rate for projects in this category from 60% of market rate, to 75%. Portions of a project solely for flood control or future growth will be funded at market rate.
- Unsewered Projects: The 2011-2013 State budget reduced the amount of subsidy the State provides. This change increased the interest rate for projects in this category from 70% of market rate, to 75%.

- Violator Projects and those portions of projects that provide industrial and reserve capacity: Eligible projects or portions of projects in these categories will receive market rate funds.
- Hardship Projects: Certain projects may be eligible for loans at interest rates less than those described above, in circumstances where the municipality qualifies under criteria contained in s. 281.58(13), Wis. Stats. In these situations, loans with interest rates of as low as 0% may be awarded. (The hardship program can also provide grants; however, grants cannot normally be funded by the Federal Direct loan program and must be provided by the State proprietary program.)

The priority ordering of projects on the funding list is based on the factors contained in ch. NR 162, Wis. Adm. Code. The priority score assigned to a project under ch. NR 162, Wis. Adm. Code, takes into account the following:

- project category type;
- septage and leachate treatment;
- local priorities;
- human health impacts;
- fish and aquatic life impacts;
- impaired waters;
- wild and domestic animal impacts;
- outstanding and exceptional resource waters; and
- population.

CWFP loans must mature no more than 20 years from the date of the first loan disbursement to the community. Interest payments are required semi-annually on May 1st and November 1st while principal payments are required annually on May 1st. No fees are assessed under the CWFP for any of these project types.

VIII. COMPLIANCE WITH REQUIREMENTS IN FFY 2011 APPROPRIATIONS ACT

A. Introduction

The FFY 2010 Appropriations law (P.L. 111-88) included several additional requirements affecting both the CWSRF and the DWSRF. The FFY 2011 Full-Year Continuing Appropriations Act (P.L. 112-10) carried these requirements forward for FFY 2011. These requirements include: the provision that a minimum of 30% of the amount of the FFY 2011 CWSRF capitalization grant which came from the portion of the federal appropriation that exceeded \$1,000,000,000 be used to provide additional subsidization in the form of grants, principal forgiveness, or negative interest rate loans (which comes to \$3,699,315 in Wisconsin); a requirement that to the extent there are sufficient eligible project applications that not less than 20% of the grant be used to fund projects or portions of projects meeting green project reserve requirements; the continuation of Davis-Bacon requirements; and a requirement for quarterly reporting to the CWSRF Benefits Reporting system. These requirements are addressed in further detail below.

B. Status of Enabling Legislation

Enabling legislation granting the department the necessary changes for implementing provisions contained in P.L. 112-10 was included as part of the Biennial Budget and signed into law on June 26, 2011 as Wisconsin Act 32. Act 32 allows the department to do the following:

- Provide financial assistance in the form of forgiveness of part of the principal of a loan;
- Set a percentage limit on the amount of principal forgiveness any eligible applicant may receive;
- Establish a deadline for submitting applications for financial assistance;
- Consider the following in determining which projects receive funding:
 - 1) The population of the local governmental unit in which a project would be located;
 - 2) The median household income (MHI) of the local governmental unit in which a project would be located;
 - 3) The extent to which a project promotes water efficiency or energy efficiency; is environmentally innovative; or uses natural systems or engineered systems that mimic natural processes, also called green infrastructure.

C. Application Deadline for Applying for Principal Forgiveness Funds

Wisconsin Act 32 gave the DNR the authority to establish an application deadline for the CWFP. A decision was made to set an application deadline of September 30, 2011 for the purposes of applying for principal forgiveness funds of which a total of \$3,699,315 is available. Applicants who met the December 31, 2010 Intent to Apply deadline and wish to apply for a regular subsidized loan under the CWFP can still submit applications at any time during the state fiscal year.

D. Criteria and Methodology for Distribution of Principal Forgiveness Funds

EIF staff decided to allocate principal forgiveness funds using the same methodology as was used for the FFY 2010 funds. This methodology is based primarily on financial need, though any applicant with a priority score in the fundable range could receive principal forgiveness for 10% of eligible project costs (subject to the cap discussed below). Applications were ranked in priority score order and then the following methodology applies:

- If a municipality's population is 10,000 or more, the CWFP will provide principal forgiveness for 10% of eligible project costs.
- If a municipality's MHI is greater than the state's MHI (\$51,569) the CWFP will provide principal forgiveness for 10% of eligible project costs.
- If a municipality's population is less than 10,000 and its MHI is less than or equal to the state's MHI, EIF staff will calculate an Assistance Level Score that is the sum of population points + MHI points, as follows:

Population	Points	Median Household Income	Points
0 – 499	30	81% - 100%	0
500 – 999	25	75% - 80%	5
1000 – 1999	20	70% - 74%	10
2000 – 2999	15	65% - 69%	15
3000 – 4999	10	60% - 64%	20
5000 - 9999	5	< 60%	25

- If the Assistance Level Score is at least 5 points but no more than 30 points, the CWFP will provide principal forgiveness for 30% of eligible project costs.
- If the Assistance Level Score is greater than or equal to 35 points, the CWFP will provide principal forgiveness for 50% of eligible project costs.
- The above percentages of principal forgiveness are subject to the cap described below.

E. Cap on Principal Forgiveness Funds

Current CWFP statutes restrict any one municipality from receiving more than 35.2% of the present value subsidy available in any biennium. In addition to this limitation, the DNR is imposing a cap on the amount of principal forgiveness funds that may be received by any one municipality. This cap will be 10% of the available principal forgiveness funds (\$369,932).

F. Green Project Reserve

P.L. 112-10 requires that, to the extent there are sufficient eligible project applications, not less than 20% of the capitalization grant funds (\$7,984,200) must be used for projects or portions of projects that include improved water or energy efficiency, green infrastructure, or other environmentally innovative activities. The attached draft funding list shows qualifying green projects or portions of projects that far exceed the required 20% of the capitalization grant funds. In addition to the projects on the funding list, there may be additional green projects which will receive regular CWFP funding during the SFY. These projects will be detailed in the SFY 2012 Annual Report.

G. Davis-Bacon Act

P.L. 112-10 requires continued compliance with the Davis-Bacon wage rate requirements of section 513 of the CWA. On November 30, 2009, EPA issued a memorandum interpreting the appropriations bill language as applying Davis-Bacon requirements to all projects funded by the SRFs.

Information has been posted on the program website stating that Davis-Bacon requirements still apply to projects which will receive funding during SFY 2012. Required contract language is also posted on the website. All projects receiving funding will be required to certify their weekly payrolls on their disbursement request forms. Compliance will be further verified during field inspections of projects.

H. Reporting

The State agrees to comply with the revised reporting requirements contained in the *Procedures for Implementing Certain Provisions of EPA's Fiscal Year 2011 Full-Year Continuing Appropriation Affecting the Clean Water and Drinking Water State Revolving Fund Programs*. Information will be entered into Clean Water Benefits Reporting system (CBR) no less often than quarterly and will include the use of funds for the green project reserve and additional subsidization as well as project benefits.

The State has been using CBR for reporting project benefits of all SRF loans issued by the CWFP starting with activity in calendar year 2005.

IX. SFY 2011 PROJECT PRIORITY LIST and DRAFT FUNDING LIST

The CWFP received ITAs totaling almost \$1.1 Billion in anticipated project costs by the December 31, 2010 deadline. These projects were scored and ranked on the project priority list which was published on the EIF website in May 2011.

A deadline of September 30, 2011 was set to apply for the available principal forgiveness funds but only eight applications were received. Five additional applications which were submitted earlier in the SFY were included on the draft list and two applications were rejected for being incomplete. Allocating principal forgiveness funds by the methodology described in this IUP and published on the Community Financial Assistance website on June 8, 2011 only resulted in allocating \$2,310,754 in principal forgiveness of the \$3,699,315 available.

Various options were explored and a decision was made to offer the remaining principal forgiveness funds to applications which were in-house from SFY 2011 but where a financial assistance agreement had not yet been executed. These applicants were contacted in priority score order and asked if they were interested in moving their projects from SFY 2011 funding to SFY 2012 in order to receive principal forgiveness funds. Moving from SFY 2011 to SFY 2012 meant an increase in the interest rate on the loan.

The attached draft funding lists first allocates principal forgiveness funds, in priority score order, to the applicants which met the September 30th principal forgiveness application deadline. Following that list is a second listing of projects, in priority score order, which are shifting from SFY 2011 to SFY 2012 in order to accept unallocated principal forgiveness funds. Two more projects appear below this. The first is one of the projects which was rejected for submitting an incomplete application; the application was completed on November 23rd. The second application was also submitted as a supplemental application on November 23rd and will absorb any excess principal forgiveness funds which roll down the list.

There is an additional list of projects underneath the principal forgiveness funding list which shows other projects for which an application has been received and which are expected to or have already received funding from the federal portfolio during SFY 2012. These projects are listed in alphabetic order by municipality. Projects where the municipality and project number are listed in **bold** have already closed on a financial assistance agreement as of the date of this IUP.

Information provided on the lists includes the project priority score, project description, estimated CWFP project cost, estimated principal forgiveness funds, estimated amount counted towards the green project reserve, and the WPDES permit number.

The September 30 application deadline only pertained to projects applying for principal forgiveness. Applications under the normal CWFP process can still be submitted at any time during SFY 2012 as long as the project was included in the SFY 2012 Project Priority List which was published on the EIF website on May 26, 2011. Additional projects which receive funding from the

federal portfolio will be detailed in the SFY 2012 CWFPA Annual Report.

X. PRINCIPAL FORGIVENESS PROJECTS FROM SFY 2011 LIST

Twenty-three projects were allocated principal forgiveness funds on the SFY 2011 Corrected Final Principal Forgiveness Funding List which was published on May 11, 2011. Six of those twenty-three projects had executed assistance agreements by the end of SFY 2011 and nine more had executed agreements by the end of November 2011. In addition, two projects had their applications withdrawn which moved one additional project into the fundable range for principal forgiveness. The remaining seven projects will execute assistance agreements by the end of February 2012. All projects closing on assistance agreements during SFY 2012 will be detailed in the SFY 2012 CWFPA Annual Report.

XI. ASSURANCES

State assurances concerning the requirements of Sec. 602(b) of the Water Quality Act are contained in the Operating Agreement.

XII. PUBLIC REVIEW AND COMMENT

The methodology chosen to allocate principal forgiveness for SFY 2011 was published on the EIF website on June 8, 2011. The draft Principal Forgiveness funding list was published on November 17, 2011 and corrected on November 23, 2011. This Intended Use Plan was posted on the EIF website on Wednesday, November 23, 2011. An e-mail notification is sent to a distribution list of approximately 1000 recipients whenever new information is posted. Written comments on the IUP and attached draft funding list will be taken via mail, fax, or e-mail, and should be postmarked, faxed, or received by Monday, December 5, 2011. E-mail comments are encouraged. E-mailed comments on the IUP or the draft funding list should be sent to Rebecca.Scott@wisconsin.gov. Mailed comments should be sent to Becky Scott at CF/2, WDNR, P.O. Box 7921, Madison, WI 53707-7921. Faxed comments should be sent to the attention of Becky Scott at 608-267-0496.

CWFP DRAFT SFY 2012 Principal Forgiveness Funding List and Additional Federally Funded Projects

Regular Funds are Still Available

Priority Score	Municipality	Project Number	Project Description	Project Costs Requested	Principal Forg. Percent	Estimated	Estimated Green Project Costs	WPDES Permit Number
						Principal Forgiveness Amount		
						(\$3,699,315)	(\$7,984,200)	
Applications which met the September 30, 2011 Principal Forgiveness Application Deadline:								
98.481	Neenah Menasha S.C.	4115-03	Construct biosolids storage building	\$3,644,817	10%	\$364,482	\$17,200	WI0026085
97.555	Madison MSD	4010-38	Upgrade Nine Springs Operations Bldg HVAC	\$4,226,419	10%	\$369,932	\$0	WI0024597
90.231	Rockland SD #1	2006-05	WWTF Plant Upgrade BOD, TSS & Algae	\$591,320	10%	\$59,132	\$0	WI0022802
81.416	Burlington, City of	5096-09	Upgrade WWTP Capacity - Phases II & III	\$8,590,034	10%	\$369,932	\$2,362,000	WI0022926
55.602	Milwaukee MSD	3219-01	Install Flow Monitoring Devices, Phase II K01010	\$8,761,143	10%	\$369,932	\$0	WI0036820
55.288	Combined Locks, Village of	5339-09	Reduce I/I in Elm, Washington, Darboy, Park, Ryan, State St.	\$1,308,219	10%	\$130,822	\$0	WI0031232
50.404	Caledonia, Village of	4551-03	Hoods Creek & Caddy Vista Lift Stations Upgrades	\$8,978,500	10%	\$369,932	\$0	WI0025194
50.279	St. Nazianz, Village of	4007-05	Upgrade Sanitary Sewer	\$625,000	30%	\$187,500	\$625,000	WI0022195
50.246	Wrightstown SD #1	5337-02	Replace 4300' of concrete & asbestos sewers with PVC sewers	\$890,900	10%	\$89,090	\$890,900	WI0022438
				\$37,616,352		\$2,310,754		
All information on this list is based on original application submittals. These applications have not yet been reviewed for eligibility and completeness.								
All funding allocations are DRAFT at this time and are subject to change.								
Applications In-house from SFY 2011 which were offered Principal Forgiveness Funds:								
68.256	Poplar, Village of	4304-02	Upgrade WWTP for ammonia, new screening, eliminate sewer I/I	\$411,827	30%	\$123,548	\$0	WI0049760
65.306	Albany, Village of	4517-06	Upgrade WWTP to meet new ammonia limits & sewer rehab	\$736,003	30%	\$225,274	\$0	WI0021199
60.276	Merrillan, Village of	4087-02	Rehab/replace/reline sewers along USH 12	\$537,674	50%	\$268,837	\$401,000	WI0024732
56.302	Brooklyn, Village of	4662-04	New WWTP - Phase 2	\$2,030,750	10%	\$203,075	\$91,041	WI0023485
55.390	Rhineland, City of	4132-07	Replace interceptor to Davenport St; Sutliff & Kemp Lift Station	\$676,896	30%	\$203,069	\$0	WI0020044
55.256	De Soto, Village of	4434-02	Rehab WWTP equipment & lift station; new sludge tank	\$285,300	50%	\$142,650	\$0	WI0029793
				\$4,678,450		\$1,166,453		
Additional SFY 2012 applications which did not meet the September 30th deadline (in order of receipt):								
60.284	Viola, Village of	5293-02	Upgrade WWTP Aeration and Mixing System for Lagoons	\$601,800	50%	\$222,108	\$380,490	WI0021148
74.264	Rudolph, Village of	4117-04	Construct interceptor to Wisc. Rapids to regionalize treatment plus collection system work to reduce I/I	\$1,677,390	10%	\$0	\$1,677,390	WI0021288
				\$2,279,190		\$222,108		
Other applications expected to receive funds from the federal portfolio during SFY 2012:								
50.185	Burlington, City of	5096-07	2009 Street Improvement Program: Conkey, State, & McHenry St	\$669,150	NA	\$0	\$0	WI0022926
56.930	Campbellsport, Village of	4625-06	Upgrade Main Pumping Station and Forcemain to WWTP	\$1,466,171	NA	\$0	\$0	WI0020818
55.254	Galesville, City of	4038-04	Replace Sanitary Sewer, New Lift Station & Forcemain	\$158,790	NA	\$0	\$0	WI0021725
62.330	Ho-Chunk Nation	5479-02	Upgrade WWTP & Collection Systems; New Interceptor	\$8,652,005	NA	\$0	\$416,550	WI0063720
58.429	Menasha, City of	5101-04	Rehab Phase 1 & 4 Area Sewers; Mid-City Inter, SCADA, Vactor	\$872,956	NA	\$0	\$0	WI0026085
56.602	Milwaukee MSD	3145-01	JI Preliminary Treatment Upgrade J01006	\$25,313,592	NA	\$0	\$0	WI0036820
74.602	Milwaukee MSD	3206-04	JI D&D Belt Filter Press Rehab Construction J04026	\$10,805,387	NA	\$0	\$0	WI0036820
74.603	Milwaukee MSD	3209-03	Construct Five 4.6MW Turbine System for Landfill Gas	\$43,968,425	NA	\$0	\$43,968,425	WI0036820
55.000	Milwaukee MSD	3215-01	Overflow pump station BS0405 C04006	\$16,339,183	NA	\$0	\$0	WI0036820
62.268	Waldo, Village of	4270-03	Upgrade WWTP and Reduce Infiltration & Inflow	\$3,007,393	NA	\$0	\$0	WI0022471
Projects listed in BOLD have already closed on a financial assistance agreement.				\$111,253,052				
Total all applications:				\$155,827,044		\$3,699,315	\$50,829,996	