

**State Revolving Fund Program – Alaska Drinking Water Fund
Financial Capacity Assessment**

Project Number/Name: 515011-S / Swan Lake and Lagoon Loop Replacement – Planning and Design

Applicant: City of Kotzebue

Project Description: This project will complete planning and engineering design necessary to prepare for replacement of the Swan Lake Loop and Lagoon Loop in the Kotzebue water distribution system.

Date: May 29, 2025

Requested Total SRF Loan Amount	\$2,500,000
Principal Forgiveness	\$2,500,000
Loan Principal to be Repaid	\$0
Population (2020 Census)	3,102
Median Household Income ¹	\$101,071
Most Recent Audit Reviewed	Year ended June 30, 2022
Type of auditor's report	Unmodified
Internal controls over financial reporting	
Material weakness(es) identified?	No
Significant deficiencies identified?	Yes
Audit findings disclosed?	Yes

¹ US Census Bureau 2018-2022 American Community Survey 5-year Estimate.

BACKGROUND INFORMATION

The City of Kotzebue (City) originally submitted State Revolving Fund (SRF) questionnaires (pre-application forms) for two projects to plan, design and construct two water distribution system loops. The scope of work was revised in the SRF loan application to include planning and design work for both of the water distribution loops. After the planning and design phase is completed, the City will seek funding for construction of the water loop replacements.

This Financial Capacity Assessment (FCA) is based on information presented in the City's certified financial statements from 2020 through 2022 as well as financial projections prepared by the City for the next five years. The most recent audited financial statement for the year ended December 31, 2022, indicated significant deficiencies in general ledger reconciliations, the small purchase procurement policy, and the suspension/debarment documentation procedure. The City prepared a corrective action plan to address these issues.

PURPOSE OF FINANCIAL CAPACITY ASSESSMENT

SRF Program borrowers are required to submit documentation of the availability of, and the commitment to use, one or more dedicated sources of revenue for repayment of the financial assistance and sufficient reserves for the loan. For this loan, 100% of the funding will be given as principal forgiveness; therefore, no source of loan repayment is required. However, all loan recipients, including those for loans with 100% forgiveness, must demonstrate adequate technical, managerial and financial capacity to operate and maintain the public water system. Therefore, this FCA considers the City's ability to operate and maintain the water utility.

OPERATING RATIO

The Operating Ratio indicator measures the utility's self-sufficiency – whether the revenues are sufficient to operate the facility. The natural benchmark for Operating Ratio is 1.0 or break-even, but often a higher number is desired. A minimum Operating Ratio of 1.2 is recommended when depreciation expenses are included. An Operating Ratio of 1.5 or greater is recommended when depreciation costs are not included as operating

expenses. A higher Operating Ratio ensures that the system has adequate revenue to cover daily expenses, debt service, capital replacement costs, emergencies, and unexpected revenue shortfalls.

As shown in the table below, when depreciation expenses are excluded, the Operating Ratio for the Water and Sewer Utility Enterprise Fund was consistently above the break-even point during the last three years; however, the Operating Ratio falls short of the target level of 1.5. When depreciation expenses are included in the calculation, the Operating Ratio is significantly below the target level of 1.2. While the revenue collected during the last three years has been sufficient to cover annual operating expenses, the utility is not bringing in sufficient revenue to fully fund depreciation expenses and plan for future capital needs.

Water and Sewer Utility Enterprise Fund	2020	2021	2022
Operating Revenues	\$2,477,047	\$2,537,018	\$2,498,148
Operating Expenses	\$1,942,266	\$2,009,243	\$1,939,413
Depreciation	\$1,604,520	\$1,531,155	\$1,456,668
Operating Ratio with Depreciation	0.70	0.72	0.74
Operating Ratio without Depreciation	1.28	1.26	1.29

Formula: Operating Ratio with Depreciation = Operating Revenue/(Operating Expenses + Depreciation)

Formula: Operating Ratio without Depreciation = Operating Revenue/Operating Expenses

Operating and revenues and expenses for the water utility are listed in the financial statements; however, depreciation is listed as a combined expense for both the water and sewer utilities. The table below shows that the Operating Ratio for the water utility were above the target level of 1.5 based on revenue and expense information in the last three audited financial statements.

Water Utility	2020	2021	2022
Operating Revenues (use charges, connect fees)	\$1,681,741	\$1,709,209	\$1,672,482
Operating Expenses	\$918,318	\$950,432	\$785,561
Operating Ratio without Depreciation	1.83	1.80	2.13

Formula: Operating Ratio without Depreciation = Operating Revenue/Operating Expenses

The table below shows the projections provided by the City for the water utility only. Based on these projections, revenue adjustments are anticipated each year to keep pace with inflation. With these adjustments, the water utility is anticipated to have sufficient revenue to pay for operational expenses. The water utility is anticipated to operate well above the target level of 1.5 during the next five years.

Water Utility	2023	2024	2025	2026	2027	2028
Operating Revenues	\$1,798,204	\$1,860,000	\$1,931,450	\$2,002,950	\$2,077,059	\$2,153,892
Operating Expenses	\$1,070,728	\$1,115,665	\$1,177,000	\$1,214,000	\$1,225,575	\$1,230,665
Operating Ratio	1.68	1.67	1.64	1.65	1.69	1.75

Formula: Operating Ratio = Operating Revenue/Operating Expenses

DEBT SERVICE COVERAGE RATIO

The Debt Service Coverage Ratio helps determine whether sufficient revenue will be available after operating and maintenance expenses to pay debt service on SRF loans and any other debt. A Coverage Ratio greater than 1.0 shows revenues exceed expenses; many lenders require a minimum Coverage Ratio greater than 1.0.

There is no known long-term debt associated with the City's water and sewer utility. The proposed SRF loan for the Swan Lake and Lagoon Loop Replacement is being offered with 100% forgiveness; therefore, no debt will be incurred. The Debt Service Coverage Ratio is not included in this Financial Capacity Assessment.

AFFORDABILITY

In order to determine the affordability of user rates, the U.S. Environmental Protection Agency (EPA) uses the user rates as a percentage of Median Household Income (MHI). Typical benchmarks used by EPA are 1.5% for water rates, 2% for sewer rates, and therefore, 3.5% combined.

In the loan application, the City indicated that a utility rate study for water, sewer and garbage services was conducted in 2023. As a result of this study, new rates were adopted by the City Council in January 2024 and implemented in March 2024. The increased rates are \$105.21 per month for residential water service and \$57.18 per month for residential sewer service.

The current water and sewer rates are below the EPA affordability benchmarks.

Current User Rates as Percentage of MHI

	Per Month	Per Year
Current Water Utility Rate - Residential	\$105.21	\$1,262.52
Current Monthly Sewer Utility Rate - Residential	\$57.18	\$686.16
Median Household Income	----	\$101,071
Annual Water Utility Rate as Percentage of MHI		1.24%
Annual Sewer Utility Rate as Percentage of MHI		0.67%
Annual Combined Water & Sewer Utility Rate as Percentage of MHI		1.92%

The Alaska Department of Environmental Conservation (DEC) developed an affordability indicator for use in determining whether a rural Alaskan community's users can afford fees that cover the annual operation, maintenance, repair, equipment and capital replacement costs of their water, wastewater, or solid waste facilities. Unlike the use of MHI to determine affordability, which focuses only median household income, the affordability indicator considers multiple important socioeconomic factors that affect actual affordability.

Additional information about the affordability model can be found online at:

<https://dec.alaska.gov/water/village-safe-water/user-rate-affordability/>.

For Kotzebue, the DEC Affordability Indicator suggests that the City's past water and sewer combined monthly user fee places a medium burden on residential customers, including those in the lowest three income quintiles.

SUMMARY

Some of the key points identified in this FCA are:

- Based on data from the certified financial statements from 2020-2022, operating revenues have been sufficient to pay for operating expenses. However, when depreciation expenses are included, the revenue is not sufficient to allow the City to fully fund future infrastructure replacement costs.
- The City's financial projections indicate plans to adjust revenue on an annual basis to keep pace with inflation.
- The City's current water and sewer utility user rate is considered to have a medium burden on residential customers according to the DEC Affordability Indicator.

RECOMMENDATIONS

Financial assistance in the form of a loan for \$2,500,000 with 100% forgiveness from the Alaska Drinking Water Fund, is recommended.

In order to ensure the ability to finance future capital improvement projects, the City should regularly review its capital improvement plans and implement regular rate increases in order to make needed system upgrades.

In addition, it is also recommended that the SRF Program conduct an annual review of the City's Certified Annual Financial Report to detect changes in indicators that may impact the City's ability to operate and maintain the water and sewer utility.

ALASKA DRINKING WATER FUND

Draft Intended Use Plan

State Fiscal Year 2025
July 1, 2024 – June 30, 2025

For Federal Base Capitalization
funds appropriated in Federal Fiscal Year 2024 and
Bipartisan Infrastructure Law General Supplemental
funds appropriated in Federal Fiscal Year 2023



Submitted to the U.S. Environmental Protection Agency
By
Alaska Department of Environmental Conservation
Division of Water – State Revolving Fund Program
May 2024

Contents

INTRODUCTION 4

PROGRAM GOALS 5

 Long-Term Goals..... 5

 Short-Term Goals 5

CRITERIA AND METHOD FOR FUND DISTRIBUTION..... 7

 Project Priority List of DWSRF Projects..... 7

 Amendments to the Project Priority List 7

 Project Readiness Bypass Procedure 7

 Refinancing Existing Debt..... 8

 Emergency Procedures 9

 Phasing of a DWSRF Project..... 9

 Removing Projects from the Project Priority List 9

 Amendments to Existing Loans..... 9

 Project Scoring Criteria 9

FUNDS AVAILABLE..... 10

 Capitalization Grants 10

 State Match 10

 Cash Draw..... 10

 Sources and Uses of Funds 10

 Fund Transfer..... 11

 Administrative Fee..... 11

 Finance Rate and Maximum Loan Terms..... 12

SET-ASIDES 12

 Small System Technical Assistance Set-Aside (2%)..... 13

 Administration and Technical Assistance Set-Aside (4%)..... 13

 Program Management Set-Aside (10%)..... 13

 Local Assistance and Other State Programs Set-Aside (15%) 14

DISADVANTAGED COMMUNITY ASSISTANCE..... 14

ADDITIONAL SUBSIDY..... 15

MICRO LOAN PROJECTS 15

SUSTAINABLE INFRASTRUCTURE PLANNING PROJECTS 16

SMALL UTILITY ASSISTANCE GRANTS 17

GREEN PROJECT RESERVE (GPR) 17

SMALL SYSTEM ASSISTANCE..... 18

FEDERAL REQUIREMENTS..... 18

 American Iron and Steel 18

 Davis-Bacon Act Wage Requirements 18

 Environmental Review 18

 Build America, Buy America Act..... 18

 Disadvantaged Business Enterprise 19

 Signage to Enhance Public Awareness..... 19

Single Audit.....	19
Prohibition of Certain Telecommunication and Video Surveillance Services	19
ASSURANCES AND CERTIFICATIONS	20
Expeditious and Timely Expenditure	20
Fund Accounting Separation	20
Financial Planning and Long-Term Financial Health.....	20
Federal Reporting	20
Federal Funding Accountability Transparency Act.....	21
PUBLIC REVIEW AND COMMENTS	21

Appendices

Appendix 1. Priority Criteria for SFY25 Projects

Appendix 2. Project Priority List

Appendix 3. Disadvantaged Community Criteria

Acronyms

AAC	Alaska Administrative Code
ACWF	Alaska Clean Water Fund
ADEC	Alaska Department of Environmental Conservation
ADWF	Alaska Drinking Water Fund
AIS	American Iron and Steel
AWIA	America’s Water Infrastructure Act of 2018
AWWU	Anchorage Water and Wastewater Utility
BABA	Build America, Buy America Act
BIL	Bipartisan Infrastructure Law
CE	Categorical Exclusion
CWS	Community Water System
DBE	Disadvantaged Business Enterprise
DWP	Drinking Water Program
DWSRF	Drinking Water State Revolving Fund
EPA	U.S. Environmental Protection Agency
FFATA	Federal Funding Accountability Transparency Act
FFY	Federal Fiscal Year
FOCUS	Financial Operations and Cash Flow Utilization System
GPR	Green Project Reserve
IUP	Intended Use Plan
LSL	Lead Service Line
MHI	Median Household Income
NTNC	Non-Transient Non-Community System
OASys	Online Application System
PBR	Project Benefits Reporting
PPL	Project Priority List

PWS	Public Water System
SDWA	Safe Drinking Water Act
SERP	State Environmental Review Process
SFY	State Fiscal Year
SRF	State Revolving Fund
TAF	Technical Assistance and Financing
WIIN	Water Infrastructure Improvements for the Nation Act of 2016

INTRODUCTION

The Drinking Water State Revolving Fund (DWSRF) was created by the 1996 amendments to the federal Safe Drinking Water Act (SDWA) to assist public water systems with financing the cost of infrastructure needed to achieve or maintain compliance with the SDWA. Section 1452 of the SDWA authorizes the Administrator of the US Environmental Protection Agency (EPA) to award capitalization grants to states to provide seed money for the purpose of establishing a low-interest loan program (the DWSRF) and other types of assistance to eligible water systems. In Alaska, this loan program is administered by the Alaska Department of Environmental Conservation (ADEC) State Revolving Fund (SRF) Program.

The Infrastructure Investment and Jobs Act of 2021 (also referred to as the Bipartisan Infrastructure Law or BIL) includes three new appropriations for the DWSRF, one of which is an additional capitalization grant that state DWSRF programs can apply for separately from the ‘base’ grant and is referred to as BIL DWSRF General Supplemental Funding. Both grants are discussed in this document and will be referred to as the base grant and supplemental grant, respectively.

This Intended Use Plan (IUP), required under the SDWA, describes how Alaska proposes to use available funds in State Fiscal Year 2025 (SFY25) from July 1, 2024 through June 30, 2025 provided by federal funds allocated to Alaska through the DWSRF Federal Fiscal Year 2024 (FFY24) base capitalization grant as well as the FFY23 BIL General Supplemental grant.

The IUP is the central component of the capitalization grant application and describes how the State will use the DWSRF to meet SDWA objectives and further the protection of public health. This IUP contains the following elements pertaining to both the base and supplemental grants:

- Short and long-term goals of the program.
- Project priority list, including project description and size of community.
- Criteria and method used for distribution of funds.
- Description of the financial status of the DWSRF program.
- Description of the set-aside activities and percentage of funds, that will be used from the DWSRF capitalization grant, including DWSRF administrative expenses allowance, PWSP support, technical assistance, etc.
- Description of how the program defines a disadvantaged system and the amount of DWSRF funds that will be used for this type of loan assistance.

Once prepared, an IUP must be noticed for a period of at least 30 days to accept comments from the public. Comments on all facets of the draft IUP are accepted. After considering comments received, the IUP will be finalized and posted on the SRF Program’s website at <https://dec.alaska.gov/water/technical-assistance/state-revolving-fund/>.

PROGRAM GOALS

ADEC has identified several long- and short-term goals intended to promote sustainable improvements to the state's infrastructure and help ensure maximum environmental and public health benefits.

Long-Term Goals

1. Foster coordination with other programs and agencies to improve assistance to water systems in their efforts to achieve compliance and improve capacity.
2. Maintain a working relationship with other infrastructure funding authorities, including but not limited to U.S. Department of Agriculture (USDA) Rural Development, to coordinate financial assistance for drinking water projects.
3. Develop program guidelines to improve the pace of loan projects.
4. Establish a marketing and outreach plan to expand program awareness, inform current and potential borrowers of the SRF's wide variety of funding options and benefits, and thereby, expand the borrower pool.
5. Pursue methods for encouraging borrowers to pursue innovative and non-traditional projects, such as green infrastructure, water and/or energy efficiency, climate resilience, and environmentally and financially sustainable projects.
6. Fully implement the Financial Operations and Cash Flow Utilization System (FOCUS), a cash flow model for forecasting fund usage to allow for improved planning and funding allocation decisions and implementation of a long-term lending strategy.
7. Utilize a portion of the capitalization grant for set-aside activities that provide public water systems with guidance and technical assistance.

Short-Term Goals

1. Enhance program marketing.
 - a. Coordinate with EPA and EPA funded technical assistance providers to reach new potential borrowers, assess their needs, and provide appropriate assistance with the goal of making SRF funds accessible to this untapped customer base that likely has great need. This goal aligns with a key priority identified in the BIL implementation memorandum¹ to ensure that communities most in need of financial assistance for infrastructure improvements benefit equitably from the opportunities provided through BIL.
 - b. Review results of a survey of potential borrowers to develop effective marketing materials and target their distribution to improve outreach to potential borrowers.
2. Ensure that the SRF Program is meeting capitalization grant requirements for the allocation of additional subsidy.

¹ Environmental Protection Agency. *Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law*. March 8, 2022.
https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf

3. Review current subsidy allocation methods to strategically use the DWSRF additional subsidy to achieve affordable compliance, especially for small, disadvantaged communities in accordance with a key priority of the BIL implementation memorandum¹.
4. Identify workflow processes needed to update and utilize FOCUS, including an improved method to track both the allocation and disbursement of additional subsidy.
5. Complete revisions to the Alaska Drinking Water Fund (ADWF) Operating Agreement.
6. Pursue revisions to the regulations at 18 AAC 76 to increase the SRF Program's agility in response to the needs of borrowers, as well as federal grant conditions. This goal aligns with the BIL implementation memorandum – to provide flexibility to states and borrowers to address a wide variety of local water quality and public health challenges.
7. Pursue revisions to Alaska Statute at AS 46.03, to broaden ADWF eligibility for private water systems and tribally owned utilities.
8. Review and update guidance materials developed for distribution to current and potential borrowers, including procurement requirements associated with American Iron and Steel and Build America, Buy America Act as well as Davis-Bacon guidance materials.
9. Develop an online resource for borrowers that identifies potential sources of infrastructure funding. Also provide an online resource that directs borrowers to potential technical assistance opportunities.
10. Develop and implement the Small Utility Assistance Grant program using Local Assistance set-aside funds to fund eligible projects focused on sustainability and resiliency, as well as compliance with the lead service line inventory.
11. Develop webinar material and schedule to offer SRF related training (e.g., SRF 101, Eligibility, etc.) to existing and potential borrowers.

CRITERIA AND METHOD FOR FUND DISTRIBUTION

The following principles and procedures will be the basis for the administration, funding, allocation, and distribution of the DWSRF funding. The principles and procedures are designed to provide maximum flexibility for assistance and ensure the long-term viability of the revolving program.

Project Priority List of DWSRF Projects

For a project to be considered for funding from the ADWF, it must be included in the State's Project Priority List (PPL) of DWSRF eligible projects. The process is initiated when an eligible borrower completes a project questionnaire through the ADEC Online Application System (OASys).

Questionnaires are accepted year-round through OASys and are reviewed by a scoring committee on a triannual basis. The submittal deadlines for questionnaire reviews are February 29, June 30, and October 31. An email was sent to eligible borrowers in January 2024 providing information about the schedule and inviting submittal of project questionnaires to be considered for SFY25 funding assistance.

The project scoring committee, made up of representatives from the SRF Program, as well as the ADEC Drinking Water, Wastewater, Source Water Protection, and Nonpoint Source Programs, evaluates the project questionnaires based on the DWSRF criteria and assigns a numeric score to each project. Projects are added to the PPL in rank order. The rating criteria are provided in Appendix 1.

Appendix 2 includes the PPL, the list of public water systems in Alaska that have submitted a questionnaire to express interest in financing a capital improvement project through the SRF Program.

Amendments to the Project Priority List

ADEC will amend the PPL to include additional projects after each triannual review and scoring of new project questionnaires. In updates to the PPL, any projects reviewed and scored will be added to the PPL in ranked order. The amended funding list will be publicly noticed for 10 days.

Project Readiness Bypass Procedure

When available funding exceeds demand, ADEC awards funding to ready-to-proceed projects without regard to project score or ranking because the SRF Program has sufficient funds to finance all projects. This ensures timely utilization of federal funds.

In the event the SRF Program does not have sufficient funds available to offer loans to all projects that are ready to proceed, ADEC will work with water systems with the highest ranked projects on the PPL to ensure that those projects are given a chance to be funded first. However, the final funding selection of projects from the PPL will be based primarily on the projects' readiness to proceed.

Projects are considered ready to proceed if the applicant is prepared to begin design and/or construction and is immediately ready, or poised to be ready, to execute a loan agreement with ADEC. If, for whatever reason, an applicant is not ready to proceed with completing a loan application and initiating a project, ADEC may select a lower ranking project for funding based on its ability to proceed in a timely manner. This bypass procedure is necessary to ensure that the available funds will be disbursed in a timely manner.

ADEC reserves the right to fund lower priority projects over higher priority projects if, in the opinion of ADEC, a higher priority project has not taken the steps necessary to expeditiously prepare for funding and project initiation (e.g., ADEC has not received the required documents to execute a loan agreement, the project is not ready to proceed with construction, or the applicant withdraws the project for consideration).

In addition, a project may be bypassed, as necessary, for the State to meet federal grant requirements for equivalency and additional subsidy. In the event that two or more projects have the same ranking, preference will be given to projects with the following criteria and in this order: ready to proceed; response to a compliance or legal order with a specific deadline; and inclusion of a green component.

SRF Program staff will regularly evaluate the status of available principal forgiveness funds and the outstanding projects list on the PPL. The intent of this evaluation is to determine if the projects currently identified as receiving principal forgiveness actually are capable of applying for and entering into a loan agreement within the current program year. If during this evaluation, a project is determined to be incapable of meeting the requirements of the program, that project may be bypassed, and the corresponding principal forgiveness may be awarded to other eligible projects on the PPL. In addition to readiness-to-proceed, a project may be bypassed due to an applicant's inability to meet all other program requirements, failure to develop an approvable, implementable project, or for other reasons applicable under state or federal law. Any projects bypassed during the program year may be reconsidered for principal forgiveness funds in a future year.

Refinancing Existing Debt

Under the SDWA section 1452 (f)(2), and in accordance with the Code of Federal Regulations (CFR) §35.3525(c), DWSRF funds may be used by a publicly owned system to refinance existing local debt obligations for a project that would otherwise be eligible for SRF funding. Crosscutter requirements, including environmental review requirements, American Iron and Steel, and Davis-Bacon wage rate requirements apply to these projects. Documentation of an approved environmental determination at the time the project was initially financed must be provided. American Iron and Steel requirements apply to projects with construction after June 10, 2014. Davis-Bacon wage rate requirements apply to projects with construction after October 30, 2009. Refinancing requests will not be eligible to receive principal forgiveness.

Emergency Procedures

For purposes of the SRF Program, an emergency refers to a natural disaster or manmade disaster that damages or disrupts normal public water system operations and requires immediate action to protect public health and safety. Upon issuance of an emergency declaration by a federal or state emergency response official, or upon a finding by ADEC, funds may be made available for projects not currently described in an IUP. Bypass procedures may be waived under direct threat of severe public or environmental harm. Reasonable efforts to fund projects in priority order will still be followed under emergency situations.

Phasing of a DWSRF Project

To make construction and/or funding more manageable, a project may be divided into separate funded phases or segments, at the option of the borrower. However, to be DWSRF-eligible, any such phase or segment must be of reasonable scope, and when constructed, must have the capability of being placed into immediate full operation, without its full operation being dependent on a subsequent project phase or segment or another outside operation yet to be completed. After a given project phase is funded, subsequent phases must stand separately in competing with other project for priority list ranking in later fiscal years.

Removing Projects from the Project Priority List

Projects on the PPL will be monitored to ensure that applicants are proceeding with their projects in a timely fashion. A project may remain on the PPL for a maximum of two years. Projects will retain the same score originally assigned unless a revised questionnaire is submitted and reviewed by the project scoring committee. If an application has not been submitted for a project within two years, the project will be removed from the list and a new questionnaire will be required to re-list the project.

Amendments to Existing Loans

A borrower may request an amendment to an existing loan agreement to modify the project scope, increase the loan amount, or both. Amendments that solely increase the loan amount by no more than 10% of the original loan amount, up to \$100,000, may be completed through an informal request for a loan amendment with the SRF Program Manager's approval. Similarly, minor scope changes that do not affect the location or purpose of the originally proposed project may also proceed with an informal request for a loan amendment with the SRF Program Manager's approval. Amendments that will increase the loan amount by more than 10% of the original loan, or more than \$100,000, and/or include scope modifications that affect the footprint or purpose of the project, are required to be public noticed in an update to the PPL before the loan amendment is issued.

Project Scoring Criteria

The SDWA amendments of 1986 and 1996 imposed many new regulatory requirements upon public water suppliers. Public health and compliance problems related to these requirements,

affordability, and readiness to proceed were considered in developing Alaska’s project scoring criteria. The scoring criteria is included in Appendix 1.

FUNDS AVAILABLE

Capitalization Grants

Alaska’s allotment from the FFY24 federal appropriation for the DWSRF base capitalization grant is \$4,661,000. Alaska’s allotment from the FFY23 federal appropriation for the DWSRF BIL General Supplemental grant is \$21,055,000.

State Match

For the base grant, Alaska must deposit an amount equal to at least 20% of the federal capitalization grants (\$932,200) into the ADWF. The state match deposit will be provided through short-term bonding and is anticipated to be deposited by November 2024. The interest income of the ADWF is used as collateral to acquire bond receipts and avoids use of any general funds from the State budget. This process effectively substitutes bond receipts for interest income. ADEC is required to document that sufficient interest income exists in an amount equal to or greater than the proposed bonding amount, and that this process will still allow the ADWF to grow in perpetuity. ADEC’s program audits have documented the availability of the required amount of interest.

For the BIL General Supplemental grant, Alaska must deposit an amount equal to at least 10% of the federal capitalization grant (\$2,105,500) into the ADWF. State general funds were appropriated by the Alaska Legislature in the SFY25 capital budget.

Cash Draw

Draws for loan funding from federal funding and the state match will follow grant-specific proportionality requirements. Set-aside funding will be drawn as 100% federal funds.. Alaska’s proposed payment schedule for the base and BIL General Supplemental capitalization grants (Table 1) was developed based on projected needs for project construction and execution of loan agreements.

Table 1. SFY24 Estimated Schedule of Payments

Grant Type	FFY	Grant Amount	Q1	Q2	Q3	Q4
Base	24	\$4,661,000	\$1,165,250	\$1,165,250	\$1,165,250	\$1,165,250
BIL General Supplemental	23	\$21,055,000	\$5,263,750	\$5,263,750	\$5,263,750	\$5,263,750

Sources and Uses of Funds

In SFY25, the amount available for loans from the base grant is the difference between the funds received and total program commitments.

Table 2. Estimated Available Funding- Base and BIL General Supplemental Funding

Sources of DWSRF Funds	
Federal Grants Received (cumulative through FFY23)	\$276,952,836
FFY24 Base Capitalization Grant	4,661,000
FFY23 BIL General Supplemental Grant	21,055,000
State Match, Base and BIL General Supplemental Grants	3,037,700
State Match, prior years	52,457,715
Investment Income	19,496,275
Past Loan Repayments (principal + interest collected)	193,437,807
Projected Repayments through SFY26	30,537,609
Transfer from ACWF to ADWF (SFY08)	29,000,000
<i>Subtotal</i>	\$630,635,942
Uses of DWSRF Funds	
Existing Loan Commitments	\$411,624,634
Previous Bonding & Transaction Costs	38,634,693
SFY24 Bonding – State Match	2,812,334
Total Set-Asides	75,045,220
<i>Subtotal</i>	\$528,116,881
Net Resources Available to Provide Assistance	\$102,519,061

Fund Transfer

Under the SDWA and the BIL, the state is allowed to transfer fund assets between the DWSRF base and the CWSRF base funds; DWSRF BIL General Supplemental and CW BIL General Supplemental funds; and DWSRF BIL Emerging Contaminant and CWSRF BIL Emerging Contaminant funds. ADEC may take advantage of this flexibility between the DWSRF and CWSRF programs in order to assure adequate capacity to meet all funding demands. In accordance with the SDWA Section 302 fund transfer provisions and the DWSRF and CWSRF BIL implementation memo dated March 8, 2022, ADEC hereby reserves the authority to transfer an amount up to 33% or an equivalent amount from the CWSRF to the DWSRF.

Administrative Fee

Since December 29, 2000, assistance recipients have been assessed an administrative fee in the amount of 0.5% of the total dollars disbursed in accordance with Title 18, Chapter 76 of Alaska Administrative Code (18 AAC 76). Fee revenue is kept in the ADWF Fee Account, separate from the regular loan fund, and is used exclusively to pay program administrative costs.

As noted in 18 AAC 76.258, ADEC will use administrative fees for direct costs including salaries, supplies, travel, and professional service contracts. In SFY25, the SRF Program intends

to charge ADWF administrative expenses to the ADWF fee account up to \$739,700. Expenses in excess of that amount will be charged to the Alaska Clean Water Fund (ACWF) fee account.

Finance Rate and Maximum Loan Terms

The finance rates, defined in 18 AAC 76, are calculated to reflect current market trends based on the Bond Buyer's Municipal Bond Index when the index exceeds 4%. The finance rate includes the interest rate and a 0.5% administrative fee. The state regulations also allow for a maximum loan repayment term of 30 years.

Table 4. Finance Rates (effective September 10, 2017)

Loan Term	Finance Rate for any Bond	Finance Rate for Bond Rate*
	Rate*Less than 4%	Greater than 4%
20-30 Years	2	$2 + (0.75 \times [\text{Bond Rate}^* - 4])$
5-20 Years	1.5	$1.5 + (0.625 \times [\text{Bond Rate}^* - 4])$
0-5 Years	1	$1 + (0.5 \times [\text{Bond Rate}^* - 4])$
<1 Year	0.5	0.5

*Bond Buyer's Municipal Bond Index Current Day – Yield to Maturity

SET-ASIDES

States are given flexibility to set aside specified amounts of the base and supplemental grants for specific activities. The tables below list the types of set-asides and associated amounts that Alaska will fund using the base and supplemental grants.

The SDWA authorizes each state to set-aside a maximum of approximately 31% of the capitalization grant for set-aside activities including administration of the loan fund and assistance to water systems in meeting SDWA requirements. ADEC evaluated each of the four set-aside activities with the goal of protecting public health while maximizing loan fund dollars for infrastructure improvement projects. Set-Aside use for each of the four set-aside activities is listed in Table 5. In support of the long- and short-term goals of the DWSRF, set-aside funds are used to fund a variety of technical assistance and capacity development activities as described in the following paragraphs. Detailed work plans for each set-aside will be submitted for EPA review within 90 days of award of the capitalization grant.

A state may also reserve the authority to access up to 16% of a year's capitalization grant from a subsequent grant, to be used for the activities allowed under the Administration and Technical Assistance set-aside (4%), the Small System Technical Assistance set-aside (2%), and the State Program Management set-aside (10%). When "banking" set-aside funds in this manner, the value of the banked funds from the current capitalization grant is placed in the loan fund. When banked funds are used in a new capitalization grant, the total set-aside use from that grant may exceed 31% and the funding allocated to the loan fund in that year is reduced.

There is a federal limit on the amount of funds used for each set-aside category and the types of activities funded. In accordance with keeping unliquidated obligations at a minimum, ADEC will fully expend set-aside funds within a two-year period.

Table 5. Set-Aside Use for Base Capitalization Grant

Set Aside Activity	Base	BIL Supplemental	Total
Small Systems Technical Assistance (2%)	\$93,220	\$421,100	\$514,320
Administration & Technical Assistance (4%)	\$186,440	\$842,200	\$1,028,640
State Program Management (10%)	\$466,100	\$2,615,740*	\$3,081,840
Local Assistance and Other State Programs (15%)			
Capacity Development & Operator Certification	\$466,100	\$2,105,500	\$2,571,600
Drinking Water / Wellhead Protection Program	\$233,050	\$1,052,750	\$1,285,800

*In addition to using 10% of the BIL General Supplemental award, ADEC will also "unbank" \$510,240.

Small System Technical Assistance Set-Aside (2%)

In SFY25, ADEC will use 2% of the base grant (\$93,220) and 2% of the BIL General Supplemental grant (\$421,100) for assistance activities focused on small systems that serve fewer than 10,000 people.

Administration and Technical Assistance Set-Aside (4%)

The 2016 WIIN Act provisions provide states the opportunity to access an amount equal to the greatest of the following three options to be used for program administration and technical assistance:

- Four percent of the sum of all capitalization grants,
- Flat \$400,000, or
- 1/5 percent of the total valuation of the state revolving fund balance.

ADEC plans to utilize 4% of all capitalization grants during SFY25. For tracking purposes, ADEC will utilize 4% of the base grant (\$186,440) and 4% of the BIL General Supplemental award (\$842,200). These funds will be used by the Division of Environmental Health Drinking Water Program (DWP) for technical assistance to support public water systems.

Program Management Set-Aside (10%)

To supplement Public Water System Supervision (PWSS) program management activities, the DWP will utilize 10% of the base capitalization grant (\$466,100) and 10% of the BIL General Supplemental grant (\$2,615,740) for SDWA compliance requirements. An additional \$510,240 will be unbanked from reserved authority.

Local Assistance and Other State Programs Set-Aside (15%)

Drinking Water and Source Water Protection Program

The Drinking Water Protection Program, within the DWP, will utilize 5% of the base capitalization award (\$233,050) and 5% of the BIL Supplemental award (\$1,052,750) for drinking water and source water protection-related activities.

Capacity Development and Operator Certification Programs

During SFY25, ADEC will continue to implement the recently revised Capacity Development Strategy that incorporates asset management as required under the America's Water Infrastructure Act of 2018 (AWIA). In addition, the Operator Certification Program will provide direct technical assistance to water system operator and owners. The Division of Water will use 10% of the base capitalization grant (\$466,100) and 10% of the BIL General Supplemental grant (\$2,105,500) for implementation of the Capacity Development and Operator Certification Programs.

During SFY25, the SRF Program will develop a Small Utility Assistance Grant opportunity to provide funds to eligible recipients for sustainability and resiliency projects. During the first year of implementation of this new grant opportunity, it is anticipated that approximately \$ 950,768 in grant funds will be available through the Local Assistance set-aside.

DISADVANTAGED COMMUNITY ASSISTANCE

Several factors are considered in identifying disadvantaged communities including those related to the household burden associated with income and the cost of water and wastewater service, as well as socioeconomic factors including the percentage of households utilizing assistance programs, the percentage of households below the federal poverty level, unemployment rates, and long-term population trends in the community. ADEC also includes several priority project types that impact the economic viability of a water system, such as the presence of emerging contaminants. These factors, considered in total, are used to determine tiers of criticality for disadvantaged status with associated levels of principal forgiveness. More information about the disadvantaged community criteria is provided in Appendix 3.

Based on the points assigned in regard to household burden, socioeconomic factors, and priority project types, each project on the PPL is assigned to a tier. To the extent that additional subsidy funds are available, disadvantaged communities may receive loan forgiveness associated with the base and supplemental capitalization grants as shown in the following table.

Tier	Point Range	Maximum Loan Forgiveness per Borrower
Tier1	0 to 3	n/a
Tier 2	4 to 6	\$1,500,000
Tier 3	7 to 10	\$2,500,000
Tier 4	10+	\$3,500,000

ADDITIONAL SUBSIDY

There are two distinct and additive additional subsidy authorities in the FFY24 base capitalization grant. Under the Congressional additional subsidy authority, Alaska must use 14% of the FFY24 capitalization grant to provide additional subsidization to any DWSRF-eligible recipient. Under the second authority, the SDWA mandates that states use at least 12%, but no more than 35%, of the capitalization grant amount for additional subsidy for state-defined disadvantaged communities. In combination, the additive additional subsidy authorities for the FFY24 federal capitalization grant require at least 26%, and no more than 49%, of the base grant must be offered in the form of additional subsidy.

The BIL requires that 49% of the General Supplemental funding be provided as forgivable loans or grants to communities that meet the state's disadvantaged community definition, consistent with the SDWA. In accordance with State regulations found at 18 AAC 76.230(c), additional subsidy is provided as principal forgiveness.

The amount of principal forgiveness ADEC allocates each year is dependent on the federal capitalization grant requirements and what ADEC forecasts the ADWF can afford while maintaining the ADWF's perpetuity.

All projects that are identified for subsidy allocation on the PPL must meet the following milestones in order to retain eligibility for subsidy:

- Submit a loan application within six months of the project being listed on the PPL; otherwise, subsidy funds may be made available to the next highest ranked eligible project.
- Initiate design and/or construction of the project within one year of completion of a loan agreement; otherwise, the loan agreement may be amended to remove principal forgiveness.

Any uncommitted subsidies that exist after one year of publication of the IUP will be distributed to projects with existing subsidies, or to those projects which are the furthest along in completion of construction. The SRF Program will aim to allocate required subsidy as quickly as reasonably possible; all required subsidy will be allocated within three years of the grant award to ensure compliance with the federal grant conditions.

MICRO LOAN PROJECTS

Rural municipalities may be eligible to receive a Micro Loan of up to \$500,000 with a repayment term of up to 30 years depending on the useful life of the project. Municipalities who are eligible under the Village Safe Water Act may apply for Micro Loans. Subsidy allocations for Micro Loan projects will range from 50% to 90% of the total project cost.

The amount of subsidy offered will be determined based on the community's capacity as demonstrated by the Operation and Maintenance Best Practices score and the affordability of the utility's current user rates. The Operation and Maintenance Best Practices is a criteria developed in 2015 by the ADEC Facilities Programs in collaboration with the Rural Utility Business

Advisor Program and the Alaska Native Tribal Health Consortium. The Best Practices criteria is used to assess operations and maintenance capacity of rural water and wastewater utilities.

The Alaska Village Rate Affordability Index was developed in 2018 to determine whether a community’s users can afford the annual operation, maintenance, repair, and equipment and capital replacement costs of their water, wastewater, or solid waste facilities. This Affordability Index will be used as a factor in determining the amount of subsidy to be allocated to Micro Loan projects.

Projects that are initially identified to receive principal forgiveness must meet the following milestones in order to retain eligibility of subsidy:

- Submit a loan application within six months of the project being listed on the PPL; otherwise, subsidy funds may be made available to the next highest ranked eligible project.
- Initiate design and/or construction of the project within one year of completion of a loan agreement; otherwise, the loan agreement may be amended to remove principal forgiveness.

		Best Practices Score	
		50-75 pts	76-100 pts
		Loan Forgiveness %	
Affordability of User Rates	Unaffordable (High Burden)	70%	90%
	Mid-Affordable (Medium Burden)	50%	70%

A maximum of \$2,500,000 in Micro Loan forgiveness has been allotted by the SRF Program for SFY25. Any uncommitted subsidies that exist after one year of publication of the IUP may be distributed to projects with existing subsidies, or to those projects which are the furthest along in completion of construction. The SRF Program will aim to allocate required subsidy as quickly as reasonably possible. All required subsidy will be allocated within three years of the grant award to ensure compliance with the federal grant conditions.

SUSTAINABLE INFRASTRUCTURE PLANNING PROJECTS

With funding provided through available loan funds, ADEC is continuing a program to assist disadvantaged public water systems to finance water system planning and related activities that promote sustainable infrastructure. For each Sustainable Infrastructure Planning Project (SIPP) on the PPL, a maximum of \$75,000 in loan principal may be forgiven for those borrowers that are considered disadvantaged communities. A maximum of \$75,000 in loan forgiveness for SIPP will be allotted per project and per borrower during SFY25. If one borrower submits multiple planning projects for consideration, the \$75,000 in potential loan forgiveness will be divided between the SIPPs.

Examples of eligible projects are described below:

- Feasibility Studies to evaluate infrastructure project feasibility. Studies may also include the evaluation of resiliency measures and continuity of operations, including identification of needed infrastructure improvements.
- Asset Management Plans for managing water system infrastructure assets.
- Consolidation Studies to evaluate potential for water system consolidation.
- Water Rate Analysis to evaluate water system rate charges, structure, and adequacy.
- Leak Detection Studies to detect water system leakage and identify potential solutions.
- Water System Master Plan to evaluate the needs of the water system in the long term and make recommendations for future improvements.

Any water system receiving a loan that includes principal forgiveness for a SIPP must enter into a loan agreement within six months of receiving notification that the project has been added to the PPL. The project must be completed within two years after signing the loan agreement. ADEC will allocate \$1,000,000 in subsidy funding for SIPP during SFY25.

SMALL UTILITY ASSISTANCE GRANTS

With funding provided through the Local Assistance Set-Aside funds, the SRF Program plans to develop and initiate a grant program for small public water systems that serve a population of 3,300 or less. During SFY25, approximately \$950,768 grant funds are expected to be offered to eligible grant recipients for eligible projects.

Grant recipients must be municipally owned or privately owned not-for-profit community water systems or non-profit non-transient, non-community systems.

Eligible projects for use of these grants include the following:

- Backup power generator to maintain sustainability and resiliency. Due to the potential for widespread and prolonged power outages caused by severe weather, earthquake, or other incidents which would impair a public water system's ability to provide safe and adequate drinking water, grant funds will be provided to allow for the purchase and installation of a generator to be used in the event of power outages caused by extreme events.

GREEN PROJECT RESERVE (GPR)

The FFY24 capitalization grant encourages, but does not require, the use of funds to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. To incentivize borrowers to include such aspects in their projects, ADEC

awards 25 additional points in the project questionnaire scoring process for eligible GPR work. Green projects are identified in the funding list by green project category type.

At the time this IUP was drafted, 6 projects had been initially identified with green components (see the PPL in Appendix 2). These projects will be further reviewed during the loan application process to ensure that each project, in whole or in part, qualifies for GPR. Borrowers will be required to provide a Green Project Assessment form.

SMALL SYSTEM ASSISTANCE

Of the total amount available for assistance from the ADWF each year, ADEC must make at least 15% available solely for providing loan assistance to small systems, those serving populations less than 10,000, to the extent such funds can be obligated for eligible projects. With the exception of projects proposed for Anchorage and Juneau, all other projects on the PPL will serve communities with populations below 10,000.

FEDERAL REQUIREMENTS

Loan agreements will include all applicable federal requirements. All funding recipients must comply with the following:

American Iron and Steel

The American Iron and Steel (AIS) provision requires SRF assistance recipients to use iron and steel products that are produced in the United States. This requirement applies to projects for the construction, alteration, maintenance or repair of a public water system. Compliance with Build America, Buy America (BABA) iron and steel provisions will satisfy the AIS requirements.

Davis-Bacon Act Wage Requirements

ADEC requires the inclusion of specific Davis-Bacon contract language in bid specifications and/or contracts and confirms that the correct wage determinations are being utilized. In addition, ADEC collects certifications of Davis-Bacon compliance from online project quarterly report statements.

Environmental Review

All proposed construction activities funded by the SRF Program undergo an environmental review in conformance with the EPA-approved State Environmental Review Process.

Certain projects, identified as equivalency projects, will be identified to meet additional requirements in an amount equal to the current capitalization grants. Equivalency projects must comply with all of the following:

Build America, Buy America Act

The BABA provision that was included in the BIL requires domestic preference procurement for iron and steel products, manufactured products, and construction materials.

Disadvantaged Business Enterprise

Loan recipients and their contractors must comply with the federal Disadvantaged Business Enterprise requirements.

Signage to Enhance Public Awareness

For construction projects funded in whole or in part through the BIL General Supplemental grant, recipients must place a physical sign at construction sites that displays specific information. The EPA [Investing in America Signage](#) website provides more information about how to comply with the signage requirement.

Single Audit

Borrowers who have received federal funds through ADEC's SRF Program may be subject to the requirements of the Single Audit Act and 2 CFR 200.

Prohibition of Certain Telecommunication and Video Surveillance Services

In compliance with Section 889 of Public Law 115-232, restrictions are placed on the use of some telecommunication and surveillance equipment

ASSURANCES AND CERTIFICATIONS

The Operating Agreement, as well as each capitalization grant, contain conditions that must be met. ADEC is committed to complying with all conditions in both the Operating Agreement and each capitalization grant.

Timely and Expeditious Expenditure

The State will commit and spend the capitalization grant and state matching funds in a timely and expeditious manner. Within one year of the grant award, the State will enter binding commitments with the recipients equal to the amount of the grant award and proportional state match. Additionally, the State will strive to disburse available funds while maintaining enough cash on hand to meet disbursement obligations for two years.

To assure expeditious and timely expenditure of funds, ADEC continues to require that applicants initiate the project within one year of execution of the loan agreement and submit the first disbursement request within two years of execution of the loan agreement. If either condition is not met, ADEC may take action to recall the loan; however, an extension may be granted upon an applicant's request, if there is reasonable justification..

Fund Accounting Separation

The ADWF was established by statute as an enterprise fund of the State to serve as a revolving fund for financing drinking water system improvement projects. Funds allocated for set-aside activities authorized in Section 1452(k) of the SDWA are held in separate accounts; therefore, loan fund activities and set-aside activities are distinct and separate.

Financial Planning and Long-Term Financial Health

The SRF Program periodically evaluates the financial status and health of the ADWF by reviewing repayments, disbursements and pending loan actions in order to assess the available funding for loans. This evaluation occurs when the PPL is updated three times per year. The SRF Program is also subject to an annual audit that in addition to providing the net position of the fund, also ensures that financial statements are presented accurately and in conformity with generally accepted accounting practices. The SRF Program has incorporated FOCUS, a cash flow modeling component into LGTS, and as indicated in Long-Term Goal 67 and Short-Term Goal 4 is working through the process to fully implement and integrate this tool into the existing financial planning process to support fiscal sustainability in accordance with 40 CFR 35.355(c)(3)(v).

Federal Reporting

EPA's SRF Data System (previously identified as the Project Benefits Reporting database) collects project level information and anticipated environmental benefits associated with DWSRF projects. This system is also used to collect annual financial information which was formerly collected through the National Information Management System (NIMS). This annual information submittal is used to produce annual reports that provide a record of progress and accountability for the SRF Program. EPA uses the information provided to oversee the DWSRF

state programs and develop reports to the US Congress concerning activities funded by the DWSRF Program. ADEC commits to entering benefits information on all projects into the SRF Data System by the end of the quarter in which the assistance agreement is signed. ADEC also commits to entering all program information into the SRF Data System on an annual basis as EPA requests.

Federal Funding Accountability Transparency Act

ADEC will use the FFATA Subaward Reporting System to report all SRF equivalency projects, i.e. projects meeting all the federal cross-cutting requirements whose sum is at least equal to or greater than the capitalization grant amount less any requested set-aside funds. In SFY25, the minimum amount reported in FFATA for the base grant and supplemental grants will be:

- Base grant FFATA reporting, \$3,216,090
(\$4,661,000 capitalization grant minus the set-asides requested, \$1,444,910).
- BIL General Supplemental grant FFATA reporting, \$14,107,710
(\$21,055,000 grant minus set-asides requested, \$7,037,290)

Three proposed loans to the Anchorage Water and Wastewater Utility (AWWU) listed on the PPL with a total loan request of \$24 million may be reported for meeting equivalency requirements. Information will be reported no later than the end of the month following the date of an equivalency project finalized loan agreement. The proposed equivalency loans include:

- SFY24 Programmatic Financing (Pro Fi) Loan
- SFY25 Pro Fi Loan
- Girdwood Well 2 Upgrade

Additional projects may be identified, as necessary, to include all federal requirements (including those associated with equivalency) to ensure that ADEC has sufficient projects to report for FFATA. The selection of additional equivalency projects will be based on the ability to meet all equivalency requirements and readiness to proceed with a loan agreement.

PUBLIC REVIEW AND COMMENTS

The draft IUP will be posted on the SRF Program website for a 30-day public comment period. A notice of the draft IUP will be emailed directly to municipalities and other stakeholders, including potential SRF borrowers, located throughout the state. The notice of public comment will also be posted on the ADEC Public Notice website. This website is the official location for all active ADEC comment periods. Information about the comment period will also be provided to other stakeholders and funding partners including the U.S. Department of Agriculture Rural Development and the Alaska Native Tribal Health Consortium as well as to the Alaska Municipal League and the Alaska Water and Wastewater Management Association for distribution to their members.

Appendix 1

Priority Criteria for SFY25 Projects



Division of Water
State Revolving Fund Program

Alaska Drinking Water State Revolving Fund

Priority Criteria for Drinking Water Projects – Reference Sheet

PUBLIC HEALTH CONSIDERATIONS <i>(Select only one)</i>		POINTS
<p>This project will correct the cause of a human disease event documented by Alaska Department of Environmental Conservation (ADEC) or a recognized public health organization. Documentation required.</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> • Outbreaks of Hepatitis, Giardiasis or Cryptosporidiosis. • Installation of new water mains in an area where there is a documented well contamination by a regulated contaminant that exceed safe standards, or a contaminant that is not regulated by EPA and/or the State but has an established health advisory level. 	100	
<p>This project will eliminate acute risks to public health. Documentation required.</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> • Provides potable water to a community or area currently not served by piped service but has existing water points or other haul systems. • Will resolve microbial risk from inadequately treated surface water or groundwater with long term deadlines. • Treatment for exceedances of acute contaminants such as nitrate, or treatment for long term (> 2 years) Maximum Contaminant Level (MCL) or Action Level exceedances for a chronic contaminant such as Disinfection By-products (DBPs), lead, arsenic, etc. • Increase capacity where it is insufficient to meet public health needs. Examples include source quantity, raw or treated water storage capacity to meet demand, well intake, or distribution system pumps. 	75	
<p>This project will correct potential long-term, chronic health threats or resolve serious distribution system problems or leaks. Documentation required.</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> • Correction of documented issues with a high potential to violate a water permit condition or ADEC design criteria. • VOC removal, pH adjustment, action level or primary MCL exceedances due to source water quality or contamination. • Replacement of documented pipes or facilities that are leaking or constructed of inferior materials (example – asbestos cement pipe, structurally impaired water tank/reservoir). • Correction of documented distribution system freeze-up problems. • Installation of new water mains to an area that is currently served by on-site systems and, has a high potential of regulated contaminants exceeding safe standards. 	50	
<p>This project will eliminate potential hazards, provide treatment of secondary contaminants such as iron or manganese, or enhance system operations.</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> • Periodic exceedances of action level or primary MCLs due to mechanical or structural problems, undersized or inadequate components or fixtures, or low-pressure issues. • Replacement of pipe or facilities that are suspected to leak or constructed of inferior materials. Documentation of leaks is not required. • Extension of water service for existing customers and/or water main looping to remove dead-end mains. • SCADA and other process instrumentation installations. 	30	
<p>This project has no significant health hazard related issues.</p>	0	
COMPLIANCE WITH SAFE DRINKING WATER ACT <i>(Select only one)</i>		
<p>This project will allow a system to come into compliance with an executed Compliance-Order-By-Consent, Administrative Order, Judicial Decision or Consent Decree. Documentation required.</p> <p><i>Points will be awarded only for agreements executed between the appropriate primary health agency (US Environmental Protection Agency or ADEC) and the system owner or for a judicial decree.</i></p>	35	
<p>This project will resolve a significant compliance issue.</p> <p><i>Enforcement Targeting Tool violations, Notices of Violation, repeated or long-term boil water notices, one or more Revised Total Coliform Rule Level 2 Assessments</i></p>	25	
<p>This project has no significant compliance related issues.</p> <p><i>Examples include relatively minor compliance issues documented by an agency notification letter.</i></p>	10	
<p>This project has minimal impact on future pollution events.</p>	0	
SOURCE WATER PROTECTION <i>(Select only one)</i>		
<p>This project specifically addresses system vulnerabilities or potential sources of contamination that are identified in the Drinking Water Protection Plan. Documentation must be provided and will be verified by ADEC.</p>	10	
<p>The system's Drinking Water Protection Plan is current (within 3 years) and on file with ADEC Drinking Water Program. No documentation is required.</p>	5	
<p>The system's Drinking Water Protection Plan is not current and/or the project does not address any vulnerabilities or potential sources of contamination.</p>	0	

Priority Criteria for Point Source Projects

READINESS TO PROCEED (Up to 80 points)			
Construction documents have been prepared (under 18 AAC 80) and submitted to the appropriate ADEC Drinking Water program office.	50		
A detailed engineering feasibility study, including detailed cost estimates, has been prepared and submitted to the ADEC SRF Program.	30		
ASSET MANAGEMENT (Select only one)			
An asset management plan that incorporates an inventory of all assets, an assessment of the criticality and condition of the assets, a prioritization of capital projects needed, and a budget, has been adopted and implemented within the past 5 years. Documentation is required.	30		
An asset inventory has been prepared and are attached. The asset inventory must meet the requirements as outlined in the SRF Asset Inventory Guidance (https://dec.alaska.gov/media/ntcj1ess/srf-asset-inventory-guidance.pdf). Documentation is required.	20		
An asset management plan will be prepared or updated as part of the proposed project. Completed plan to be provided to SRF.	15		
An asset inventory will be prepared as part of the proposed project. Completed inventory to be provided to SRF.	10		
Employees have attended an asset management training, approved by ADEC Operator Training and Certification Program for Continuing Education Units (CEUs), within the last year. Documentation is required.	5		
The system has not planned, developed, or implemented an asset management plan or inventory, and staff have not attended asset management training.	0		
SUSTAINABILITY PROJECTS (Select only one)			
Fix it First Projects – These are projects currently located in an established area which is still suitable for use and should be encouraged over project in undeveloped areas. The repair, replacement, and upgrade of infrastructure in these types of areas are encouraged.	50		
Effective Utility Management – Plans, studies and projects that improve the technical, managerial, and financial capacity of assistance recipients to operate, maintain and upgrade their infrastructure. Improved stewardship of the existing infrastructure will help improve sustainability and extend the useful life of the system.	25		
Planning – Preliminary planning, development of alternatives, and capital projects that reflect the full life cycle cost of infrastructure, conserve natural resources or use alternative approaches to integrate natural systems in the built environment.	25		
Not applicable.	0		
OPERATOR CERTIFICATION (Select only one)			
The system employs, or has on contract, an operator certified to the level of the system.	5		
The system does not employ, or have on contract, an operator certified to the level of the system	0		
AFFORDABILITY (Select only one)			
	POINTS		
Points will only be given if a water system provides recent income data, population figures, and a fee structure or ordinance. The average monthly household cost for water service, after project completion, will be divided by the monthly mean household income. The monthly mean household income will be documented by a current survey or census data. The web page link for the data is located at the Department of Labor and Workforce Development Research & Analysis Section: http://laborstats.alaska.gov	Monthly Water Cost/ Monthly Income		
	High	>2%	15
	Medium	1.0% - 1.9%	10
	Low	<1.0%	5

To Be Completed by ADEC

EQUIVALENCY	
This project will be used as an equivalency project.	50
CONSOLIDATION	
This project will result in the regionalization and/or consolidation of two or more existing public water systems.	25
GREEN PROJECT	
The applicant has sufficiently demonstrated eligible Green components under the project.	25

Appendix 2
Project Priority List

Alaska Drinking Water Fund - State Fiscal Year 2025 (SFY25) Project Priority List - Base and BIL General Supplemental Funding

Net Resources Available to Provide Assistance = \$102.5 million.

(1) Within Funding Limits column indicates that the project is within the current fundable limit of the Alaska Drinking Water Fund. Large projects (over \$5 million) may be phased based on projected funding needs during the next year. Loan applications may be submitted for any project within the funding limits that is ready to proceed.

(2) Loan forgiveness is subject to change depending on the readiness of projects to proceed. Maximum loan forgiveness to be awarded from Base and BIL General Supplemental Funding is approximately \$24.3 million.

(3) Loan repayment terms will be finalized when a loan agreement is offered. The finance rate will be based on a calculation identified in Alaska Administrative Code (18 AAC 76).

(4) Individual Pro Fi projects are reviewed and assigned a weighted score based on the total project cost. The overall score for the Pro Fi questionnaire is the sum of weighted scores for all of the Pro Fi projects.

Rank	Score	Within Funding Limits (1)	Public Water System ID# (Population Served)	Applicant	Project Name and Description	Requested Loan Amount	Disadvantaged Community Tier	SFY25 SUBSIDY (2) Loan Forgiveness	Loan Repayment Term (3) (Years)	Green Project Amount (Type)	Sustainability Policy	Anticipated Project Start Date	Added to PPL
DRINKING WATER PROJECT QUESTIONNAIRES													
1	230	X	AK2210906 (291,826)	Anchorage AWWU	Girdwood Well 2 Upgrade - Consider alternatives to either replace the existing well or upgrade the existing well to include additional treatment to address the Alaska Department of Environmental Conservation Compliance Order by Consent for Groundwater Under the Direct Influence of Surface Water issued November 11, 2022.	\$5,000,000	Tier 2	\$1,500,000	20		Fix It First	1/3/2025	SFY25-1
2	157 ⁽⁴⁾	X	AK2210906 (291,826)	Anchorage AWWU	SFY25 Programmatic Financing (Pro Fi) Loan - The applicant has provided a list of eligible projects including planning, design, engineering, and construction activities for water infrastructure projects. A list of projects is attached.	\$11,500,000	Tier 1		20		Fix It First	9/1/2022	SFY25-Q1
2	150	X	AK2225032 (375)	Matanuska Susitna Borough	Talkeetna Water System Upgrades - Address known deficiencies in the water system including the following: design and construction of a new treated water storage reservoir, alternative well site, installation of Supervisory Control and Data Acquisition (SCADA) alarm system in water treatment plant.	\$1,500,000	Tier 3	\$1,500,000	20 to 30		Fix It First	9/18/2023	SFY24-1
3	150	X	AK2340010 (3,598)	Nome Joint Utility System	Front Street Water Main Replacement - Replace failing water main and services along and adjacent to Front Street between Bering Street and Steadman Street.	\$2,750,000	Tier 2	\$1,500,000	5 to 20		Fix It First	5/18/2026	SFY24-3
4	145	X	AK2240456 (5,003)	Homer	Ohlson & Bunnell Water Main Replacement - This project will replace aging cast iron water main at the end of its useful life.	\$491,400	Tier 2	\$491,400	20 to 30	\$491,400 (Water)	Fix It First	7/23/2023	SFY23-Q4
5	141	X	AK2310926 (950)	Valley Water Company	Valley Water System Upgrade and Rehabilitation - Prepare a Water System Master Plan that will help to identify improvements needed to ensure that the system operates in compliance and enhance sustainability of the system. Improvements identified in the Master Plan may be implemented in a phased approach. Proposed improvements may include a water treatment system necessary to address high copper concentration in drinking water; rehabilitation or replacement of 50-year-old distribution system infrastructure including pumps, pipe, valves, and hydrants; installation of leak detection system; and installation of new backup generator.	\$825,000	Tier 2	\$825,000	5 to 20	\$350,000 (Energy)	Fix It First	5/1/2021	SFY21-Q4
6	130	X	AK2120232 (8,050)	Ketchikan	Park Avenue Harris Street Revitalization - Replace approximately 2200 lineal feet of water distribution lines made from cast iron or ductile iron (diameter varies from 6 to 12 inches) with corrosion resistant high-density polyethylene (HDPE) pipe. A separate loan questionnaire has been submitted to the Alaska Clean Water Fund for financial assistance to replace aging sewer mains in this project area.	\$2,000,000	Tier 2	\$1,500,000	5 to 20	---	Fix It First	7/1/2021	SFY24-1
7	129 ⁽⁴⁾	X	AK2210906 (291,826)	Anchorage AWWU	SFY24 Programmatic Financing (Pro Fi) Loan - The applicant has provided a list of eligible projects including planning, design, engineering, and construction activities for water infrastructure projects. A list of projects is attached.	\$7,500,000	Tier 1		20		Fix It First	9/1/2022	SFY24-Q1
8	125	X	AK2111566 (1,713)	Haines Borough	Small Tracts Water Main Extension - Add approximately 4,200 feet of new water main to provide a continuous loop to Small Tracts Road area and eliminate a dead-end water main. This will provide utility services to approximately 44 parcels that do not currently receive piped services.	\$2,835,000	Tier 3	\$2,500,000	20 to 30		Effective Utility Mgmt	6/1/2025	SFY25-1

Rank	Score	Within Funding Limits (1)	Public Water System ID# (Population Served)	Applicant	Project Name and Description	Requested Loan Amount	Disadvantaged Community Tier	SFY25 SUBSIDY (2) Loan Forgiveness	Loan Repayment Term (3) (Years)	Green Project Amount (Type)	Sustainability Policy	Anticipated Project Start Date	Added to PPL
9	120	X	AK2240448 (5,200)	Kenai	Water Treatment Plant Pumphouse - Replace the existing pumphouse building with an insulated metal-panel structure and replace the existing distribution pumps with larger Variable Frequency Drive (VFD) driven pumps to improve reliability and reduce energy consumption.	\$1,200,000	Tier 2	\$1,200,000	5 to 20	\$600,000 (Energy)	Fix It First	5/1/2024	SFY24-1
10	120	X	AK2240456 (5,003)	Homer	Water Treatment Plant Membrane Filtration Train Replacement - Purchase and install a new membrane filtration train to replace the existing end-of-life filtration system. The warranty period for the membrane filtration train is 10 years; Homer's existing system has been in operation for 14 years.	\$2,900,000	Tier 2	\$1,500,000	10		Fix It First		SFY24-1
11	111	X	AK2340060 (3,004)	Kotzebue	Lagoon and Swan Lake Water Service Loop Replacement - Design water distribution service loops to replace existing infrastructure at the end of its useful life. Freeze protection and essential upgrades are needed for 1980-1990s era infrastructure.	\$2,500,000	Tier 3	\$2,500,000	5 to 20	na	Fix It First	9/1/2022	SFY23-Q2
12	106	X	AK2120193 (1,201)	Craig	Raw Water Main Replacement - Design replacement of approximately 5.5 miles of aging ductile iron raw water main that transmits raw water from North Fork Lake to the Craig water treatment plant.	\$2,900,000	Tier 3	\$1,800,000	5	na	Fix It First	7/15/2021	SFY22-Q1
13	105	X	AK2310675 (2,969)	North Pole	Water Meter Replacement - Replace failing meters within the distribution system.	\$785,000	Tier 1		20 to 30	TBD (Water)	Fix It First	12/1/2022	SFY23-Q3
14	100	X	AK2111566 (1,713)	Haines Borough	Piedad Water Treatment Plant Improvements - Upgrade the Piedad Pressure Sustaining Valve to a 4-inch diameter in the South Sawmill Vault to allow higher drinking water production. Construct a small utility building over the vault and a Water Storage Facility to increase chlorine contact time, fire suppression, and water supply volume. Add a chlorine room to isolate chlorine from other WTP equipment to increase the lifespan of monitoring equipment.	\$1,300,000	Tier 3		20 to 30		Effective Utility Mgmt	6/14/2025	SFY25-1
15	96	X	AK2111566 (1,713)	Haines Borough	Young Road Waterline Relocation - Replace and relocate existing waterline to a location within public right-of-way to allow for future repair and maintenance.	\$300,000	Tier 3		20 to 30	na	Fix It First	6/1/2022	SFY23-Q1
16	90	X	AK22260200 (5,888)	Palmer	Reservoir One Upgrade - Build a new above ground tank to accommodate current and future needs. The above ground tank will allow for easier access for inspections and cleanings. The old reservoir will be modified to allow access to provide more capacity and redundancy for the new tank and Well one will be rehabilitated and upsized. Electrical controls and emergency backup systems will be upgraded, and valves will be renewed since the current valves do not isolate the system. Road access will be shifted from Scott Rd. to Bogard Rd.	\$7,500,000	Tier 2	\$1,500,000	20 to 30		Fix It First	1/25/2024	SFY24-3
17	78	X	AK2340010 (3,598)	Nome Joint Utility System	Equipment Response / Storage / Office Facility - Construct a building to support the drinking water utility, amalgamate ancillary facilities, reduce operating costs, protect equipment, and improve health and safety of the work environment. The facility will also support the sewer utility. The cost of construction would be split between the Alaska Clean Water Fund and the Alaska Drinking Water Fund.	\$5,025,000	Tier 2		20 to 30	\$1,000,000 (Energy)	Effective Utility Mgmt	1/17/2022	SFY22-Q2
18	76	X	AK2110342 (33,026)	Juneau	Salmon Creek Filter Plant Upgrades - Purchase and replace filter media that is at the end of its useful life at the Salmon Creek Water Treatment Plant.	\$2,500,000	Tier 1				Effective Utility Mgmt	10/2/2023	SFY23-Q4
19	76	X	AK2110342 (33,026)	Juneau	Potable Water Supervisory Control and Data Acquisition (SCADA) and Capacity Improvements - This project will involve design and upgrades to SDADA system. In addition, a new filter rack and media will be installed to establish additional water supply production capacity.	\$3,500,000	Tier 1			\$500,000 (Energy)	Effective Utility Mgmt	6/3/2024	SFY23-Q4
20		X	AK2340010 (3,598)	Nome Joint Utility System	Lester Bench Water System Extension - Extend pressurized potable water from Moonlight Springs water transmission main east across to Center Creek Road to provide 15 homes with potable water and complete the loop back to the MLS main to maintain circulation.	\$2,500,000	Tier 2		5 to 20		Fix It First	5/19/2025	SFY24-1

Rank	Score	Within Funding Limits (1)	Public Water System ID# (Population Served)	Applicant	Project Name and Description	Requested Loan Amount	Disadvantaged Community Tier	SFY25 SUBSIDY (2) Loan Forgiveness	Loan Repayment Term (3) (years)	Green Project Amount (Type)	Sustainability Policy	Anticipated Project Start Date	Added to PPL
21	70	X	AK214730 (375)	Potter Creek Water Company	PRV Valve Monitoring and Safety Upgrade - Construct a driveway pull-out for utility personnel to fully exit the road to access one of the PRV facilities and install remote monitoring for three PRV facilities to monitor upstream and downstream pressures and flow rates.	\$80,000	Tier 1		20 to 30		Effective Utility Mgmt	8/1/2024	SFY25-1
22	66	X	AK2240757 (2,693)	Seward	New Water Meter Installation - Purchase and install 200 water meters with remote reader reporting capabilities to promote water conservation and simplify billing rates.	\$432,000	Tier 2	\$432,000	20 to 30	\$400,000 Water Conservation	Effective Utility Mgmt	8/1/2022	SFY23-Q1
23	55	X	AK22260200 (5,888)	City of Palmer	Develop New Well and Wellhouse - Design and construct a new high production well and a new wellhouse to contain the control and treatment equipment. Connect the new well to the City of Palmer's distribution system.	\$6,100,000	Tier 2		20 to 30		Effective Utility Mgmt	5/1/2025	SFY25-1
24	50	X	AK2340010 (3,598)	Nome Joint Utility System	Tank Farm Relocation - Relocate the existing tank farm to a more stable location. Due to permafrost and climate change, the existing tank farm location is subject to differential settling that requires ongoing leveling and maintenance to avoid tank failure. The bulk fuel tank farm supports community electric power generation needs which in turn provides essential support to the community water system (freeze protection through use of waste heat from electric generation activities and power for water circulation pumps).	\$5,940,000	Tier 2		5 to 20	na	Effective Utility Mgmt	5/15/2023	SFY23-Q2
25	46	X	AK2120193 (1,201)	Craig	Water Plant Contact Chamber Baffles - Install baffles in the existing 35,000-gallon chlorine contact chamber and the 165,000-gallon water storage tanks to achieve chlorine contact time more efficiently. Construct an additional 30,000-gallon baffled storage tank.	\$588,200	Tier 3	\$588,200	5 to 20	na	Effective Utility Mgmt	5/19/2023	SFY23-Q1
26	40	X	AK2120193 (1,201)	Craig	Water Treatment Plant Capacity Upgrade Design - Produce an engineered design to increase treated water volume to meet current and future demands.	\$300,000	Tier 3	\$111,800	20 to 30	na	Planning	7/1/2025	SFY24-1
27	40	X	AK2340060 (3,082)	Kotzebue	Vortac Lake Dam - Complete a planning study to identify options to stabilize the Vortac Lake Dam and maintain the water source, a primary water source for the City of Kotzebue.	\$1,000,000	Tier 3	\$1,000,000	20 to 30		Effective Utility Mgmt	1/1/2025	SFY25-1
28	10	X	AK2260244 (757)	King Cove	Refinance USDA Loan Delta Creek - Refinance a high interest loan which was used to construct two new wells which produce about 275 million gallons of clean drinking water annually and corrected problems and leaks in the distribution system.	\$850,000	Tier 3	\$850,000	20 to 30			4/30/2024	SFY25-1
29	10	X	AK2340010 (3,598)	Nome Joint Utility System	Utility Equipment Amendment - Replace aging equipment such as the vector truck, digger derrick, fuser, and pickup trucks which are used to maintain and repair vital water and sewer systems.	\$8,575,000	Tier 2		5 to 20			3/1/2024	SFY25-1
30	5	X	AK2310918 (610)	North Slope Borough	Wainwright Secondary Water Source - Address needed upgrades to secondary water sources. More information regarding the scope of anticipated work to be provided by the North Slope Borough.	\$16,000,000	Tier 3		20 to 30			5/1/2025	SFY25-1
31	5		AK2320256 (172)	North Slope Borough	Point Lay Water Upgrade - Address needed upgrades to the water system. More information regarding the scope of anticipated work to be provided by the North Slope Borough.	\$42,445,000	Tier 3		20 to 30			5/1/2025	SFY25-1
						SUBTOTAL		\$21,298,400		\$6,579,400			

AMENDMENTS TO EXISTING LOANS

--	--	--	--	--	--	--	--	--	--	--	--	--	--

Rank	Score	Within Funding Limits (1)	Public Water System ID# (Population Served)	Applicant	Project Name and Description	Requested Loan Amount	Disadvantaged Community Tier	SFY25 SUBSIDY (2) Loan Forgiveness	Loan Repayment Term (3) (years)	Green Project Amount (Type)	Sustainability Policy	Anticipated Project Start Date	Added to PPL
	175	X	AK2340010 (3,598)	Nome Joint Utility System	Bering Street Water Main Replacement - This amendment increases the loan amount (Loan #627241-SG) by \$1,051,012 for a total loan request of \$3,485,000. The project scope is also amended to include replacement of water mains in Seppala Drive due to a high rate of failure/leakage due to settlement from melting permafrost under the road. Replacement of the water mains will be completed in coordination with a roadway improvement project sponsored by the Alaska Department of Transportation and Public Facilities.	\$1,051,012	Tier 2		20		Fix it First		SFY22-Q1
		X	AK2130075 (8,458)	City and Borough of Sitka	Lake and Monastery Water Improvements - Replace approximately 2,700 linear feet of cast/ductile iron water main, 47 services, and all associated isolation valves and hydrants on Lake, Monastery, Hirst, and Kinhead Streets. Replacing this infrastructure will result in less breaks and reduce potential water outage time.	\$450,000	Tier 1		20 to 30				SFY25-1
LOAN AMENDMENT SUBTOTAL						\$1,501,012							

SUSTAINABLE INFRASTRUCTURE PLANNING PROJECTS													
1	50	X	AK2240456 (5,810)	Homer	Water Master Plan - Update the water system portion of the 2006 Water and Sewer Master Plan.	\$78,303	Tier 2	\$37,500	5	na	Planning	4/30/2023	SFY23-Q3
2	41	X	AK2111566 (1,713)	Haines Borough	Water System Modeling - Model water system function and integrate with Geographic Information System.	\$100,000	Tier 3	\$75,000	5	na	Planning	4/3/2023	SFY23-Q1
SUSTAINABLE INFRASTRUCTURE PLANNING LOAN SUBTOTAL						\$178,303							
TOTAL FUNDING REQUESTED (ALL CATEGORIES)						\$151,300,915							
SUSTAINABLE INFRASTRUCTURE PLANNING LOAN SUBTOTAL						\$178,303							
TOTAL FUNDING REQUESTED (ALL CATEGORIES)						\$151,300,915							

Alaska Drinking Water Fund Programmatic Financing (Pro Fi) Projects

Applicant: Anchorage Water and Wastewater Utility

SFY24 Loan Request: \$13,062,400

SFY25 Loan Request: \$***

Loan Term: 20 years

Year	Number	Project Name	Description	
SFY24	SFY25	D-22-01	475 Loop Conversion	Convert portions of the Anchorage bowl transmission loop to the 475 hydraulic grade line to enhance system operations. The project will provide a new gravity intertie to replace a pumped intertie and demolish an outdated facility. Work also includes new flow monitoring and SCADA additions for new equipment.
SFY24	SFY25	E 42nd Lake Otis to Piper Water Rehab	Replace and/or rehabilitate water lines along 42nd Avenue from Lake Otis to Piper Street.	
SFY24	SFY25	Eklutna Water Treatment Facility Disinfection Improvements	Replace the existing 20-year-old on-site hypochlorite generation system to improve reliability of the disinfection system and also improve worker safety.	
SFY24	SFY25	Eklutna Water Treatment Facility Energy Recovery Station Control Improvements	Rehabilitate the control infrastructure for the water treatment energy recovery station.	
SFY24	SFY25	Eklutna Water Treatment Facility Motor Control Center Upgrade	Upgrade the motor control center and uninterruptible power supplies.	
SFY24	SFY25	Girdwood Donner Intertie	Install water lines from a recently constructed portion of the system to an existing portion of the system across the Alaska Highway. This will complete the loop and provide additional flow.	
SFY24	SFY25	Girdwood Water System Upgrade	Demolish the Vail and St. Moritz booster stations and the Timberline Pressure Relief Valve (PRV) Station that have exceeded their useful life. Construct one new combined booster/PRV station adhering to current standards. The project also includes a new sampling station for water quality management and Supervisory Control and Data Acquisition (SCADA) for active management.	
SFY24	SFY25	Girdwood Well Rehab	Design modifications intended to improve reservoir water circulation.	
SFY24	SFY25	Glenn Square PRV Facility	The project involves construction of a new aboveground pressure relief valve (PRV) facility to replace or upgrade the aged Chrysler PRV vault originally constructed in 1971 and modified in 1981. The existing vault is in a condition requiring improvements and access is limited by inbound traffic from the Glenn Highway.	
SFY24	SFY25	John Wells 1952 Addition Water Improvements	Construct approximately 1,900 linear feet of water main to the John Wells 1952 Addition subdivision that currently receives water service through private on-site wells where contaminants exceed the safe standards or health advisory level.	
SFY24	SFY25	Reservoir 3 and 4 Circulation Lines	In order to improve reservoir water circulation, install approximately 80 linear feet of 24-inch ductile iron pipe, 44 linear feet of 16-inch ductile iron pipe, 5 linear feet of 12-inch ductile iron pipe, one (1) single pumper fire hydrant assembly, seven (7) 12-inch to 24-inch gate valves and valve boxes, fittings, cathodic protection anodes, and sections of storm drain pipe. The Work in the Reservoir Facility Building includes mechanical piping, flow meters, valves, fittings, hydro-kinetic turbine, centrifugal pump, instrumentation, electrical, controls, and HVAC equipment. Additionally, the project includes demolition of Century Village Booster Station and removal of the existing sleeve valve in Tudor Valve Vault.	
SFY24	SFY25	SW 260 Zone Capacity Improvements	Provide necessary connectivity between two pressure zones in the AWWU water distribution system and thereby ensure more reliable service. The project will install water main to the SW 260 pressure zone through the Tanglewood Gold Course. Upgrade/construct a PRV Station at Oceanview North and Bowman School and abandon three existing PVR stations.	
SFY24	SFY25	D-19-14	Water Master Plan Update	The water master plan provides a guide for future expansion, modifications, and rehabilitation over a 20-year planning horizon.

Appendix 3
Disadvantaged Community Criteria

Appendix 3. Disadvantaged Community Criteria

Background

The Safe Drinking Water Act (SDWA) and the Clean Water Act (CWA) allow states to define communities most in need of financial assistance through affordability criteria. Based on conditions established in the annual Clean Water and Drinking Water State Revolving Fund capitalization grants, a portion of each grant must be provided as an additional subsidy. The Alaska SRF Program provides this subsidy in the form of principal forgiveness of low interest loans.

In 2023, the Alaska SRF Program reviewed its disadvantaged community criteria and proposed a revised method. The SRF Program historically focused on three metrics--income, unemployment and population--to identify borrowers that would experience a significant hardship raising the revenue necessary to finance a project. In an effort to develop a more comprehensive definition of what it means to be a disadvantaged community, the Alaska SRF Program included additional socioeconomic metrics as well as a factor to account for rural status.

Disadvantaged Community Criteria - Federal and State Requirements

Under the Drinking Water State Revolving Fund (DWSRF) program, states may establish separate eligibility criteria and special funding options for economically disadvantaged communities. Section 1452 of the SDWA defines a disadvantaged community as “the service area of a public water system that meets affordability criteria established after public review and comment by the State in which the public water system is located.” Under this section, states may provide additional subsidies (including forgiveness of principal) to communities that meet the established criteria, or that are expected to meet these criteria as a result of a proposed project.

In 2014, the Water Resources Reform and Development Act (WRRDA) revised the CWA to require all CWSRF programs to develop affordability criteria to be used by the state when determining which CWSRF borrowers are economically disadvantaged and eligible for additional subsidy. Pursuant to WRRDA, the affordability criteria must be based on the income data, unemployment rates, and population trends, as well as any other components deemed relevant by the state.

In Alaska, state regulations limit the distribution of subsidy through the SRF Program to borrowers who meet the state definition of a disadvantaged community. As noted in regulations for the Alaska Clean Water Fund (Alaska Administrative Code, Title 18, Chapter 76.035 [18 AAC 76.035]), “the department may provide a subsidy to an applicant in the form of principal forgiveness...if the applicant demonstrates that it meets affordability criteria.” Similarly, the Alaska Drinking Water Fund regulations indicate that “the department may provide a subsidy to a disadvantaged system in the form of principal forgiveness.”

Additional Subsidy – Base Capitalization Grants

DWSRF Additional Subsidy: The SDWA mandates that states use at least 12% but no more than 35% of the annual base capitalization grant to provide additional subsidization for state defined disadvantaged communities. Additional subsidization is funding beyond the savings provided by a below market rate subsidized loan. In Alaska, additional subsidization is provided in the form of principal forgiveness.

In addition to the additional subsidization identified in the SDWA, Congress has included further additional subsidization requirements through the annual appropriation language. For Federal Fiscal Year 2024 (FFY24), the Congressionally mandated subsidy requirement is 14% of the capitalization grant with no specific eligibility requirements. The two required groups of subsidy are additive, meaning that the state is obligated to offer 26 to 49% of the FFY24 base capitalization grant as additional subsidy. As noted previously, Alaska regulations restrict subsidy eligibility to disadvantaged communities.

CWSRF Additional Subsidy: The CWA mandates that states use at least 10% but no more than 30% of the annual base capitalization grant to provide additional subsidization for:

- any municipalities that meet the state’s affordability criteria;
- municipalities that do not meet the state’s affordability criteria but seek additional subsidization to benefit individual ratepayers in the residential user rate class; or
- entities that implement a process, material, technique, or technology that addresses water or energy efficiency goals; mitigates stormwater runoff; or encourages sustainable project planning, design, and construction.

The Congressionally mandated subsidy requirement is 10% of the FFY24 capitalization grant with no specific eligibility requirements. As with the DWSRF, the two groups of subsidy are additive, meaning that the state is obligated to offer a minimum of 20% and a maximum of 40% of the FFY24 capitalization grant as additional subsidy.

Bipartisan Infrastructure Law (BIL)

A key priority of the BIL is to ensure that disadvantaged communities benefit equitably from this investment in water infrastructure. Disadvantaged communities can include those with environmental justice concerns that often are low-income. Disadvantaged communities experience, or are at risk of experiencing, disproportionately high exposure to pollution—whether in air, land, or water.

The BIL mandates that 49% of funds provided through the DWSRF General Supplemental Funding and the DWSRF Lead Service Line Replacement Funding be provided as grants and forgivable loans to disadvantaged communities. The BIL also requires that at least 25% of funds provided through the DWSRF Emerging Contaminants Funding be provided as grants and forgivable loans to disadvantaged communities or public water systems serving fewer than 25,000 people.

For the CWSRF, the law mandates that 49% of funds provided through the CWSRF General Supplemental Funding be provided as grants and forgivable loans to communities that meet the state’s affordability criteria or certain project types, consistent with the CWA.

To accomplish this, the Environmental Protection Agency (EPA) recommends that states may need to:

- Evaluate and revise, as needed, the DWSRF disadvantaged community definition and CWSRF affordability criteria.
- Evaluate the SRF priority point system for project ranking commensurate with need.
- Use technical assistance funding to help disadvantaged communities identify needs and access funding.
- Engage residents and community stakeholders in disadvantaged communities.

Criteria for Defining Disadvantaged Communities

Disadvantaged community status is determined by considering four factors: household burden, socioeconomic indicators, rural community status and priority projects. Points are assigned for each factor as noted below.

Household Burden

The Household Burden indicator focuses on household income and the affordability impacts on those households most effected by the cost of utility service. Income quintiles are a socio-economic measure that groups a community’s household income data into five equal parts. Each quintile represents 20% of the population.

Upper limit of lowest quintile income (LQI) – Income quintiles group a community’s household income data into five equal parts. Each quintile represents 20% of the population.

If the LQI is greater than the statewide LQI	No points
If the LQI is less than the statewide LQI	1 point
If the LQI is less than 80% of the statewide LQI	2 points

Cost of service as a percentage of LQI – The annual cost of service for both water and wastewater service (user fees) for residential connections is divided by the upper limit of the LQI to provide an indicator of the burden on lowest income earners in the community.

If the Cost of Service/LQI is less than 4%	No points
If the Cost of Service/LQI is greater than 4%	1 point
If the Cost of Service/LQI is greater than 6%	2 points

Socioeconomic Factors

Socioeconomic factors are used to consider a variety of indicators that may demonstrate economic stress in a community including the percentage of household receiving public

assistance, the percentage of households below the poverty level, unemployment rates, and population trends.

Percentage of households receiving Supplemental Nutrition Assistance Program (SNAP) benefits relative to the statewide average.

If the % of households receiving SNAP is less than statewide average	No points
If the % of households receiving SNAP is greater than statewide average	1 point
If the % of households receiving SNAP is 150% of statewide average	2 points

Percentage of households below poverty level relative to the statewide average. The poverty level is determined by the U.S. Census Bureau.

If the % of households below poverty level is less than statewide	No points
If the % of households below poverty level is greater than statewide	1 point
If the % of households below poverty level is 150% of statewide or greater	2 points

Unemployment Rate – The monthly unemployment rates posted by the Alaska Department of Labor for the borough or census area where the community is located for the previous calendar year are averaged and compared to the statewide unemployment rates.

If the unemployment rate is less than statewide rate	No points
If the unemployment rate is greater than statewide rate	1 point
If the unemployment is 150% of statewide rate or greater	2 points

Population Trend – The 2010 population from the decennial Census data compared to the 2020 population.

If the community population increases or decreases by less than 10%	No points
If the community population changes by 10-20%	1 point
If the community population change exceeds 20%	2 points

Rural Communities

Rural communities will receive two additional points in the scoring process. The following definition is used for a rural community:

- (1) A community that is eligible for assistance under the Village Safe Water Act, or
- (2) A community that meets each of the following criteria:
 - (a) is not located in an area that is identified as a Metropolitan or Micropolitan according to the U.S. Office of Management and Budget **and**
 - (b) is at least 300 road miles from a Metropolitan or Micropolitan area **and**
 - (c) has a population that exceeds 25 but is less than 4,500.

Rural community status	2 points
------------------------	----------

Priority Projects

Eligibility for loan forgiveness will also be assessed based on the project type. If the project aligns with one of the priority types listed below, points will be added to the project's score as noted.

Priority Project Type	Points
Project will result in completion of a Lead Service Line Inventory or replace known lead service lines	6
Project will address an emerging contaminant as defined in the BIL	6
Project will resolve a health-based violation of the SDWA	6
Project will install domestic wastewater treatment to meet the minimum treatment requirements of 18 AAC 72.050	6
Project will result in consolidation of two or more public water systems or wastewater systems	6
A water distribution system will be expanded to provide service to replace private sources that exceed the MCL for a primary drinking water contaminant.	6
A wastewater collection system will be expanded to provide service to individual services that use on-site wastewater	6
Project will improve the water quality of an impaired water body	5
Project will result in development of an Asset Management Plan	4

Data Sources

Data sources for the information included in the Household Burden and Socioeconomic indicators are listed below:

Category / Metric	Source
Income and Poverty	
Lowest quintile income	American Community Survey
% below poverty level	American Community Survey
% Public Assistance/SNAP	American Community Survey
Labor Force	
Unemployment rate of borough/census area	Alaska Department of Labor
Demographics	
Population Trend	Decennial Census

Disadvantaged Community - Tiers

Each loan applicant will be assessed based on household burden and socioeconomic factors to represent a base score for the community. Depending on the type of project proposed, additional points may be assigned to specific priority projects based on the criteria in the preceding section. Based on the points allotted, each project will be assigned to a tier with an associated percentage of loan forgiveness. To the extent that additional subsidy funds are available, disadvantaged communities may receive principal forgiveness associated with the base and supplemental capitalization grants as shown in the table below.

Tier	Point Range	Maximum Loan Forgiveness per Community/System	
		Clean Water Projects	Drinking Water Projects
Tier 1	0 to 3	Not applicable	Not applicable
Tier 2	4 to 6	\$500,000	\$1,500,000
Tier 3	7 to 10	\$1,000,000	\$2,500,000
Tier 4	10+	\$2,000,000	\$3,500,000

Disadvantaged Communities – Base Scores and Tiers

The table below shows the Household Burden and Socioeconomic Factors scores for several communities throughout the state. The communities represented in this table are either past or present SRF borrowers or have expressed an interest in pursuing financing through the SRF Program.

The base score in this table combines the Household Burden and Socioeconomic Scores. The disadvantaged community tier in this table reflects only the base score for the community. If a community proposes a “priority project” as defined by the SRF Program, then additional points may be added to a particular project.

Community	Household Burden Score (1)	Socioeconomic Factors Score (2)	Rural Community (3)	Base Score (1)+(2)+(3)	Base Score Tier
Anchorage	0	0	0	0	Tier 1
Bethel	2	5	2	9	Tier 3
Cordova	0	2	2	4	Tier 2
Craig	1	5	2	8	Tier 3
Dillingham	1	4	2	7	Tier 3
Fairbanks	1	1	0	2	Tier 1
Gustavus	1	5	2	8	Tier 3
Haines	3	3	2	8	Tier 3
Homer	2	2	0	4	Tier 2
Hoonah	1	6	2	9	Tier 3
Juneau	0	0	0	0	Tier 1
Kenai	3	3	0	6	Tier 2
Ketchikan	3	2	0	5	Tier 2
King Cove	1	4	2	7	Tier 3
King Salmon	0	2	2	4	Tier 2
Kodiak	2	4	0	6	Tier 2
Kotzebue	1	4	2	7	Tier 3
Naknek	1	2	2	5	Tier 2
Nome	0	3	2	5	Tier 2
North Pole	0	0	0	0	Tier 1
Palmer	1	4	0	5	Tier 2
Petersburg	1	2	2	5	Tier 2
Sand Point	2	3	2	7	Tier 3
Seldovia	0	2	2	4	Tier 2
Seward	3	2	0	5	Tier 2
Sitka	0	0	0	0	Tier 1
Skagway	0	4	2	6	Tier 2
Soldotna	3	4	0	7	Tier 3
St. Paul	3	2	2	7	Tier 3
Talkeetna	3	5	0	8	Tier 3
Togiak	3	6	2	11	Tier 4
Unalakleet	3	6	2	11	Tier 4
Unalaska	0	0	2	2	Tier 1
Utqiagvik	1	3	2	6	Tier 2
Valdez	1	1	0	2	Tier 1
Wasilla	3	7	0	10	Tier 4
Whittier	3	6	0	9	Tier 3
Wrangell	2	3	2	7	Tier 3
Yakutat	0	1	2	3	Tier 1