


Clean Water State Revolving Fund Loan Program Annual Report

Submitted to: U.S. Environmental Protection Agency

By: Oregon DEQ

Sept. 30, 2016



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DEQ is a leader in
restoring, maintaining
and enhancing the
quality of Oregon's air,
land and water.



State of Oregon
Department of
Environmental
Quality

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**OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND LOAN PROGRAM
ENTERPRISE FUND
BALANCE SHEET
June 30, 2016**

	<u>Loan Fund</u>	<u>Administration</u>	<u>TOTAL</u>
Assets			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 228,208,525	\$ 3,453,696	\$ 231,662,221
Loan Interest Receivable	1,253,148	-	1,253,148
<i>Total Current Assets</i>	<u>229,461,673</u>	<u>3,453,696</u>	<u>232,915,369</u>
<i>Noncurrent Assets:</i>			
Loans Receivable, Net	419,721,058	-	419,721,058
Loan Interest Receivable	3,093,753	-	3,093,753
<i>Total Non-Current Assets</i>	<u>422,814,811</u>	<u>-</u>	<u>422,814,811</u>
Total Assets	<u>\$ 652,276,484</u>	<u>\$ 3,453,696</u>	<u>\$ 655,730,180</u>
Liabilities and Net Position			
<i>Current Liabilities:</i>			
Accounts Payable	\$ -	\$ 10,408	\$ 10,408
Payroll Payable	-	111,362	111,362
Compensated Absences Payable	-	50,246	50,246
Due To Oregon DEQ	-	25,637	25,637
Bond Interest Payable	241,216	-	241,216
Bonds Payable	1,516,774	-	1,516,774
<i>Total Current Liabilities</i>	<u>1,757,990</u>	<u>197,653</u>	<u>1,955,643</u>
<i>Non-Current Liabilities:</i>			
Compensated Absences Payable	-	10,181	10,181
Bonds Payable	21,607,843	-	21,607,843
<i>Total Non-Current Liabilities</i>	<u>21,607,843</u>	<u>10,181</u>	<u>21,618,024</u>
Total Liabilities	<u>23,365,833</u>	<u>207,834</u>	<u>23,573,667</u>
<i>Net Position:</i>			
Unrestricted	628,910,651	3,245,862	632,156,513
Total Net Position	<u>628,910,651</u>	<u>3,245,862</u>	<u>632,156,513</u>
Total Liabilities and Net Position	<u>\$ 652,276,484</u>	<u>\$ 3,453,696</u>	<u>\$ 655,730,180</u>

The accompanying notes are an integral part of the financial statements.

The information set forth above is unaudited and subject to adjustments and modifications.

**OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING LOAN PROGRAM
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Loan Fund</u>	<u>Administration</u>	<u>TOTAL</u>
Operating Revenues			
Loan Interest Income	\$ 9,298,059	\$ -	\$ 9,298,059
Loan Fees	4,519	1,658,919	1,663,438
Total Operating Revenues	<u>9,302,578</u>	<u>1,658,919</u>	<u>10,961,497</u>
Operating Expenses			
Bond Interest	686,090	-	686,090
Other Bond Costs	-	-	-
Principal Forgiveness on Loans	2,146,369	-	2,146,369
Salaries and Benefits	-	1,343,646	1,343,646
Services and Supplies	-	277,642	277,642
Indirect Costs	-	240,973	240,973
Total Operating Expenses	<u>2,832,459</u>	<u>1,862,261</u>	<u>4,694,720</u>
Operating Income (Loss)	<u>6,470,119</u>	<u>(203,342)</u>	<u>6,266,777</u>
Non-Operating Revenues & Expenses			
Federal Grants	20,313,450	-	20,313,450
Interest income on Cash and Cash Equivalents	1,456,524	23,344	1,479,868
Total Non-Operating Revenues & Expenses	<u>21,769,974</u>	<u>23,344</u>	<u>21,793,318</u>
Change in Net Position	<u>28,240,093</u>	<u>(179,998)</u>	<u>28,060,095</u>
Net Position - Beginning, as previously reported	600,670,558	3,425,860	604,096,418
Prior Period Adjustment	-	-	-
Net Position - Beginning, restated	<u>600,670,558</u>	<u>3,425,860</u>	<u>604,096,418</u>
Net Position - Ending	<u>\$ 628,910,651</u>	<u>\$ 3,245,862</u>	<u>\$ 632,156,513</u>

The accompanying notes are an integral part of the financial statements

The information set forth above is unaudited and subject to adjustments and modifications.

**OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
 CLEAN WATER STATE REVOLVING FUND LOAN PROGRAM
 ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Loan Fund</u>	<u>Administration</u>	<u>TOTAL</u>
Cash Flows Provided (Used) by Operating Activities:			
Repayments from loan interest	\$ 9,160,640	\$ -	\$ 9,160,640
Repayments from loan principal	22,979,056	-	22,979,056
Disbursements to Borrowers	(38,498,053)	-	(38,498,053)
Receipts from Loan Fees	4,519	1,658,919	1,663,438
Receipts from Treasury Interest Credits			-
Payments to Vendors	-	(267,853)	(267,853)
Payments to Employees	-	(1,354,275)	(1,354,275)
Payments for Indirect Cost	-	(262,138)	(262,138)
Cash Flows From Operating Activities:	<u>(6,353,838)</u>	<u>(225,347)</u>	<u>(6,579,185)</u>
Cash Flows From Noncapital Financing Activities:			
Receipts from Federal Grants	20,313,450	-	20,313,450
Principal Payments on Bonds	(1,134,032)	-	(1,134,032)
Interest Payments on Bonds	(881,708)	-	(881,708)
Net Cash Provided (Used) in Noncapital Financing Activities	<u>18,297,710</u>	<u>-</u>	<u>18,297,710</u>
Cash Flows from Investing Activities			
Receipts from Treasury Interest Credits	<u>1,456,524</u>	<u>23,344</u>	<u>1,479,868</u>
Net Cash Provided (Used) in Investing Activities	<u>1,456,524</u>	<u>23,344</u>	<u>1,479,868</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,400,396	(202,003)	13,198,393
Cash and Cash Equivalents, Beginning	<u>214,808,129</u>	<u>3,655,699</u>	<u>218,463,828</u>
Cash and Cash Equivalents, Ending	<u>\$ 228,208,525</u>	<u>\$ 3,453,696</u>	<u>\$ 231,662,221</u>

The accompanying notes are an integral part of the financial statements.

The information set forth above is unaudited and subject to adjustments and modifications.

**OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
CLEAN WATER STATE REVOLVING FUND LOAN PROGRAM
ENTERPRISE FUND**

**STATEMENT OF CASH FLOWS, continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Reconciliation of Operating Income to Net			
Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 6,470,119	\$ (203,342)	\$ 6,266,777
Adjustments to Reconcile Operating Income to			
Net Cash Provided (Used) by Operating Activities:			
Bond Interest Payments Reported as	881,708	-	881,708
Operating Expense			
Amortization of Bond Discount	1,483	-	1,483
Amortization of Bond Premium	(203,775)	-	(203,775)
Net Changes in Assets and Liabilities:			
Loan Interest Receivable	(15,900)	-	(15,900)
Loans Receivable	(13,494,147)	-	(13,494,147)
Accounts Payable	-	(4,002)	(4,002)
Payroll Payable	-	(7,079)	(7,079)
Due To Oregon DEQ	-	(7,374)	(7,374)
Bond Interest Payable	6,674	-	6,674
Compensated Absences Payable	-	(3,550)	(3,550)
Total Adjustments	(12,823,957)	(22,005)	(12,845,962)
Net Cash Provided (Used) by Operating Activities	\$ (6,353,838)	\$ (225,347)	\$ (6,579,185)

The accompanying notes are an integral part of the financial statements.

The information set forth above is unaudited and subject to adjustments and modifications.

1. Notes to the Basic Financial Statements-Enterprise Fund, June 30, 2016

1.1 Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oregon Department of Environmental Quality Clean Water State Revolving Fund have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

1.1.1 Reporting Entity

The Oregon Clean Water State Revolving Fund (CWSRF) was established pursuant to Oregon Revised Statutes 468.423 – 468.440 and the 1987 amendments to the federal Clean Water Act. The purpose of the CWSRF is to provide low interest loans to local governments for the planning, design and construction of wastewater treatment facilities, implementation of nonpoint source pollution management plans, and the design and implementation of estuary management plans. The loan repayment period is a maximum of 30 years, and all repayments, including interest and principal, must be credited to the CWSRF.

The CWSRF program is administered by the State of Oregon Department of Environmental Quality (DEQ). The CWSRF program consists of several funds to record loan and related activity, and an administrative fund that collects loan fees and pays the operating costs of the program, and are collectively referred to as the Fund. DEQ's primary responsibilities for the CWSRF include obtaining capitalization grants from the U.S. Environmental Protection Agency (EPA), soliciting potential interested parties for loans, negotiating loan agreements with eligible public agencies, reviewing and approving payment requests from loan recipients, monitoring the loan repayments, and conducting inspection and engineering reviews to ensure compliance with all applicable laws, regulations, and program requirements.

DEQ charges the Fund for staff time spent on CWSRF activities, and the Fund pays those expenses from the Administration fund. The charges include the salaries and benefits of the employees, as well as indirect costs allocated to the Fund. The rate of indirect cost is negotiated annually with EPA.

The Annual Financial Report is prepared for the U.S. Environmental Protection Agency as an Enterprise Fund of the State of Oregon, which uses the accrual basis of accounting. For the purpose of the State of Oregon's Comprehensive Annual Financial Report (CAFR), the Fund is included as a Governmental Fund – Special Revenue. Due to differences in basis of accounting, there may be differences between the amounts reported in these financial statements and the State of Oregon's CAFR.

1.1.2 Basis of Presentation – Fund Accounting

DEQ programs and accounts are organized by "funds", each of which is a separate accounting entity. Each major program utilizes a separate set of self-balancing accounts to record the assets, liabilities, net position, revenues and expenses of their activities. DEQ's CWSRF loan program is classified as a

proprietary fund for the purposes of these financial statements, however DEQ treats this fund as a governmental fund. Proprietary funds contain two types of funds: Enterprise Funds and Internal Service Funds. The CWSRF loan program is accounted for in an Enterprise Fund. Enterprise Funds account for and report any activity for which fees are charged to external users for goods and services.

1.1.3 Measurement Focus and Basis of Accounting

The basic financial statements for the Fund are presented as an enterprise fund. As such, the Fund is accounted for using the flow of economic resources measurement focus and is maintained on the accrual basis of accounting, in accordance with State policy (OAM 15.40.00). Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred, regardless of the timing of the related cash flow. All revenues and expenses of the Fund are considered to be operating revenues and operating expenses, with the exception of grant and interest income, which is considered to be non-operating revenue. All assets and liabilities associated with the operations of the Fund are included on the Balance Sheet.

1.1.4 Cash and Cash Equivalents

All monies of the Fund are deposited with the Office of the State Treasurer, which is responsible for maintaining these deposits in accordance with Oregon law. The Fund considers all such deposits to be cash and cash equivalents. Interest earnings on these deposits are received by the Fund on a monthly basis. The Fund has no other cash deposits or investments.

1.1.5 Loans/Bonds Receivable

Loans and Bonds are funded by federal capitalization grants, state matching funds, loan repayments and fund earnings. The CWSRF monies are disbursed to borrowers on a cost reimbursement basis. When borrowers have incurred qualifying expenses, they request a loan disbursement from the Fund, and at that time a disbursement is made and recorded in the Fund accounting records. Interest begins accruing when funds are disbursed to the borrower. After the project is complete, repayment begins with an interest only payment. Loans and bonds are fully amortized to assure full repayment by the loan or bond maturity date.

DEQ has been required, under the terms of several grant awards from EPA, to offer additional subsidization to certain borrowers. DEQ has chosen to offer this subsidization in the form of principal forgiveness and has implemented this in administrative rule (OAR 340-054-0065). Loans Receivable are stated net of the allowance for principal forgiveness.

1.1.6 Long-Term Obligations

Long term obligations of the Fund consist of bonds issued to provide the required State matching funds for the federal capitalization grants, and the non-current portion of compensated absences. Bonds issued on behalf of the CWSRF are reported on the Balance Sheet net of the related premium or discount. Bond premium and discount are amortized over the life of the bond issues. Bond premium and discount are reported in the Statement of Revenues, Expenses and Changes in Fund Net Position as bond interest expense.

1.1.7 Compensated Absences

Employees accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the State does not pay any amounts when employees separate from State service. A liability for vacation leave (compensated absences) is accrued when incurred as employees may be paid for up to a maximum of 250 hours of accrued vacation leave upon separation from State service

1.2 Cash and Cash Equivalents

On June 30, 2015, the book balance of cash and cash equivalents was \$231,662,221 and the bank balance was \$231,675,820. All cash in the Fund is deposited in demand accounts with the State Treasurer in the Oregon Short-Term Fund (OSTF), a cash and investment pool for use by all state agencies.

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the State Treasurer will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The CWSRF does not have a policy regarding custodial credit risk for deposits; however, the insurance and collateral requirements for deposits in the OSTF are established by banking regulations and Oregon law.

Further details of the investments and a copy of the OSTF audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896 or located at the following web site:

<http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-%28OSTF%29.aspx#stat>

1.3 Loans Receivable

The Fund makes loans to qualified entities at interest rates ranging from zero percent to the market rate (see ORS 468.440). Interest rates vary depending on the length of the loan, the type of loan, and program rules (at OAR 340-054). Rates range from 25% of the bond rate for 5 year loans to 55% of the bond rate for 30 year loans. Recipients make semiannual or, in some cases, annual payments, and must begin loan principal and interest repayments within one year of the date the facility is operationally complete and ready for the purpose it was planned, designed, and built or the project is completed, as determined by DEQ. There is an allowance account for that portion of loan disbursements that will not be repaid due to principal forgiveness offered to some borrowers. Principal forgiveness is offered to some borrowers, based on criteria in administrative rule, to comply with a requirement included in DEQ's grant agreement with EPA. There is no additional allowance account, because Fund management believes all existing borrowers will pay as agreed. The detail of loans receivable as of June 30, 2016 is as follows:

Loans Receivable	\$421,364,685
Principal Forgiveness on Disbursements	(1,643,627)
Net Loans Receivable, 6/30/2015	\$419,721,058

1.4 Bonds Payable

In July 2003 EPA agreed to the use of the CWSRF Fund assets to pay the principal and interest on general obligation bonds that were previously issued by the State to provide the 20 percent state matching funds as required by the Clean Water Act. The following table summarizes bonds outstanding as of June 30, 2016:

Original Issue

Series	Due Dates	Interest Range	Original Amount
2008A	2009-2028	2%-4.5%	4,800,000
2009A	2010-2030	2%-4%	4,890,000
2010A	2011-2030	2%-3.75%	4,945,000
2012P ¹	2014-2033	1.5%-5.0%	4,235,000
2013K ¹	2014-2024	2.0%-5.0%	4,015,000
2015E ¹	2015-2025	5.0%	4,040,000
		Total:	26,925,000

¹2012P, 2013K and 2015E are bond issuances designated by the Oregon State Treasury. Internally DEQ CWSRF uses 2012A, 2013A and 2015A to identify the portions of the larger bond issuance for which the CWSRF is individually responsible.

Bonds Outstanding

	Balance	Increases	Decreases	Balance	Due Within
	6/30/2015			6/30/2016	One Year
2008A	3,527,743	0	209,032	3,318,711	216,774
2009A	3,180,000	0	220,000	2,960,000	250,000
2010A	3,940,000	0	210,000	3,730,000	215,000
2012P ¹	4,030,000	0	150,000	3,880,000	160,000
2013K ¹	3,705,000	0	345,000	3,360,000	355,000
2015E	4,040,000	0	0	4,040,000	320,000
Total:	22,422,743	0	1,134,032	21,288,711	1,516,774

¹2012P, and 2013K and 2015E are bond issuances designated by the Oregon State Treasury. Internally DEQ CWSRF uses 2012A, 2013A and 2015A to identify the portions of the larger bond issuance for which the CWSRF is individually responsible.

The bond interest rates noted above differ depending on the term of the individual security. Thus, those securities with the longest term yield the highest interest rate.

The following table summarizes the amounts necessary to pay all future bonded debt principal and interest requirements as of June 30, 2016 for each year during the next five-year period ending June 30, 2021, and in five year increments thereafter.

Years Ending 30-Jun	Bond Principal	Bond Interest	Total Debt Service
2017	1,516,774	869,808	2,386,582
2018	1,514,516	809,345	2,323,861
2019	1,714,839	741,045	2,455,884
2020	1,847,581	662,847	2,510,428
2021	1,747,903	583,687	2,331,590
2022 - 2026	8,480,645	1,721,744	10,202,389
2027 - 2031	3,876,453	390,720	4,267,173
2032 - 2033	590,000	17,850	607,850
Total	21,288,711	5,502,661	27,085,757

1.5 Changes in Long-Term Liabilities

The liability for compensated absences is calculated based on the vacation accrual at 6/30/2015 for each employee whose duties include CWSRF related activities. Data for this calculation is obtained at year end from DEQ's Payroll Department.

Bonds payable includes amounts payable on bonds issued to benefit the CWSRF fund, and also includes the unamortized amounts of bond discount or premium.

The long term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance 7/1/2015	Increases	Decreases	Ending Balance 6/30/2016	Due Within One Year
Bonds Payable	22,422,743	0	1,134,032	21,288,711	1,516,774
Issuance Premium	2,054,124	0	198,324	1,855,800	
Issuance Discount	-21,377	0	-1,483	-19,894	
<i>Total Bonds Payable</i>	24,455,490	0	1,330,873	23,124,617	1,516,774
Compensated Absences	63,977	60,427	63,977	60,427	60,427
Total Long-term Liabilities	24,519,467	60,427	1,394,850	23,185,044	1,577,201

1.6 Loan Fees

In order to support administration and project management costs, loan fees are assessed on loans originating after 1992. A fee of 0.50 percent is assessed on the outstanding loan principal balance and is collected annually, beginning with the second loan payment.

Fees are deposited to a separate Treasury account and are used only for administrative and project management costs. Planning loans are not assessed annual fees in order to encourage Oregon communities to complete more planning.

1.7 Employee Retirement Plan

Plan Description

As part of the State of Oregon, the Public Employees Retirement System (PERS) provides defined benefit and defined contribution retirement plans to the Fund's employees. PERS is a cost-sharing multiple-employer defined benefit pension plan. All benefits of PERS are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), established by ORS 238A, provides benefits to member hired on or after August 29, 2003. The Individual Account Program (IAP) is a defined contribution plan. Beginning January 1, 2004, all member contributions are deposited into the members IAP account. The pension plans provide pension benefits, death benefits, and disability benefits.

PERS issued a separate, publicly available, audited financial report that may be obtained from the Fiscal Services Division, Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The rates in effect for the fiscal year ended June 30, 2016 for state agencies general service members were 13.81% for Tier One/Tier Two and 7.31% for OPSRP. The IAP member contribution as set by statute is 6% and is currently paid by state agencies.

Employer contributions for the fiscal year ended June 30, 2016 were \$97,426 for Tier One/Tier Two and \$38,588 for OPSRP. Member contributions for the fiscal year ended June 30, 2016 were \$74,001

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2015, the State of Oregon reported an asset of \$430.9 million for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The State's proportion of the net pension asset was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014 the State's proportion was 23.9%, which was unchanged for its proportion measured as of June 30, 2013. The amount of the asset at June 30, 2016, is not currently available.

The Fund's portion of net pension asset was not specifically identified. See Note 15. Employee Retirement Plans, in the State of Oregon Comprehensive Annual Financial Report for more detail.

1.8 Other Postemployment Benefit Plans

The Fund's employees may be eligible to participate in health insurance plans and other benefit plans after retirement, collectively known as Other Postemployment Benefits (OPEB). OPEB plans are offered through the Public Employees Retirement System (PERS) as established by ORS 238 and the Public Employees Benefit Board (PEBB) as established by ORS 243. A copy of the audited annual financial report may be obtained from Fiscal Services Division, Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Retirement Health Insurance Account

The Retirement Health Insurance Account (RHIA) is a cost-sharing multiple-employer OPEB plan which provides a payment of up to \$60 toward the monthly cost of health insurance for eligible PERS members. To be eligible for the RHIA subsidy, the member must: 1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more creditable service in PERS, 2) receive both Medicare Parts A and B coverage, and 3) enroll in a PERS-sponsored health insurance plan.

The Department is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as a result of subsequent actuarial valuations. The rate of each covered employee's salary for the fiscal year end June 30, 2016 was 0.59 percent. Combined employer contributions for the years ended June 30, 2016, 2015 and 2014, was approximately \$6,802, \$5,445 and \$5,165, respectively, equal to the required contributions each year.

Retiree Health Insurance Premium Account

The Retiree Health Insurance Premium Account (RHIPA) is a single-employer OPEB plan that provides for payment of the average difference between the health insurance premiums paid by retired state employees, under contracts entered into by the PERS Board, and the health insurance premiums paid by state employees who are not retired. Retired state employees are qualified to receive the RHIPA subsidy if they had eight or more years of qualifying service in PERS at the time of retirement or are receiving a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage.

The Department is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change as a result of subsequent actuarial valuations. The rate of each employee's covered salary for the fiscal year ended June 30, 2015 was 0.27 percent. The Fund's actual contribution for the year ended June 30, 2016, 2015 and 2014 was approximately \$1,709, \$2,370, and \$2,310, respectively, which was equal to the actuarial required contribution.

Public Employees Benefit Board Plan

The Public Employees Benefit Board (PEBB) plan is a single-employer plan which offers medical, dental and vision benefits to eligible retired employees. Chapter 243 of the Oregon Revised Statutes assigns PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. The PEBB Plan allows qualifying retired employees to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. The PEBB Plan funding policy provides for contributions at amounts sufficient to fund benefits on a pay-as-you-go basis. Active employees do not make contributions. Participating retirees pay their own monthly premiums based on a blended premium rate since retirees are pooled together with active employees for insurance rating purposes. PEBB activity is reported as part of the State of Oregon's annual report and does not issue a separate financial report.

The State of Oregon's liability for the primary government was \$55.5million for the fiscal year ended June 30, 2016. The Fund's portion of this liability was not specifically identified.

1.9 Commitments

As of June 30, 2016 the CWSRF has active loan agreements in the amount of \$222,871,928 and has disbursed a total of \$67,963,605 in cash to these active borrowers. The amount of undisbursed loan commitments is, therefore, \$154,908,656.

1.10 Risk Financing

The Department of Administrative Services, Enterprise Goods and Services, Risk Management section (Risk Management) administers the State's property, liability, and workers' compensation insurance program. Risk Management has found it is more economical to manage the risk of loss internally and, therefore, minimizes the purchase of commercial insurance policies to the extent possible. The moneys set aside by Risk Management under Chapter 278 of the Oregon Revised Statutes are used to service the following risks:

- Direct physical loss or damage to State property
- Tort liability claims brought against the State, its officers, employees, or agents
- Inmate injury
- Workers' compensation
- Employee dishonesty
- Faithful performance bonds for key positions as required by law and additional positions as determined by agency policy

Risk Management purchases commercial insurance for specific insurance needs not covered by self-funding. For example, the self-insured property and liability program is backed by an excess property policy with a limit of \$400 million and a blanket commercial crime policy with a limit of \$20 million. The amount of claim settlements did not exceed commercial insurance coverage for each of the past three fiscal years.

All State agencies, commissions, and boards participate in the self-insured property and liability program. The Risk Management allocates the cost of claims and claim administration by charging an assessment to each State agency, based on its share of losses. Statewide risk charges are based on independent biennial actuarial forecasts and division expenses, less any available fund balance from the prior biennium.

The CWSRF participates in this risk financing program through DEQ, which, as a State agency, is a participant. Settlements have not exceeded insurance coverage in each of the past three years.

1.11 Subsequent Events

On August 8, 2016 the federal fiscal year 2016 capitalization grant from EPA was awarded, in the amount of \$14,974,000. This amount provides additional capitalization for the CWSRF program.

2. Supplemental Information

The following information is presented for the purpose of additional analysis and to satisfy federal reporting requirements. This information is not subjected to the procedures applied in the audit of the basic financial statements and the auditors have expressed no opinion on this information.

2.1 CWSRF Program Goals

DEQ continues to meet the long-term and short-term program goals identified in *DEQ's Clean Water State Revolving Fund Loan Program - Final Intended Use Plan – State Fiscal Year 2014*. DEQ's achievements in meeting these goals are discussed below.

2.1.1 Long Term Goals

2.1.1.1 Goal #1: Protect public health and the waters of the state by offering financial assistance for water pollution control projects.

The Oregon Clean Water State Revolving Fund continues to execute loans through its financial assistance program for water quality improvement projects that protect public health and Oregon's waters. During state FY2016, the CWSRF program signed 14 new loans with local governments for water quality improvement projects in the total amount of \$97,882,085. DEQ amended 3 existing loans that increased project funding by \$21,500,000. DEQ also amended 4 existing loans that decreased or canceled project funding by \$7,953,679 bringing a total net amount of project assistance in state fiscal year 2014 to \$111,428,406.

Table 1. Amount of new loans and total net loan amount of funding provided in each program year (including loan increases, decreases and cancellations).

Fiscal Year	Number of New Loans		Amount of New Loans and Amendments	
	Per Year	Cumulative	Per Year	Cumulative
1989-1991	4	4	7,421,676	7,421,676
1992	22	26	22,004,798	29,426,474
1993	25	51	39,393,294	68,819,768
1994	5	56	10,214,683	79,034,451
1995	7	63	3,925,367	82,959,818
1996	12	75	40,017,705	122,977,523
1997	20	95	60,289,058	183,266,581
1998	22	117	89,961,162	273,227,743
1999	9	126	35,445,740	308,673,483
2000	4	130	18,141,807	326,815,290
2001	6	136	15,707,776	342,523,066
2002	8	144	30,152,111	372,675,177
2003	12	156	34,511,307	407,186,484
2004	24	180	68,586,641	475,773,125
2005	23	203	52,245,950	528,019,075
2006	16	219	67,146,297	595,165,372
2007	21	240	41,253,968	636,419,340

2008	10	250	48,249,084	684,668,424
2010	36	296	109,081,012	831,665,679
2011	13	309	63,000,578	894,666,257
2012	11	320	90,664,527	985,330,784
2013	2	322	23,824,409	1,009,155,193
2014	10	332	17,269,868	1,026,425,061
2015	8	340	14,304,690	1,040,304,690
2016	14	354	111,428,406	1,151,733,396

2.1.1.2 Goal #2: Provide financial support for water quality improvement projects that incorporate innovative and sustainable approaches.

The CWSRF loan program is required to fund projects considered to be green, based on guidance provided by EPA, in an amount equal to at least 10% of the federal capitalization grant. This requirement is included in the federal fiscal year 2012 capitalization grant agreement.

The FFY 2015 requirement of \$1,575,800 will be met with the Clackamas Soil and Water Conservation District, project number 22405-16, application in the amount of \$250,000 of which \$250,000 is a categorically environmentally innovative project, Rock Creek Irrigation District, project number 78270-15, application amount of \$270,786, of which 100% is categorically water efficiency and Clean Water Services, project number 22700-16 of which \$2,160,000 is 100% categorically green infrastructure.

DEQ expects to meet the GPR requirement for FFY 2016 with City of Dallas project number 26110-15, application amount of \$7,000,000 of which \$1,750,000 is 100% categorically water efficiency.

2.1.1.3 Goal #3: Administer the Clean Water State Revolving Fund to ensure its financial integrity, viability and perpetuity as a source of financial assistance.

The CWSRF program offers loan interest rates below the market rate to meet the program goal of providing low cost financing. Investment earnings are at the market rate of interest and are managed by the State Treasurer, as required by state statute. Earnings on cash balances contribute significantly to program growth, adding approximately \$36.4 million to program capital from program inception through FY2016. During FY2016 investment rates averaged approximately 0.66%, adding \$1.48 million to the fund. Total earnings on cash deposited with the State Treasurer's Office are modest because interest rates remained low during the fiscal year.

The cash flow model used by the CWSRF provides a financially sound tool to maximize the loans made to communities while balancing the different factors that affect the timing of projects and disbursement of funds. DEQ will continue to utilize this tool to ensure all borrowers have financial assistance when needed.

The program continues to receive federal capitalization grants from EPA on an annual basis, and as required by federal regulations the State must provide matching amounts for those grants in an amount equal to at least twenty percent of the federal grant. Consequently, the Fund continues to grow as a result of the infusion of this new capital. Net position of the Fund increased during state FY2016 from \$600 million to \$629 million, as shown on the balance sheet on page 1.

2.1.1.4 Goal #4: Assist public agencies as they strive to achieve and maintain compliance with federal and state water quality standards.

DEQ's involvement in this goal is more than just a financial commitment to its borrowers. In addition to the \$1.15 billion in financial assistance provided since program inception, DEQ also comments on and approves wastewater facilities plans. CWSRF regional engineers provide technical assistance to individual communities and help them understand the benefits of asset management.

DEQ, as part of its EPA capitalization grant requirements, also provides principal forgiveness on some of its loans, assisting these borrowers more in their efforts to comply with water quality standards by making projects even more affordable.

2.1.1.5 Goal #5: Encourage public agencies to focus on high priority water quality improvement projects statewide, including nonpoint source and estuary management projects.

DEQ strives to finance high priority water quality improvement projects, however the agency does not always fund the highest ranking projects in the IUP, because projects that become ready to proceed receive first consideration. Also, existing projects that request loan increases receive the highest priority, and those projects may or may not have been high ranking projects originally. Promoting non point source projects is a priority for DEQ. There were five non-point source projects but no estuary projects funded during FY2016.

2.1.1.6 Goal #6: Provide technical assistance to public agencies to assess financial, operational, managerial and infrastructure capability needs that will result in water quality improvement.

The CWSRF loan program has six full time employees, 4 project officers and 2 circuit riders, dedicated to technical assistance for communities around the state. These employees are available to communities both by electronic communication and in person and have the opportunity to talk to several different communities throughout the year, discussing community infrastructure needs as well as availability of the CWSRF loan program to assist with project planning and implementation.

2.1.1.7 Goal #7: Provide small communities with additional assistance that will result in their ability to complete water quality protection and improvement projects.

The small communities reserve amount is 25% of total funds available, making the loan program more accessible to the smallest Oregon communities. In addition, allocation of principal forgiveness is prioritized first to the small communities with that meet the State's distressed criteria. Allocation of principal forgiveness during FY2016 went to two wastewater treatment projects: City of Sutherlin and City of Warrenton. Financial assistance to small communities totaled \$24,124,588 during FY2016, or 22% of total financing provided.

2.1.1.8 Goal #8: Ensure program budget adequately supports resources and administrative costs.

The increase in CWSRF loan program staff has come with an increase in the DEQ budget for the program. The CWSRF loan program has 15 budgeted full time equivalent positions for the 2015 – 2017 biennium. Total administrative cost charged to the program during FY2016 was \$1,862,261. The total annual fee collected by the program during FY2016 was \$1,658,919. The decrease in fee collection is due to early payments on several loans, thereby reducing the outstanding loan balance on which the fee is collected, as

well as the decrease in the annual fee rate effective in calendar years 2013 and 2014. This fee reduction provision terminated on December 31, 2014.

2.1.1.9 Goal #9: Encourage communities to use planning loans for water quality improvement and protection projects that incorporate sustainability and integrate traditional gray infrastructure with natural green infrastructure.

DEQ encourages planning activities by offering very low interest rates and zero loan fees. One new planning loan was executed during FY2016. Some of the resulting construction projects could include natural treatment processes as well as traditional gray infrastructure.

2.1.1.10 Goal #10: Continue coordination and cooperation with other state and federal programs in providing financial assistance to Oregon communities.

The CWSRF loan program continues to work with other funding and technical assistance entities to assist Oregon communities with infrastructure financing solutions. DEQ participated in One-Stop meetings with the Oregon Infrastructure Financing Authority, U.S. Department of Agriculture Rural Development and other funding agencies, giving communities the opportunity to meet face to face with agencies that can finance qualifying projects. DEQ also attended inter-entity meetings with other funding agencies, held at the office of the USDA RD to discuss funding issues, policies, project coordination and specific projects. DEQ participated in the Rural Community Assistance Corporation's annual Water and Wastewater Financing Workshop held in May 2016, providing local governments the opportunity to hear about financing options, project management, asset management and rate setting, as well as providing the chance to network with other communities with common interests and challenges.

2.1.1.11 Goal #11: Solicit input from a standing external advisory committee on program development and implementation issues, as appropriate.

During fiscal 2015 the external advisory committee was consulted during rulemaking for the CWSRF loan program. This was a major rulemaking to implement the numerous changes amending the Clean Water Act, signed in June of 2014. The advisory committee met several times to provide input and recommendations for this rulemaking. The rulemaking was approved by the Environmental Quality Commission on October 15, 2015 with adoption of those rules immediately afterward. The committee's input will be sought during the rulemaking scheduled for fiscal years 2017/18.

2.1.2 Short Term Program Goals

2.1.2.1 Goal #1: Continue to maintain the revolving nature of the Fund and an active pace of disbursements in conjunction with the receipt of new funds and loan repayments.

Outstanding loans increased by approximately \$111.4 million during FY2016. Loan disbursements were about \$200,000 more than the repayment of loan principal by borrowers. Disbursements during FY2016 totaled \$38 million. Principal forgiveness on these disbursements totaled \$1.13 million, resulting in net disbursements of \$36.9 million. DEQ will continue to use the cash flow model to assist in maximizing future financial assistance while maintaining the financial stability of the Fund. During FY2014 and FY2015 there were prepayments of more than \$19.2 million. With municipal rates decreasing, the SRF could experience additional early prepayments.

2.1.2.2 Goal #2: Provide the type and amount of financial assistance most advantageous to public agencies, to the maximum extent possible within the constraints of sound financial management, law and regulation.

The CWSRF Loan Program provided approximately \$111.4 million in financial assistance to Oregon communities during FY2016. This amount includes \$8 million in loan reductions due to communities using less than the original loan amounts to complete their projects. Without considering the loan reductions during FY2016, total assistance provided through new loans and loan increases was \$119 million. DEQ believes that demand for new CWSRF financing will increase as the economy continues to improve and communities become more willing to complete infrastructure projects.

2.1.2.3 Goal #3: Provide additional subsidization as required by the federal law.

The federal fiscal year 2015 capitalization grant did not have a minimum requirement for additional subsidization. DEQ did offer additional subsidization in the form of principal forgiveness per our Administrative Rules amended in 2015 in the amount of \$500,000 each to two loans, both wastewater treatment projects: City of Sutherlin and City of Warrenton.

2.1.2.4 Goal #4: Fund green infrastructure, water or energy efficiency improvements or environmentally innovative projects that total the amount as required by the federal fiscal year capitalization grant.

The FFY 2015 requirement of \$1,575,800 was met in part with the Clackamas Soil and Water Conservation District, project number 22405-16, application in the amount of \$250,000 of which \$250,000 is a categorically environmentally innovative project, Rock Creek Irrigation District, project number 78270-15, application amount of \$270,786, of which 100% is categorically water efficiency and the balance will be met with Clean Water Services, project number 22700-16 of which \$2,160,000 is 100% categorically green infrastructure.

DEQ expects to meet the GPR requirement for FFY 2016 with City of Dallas project number 26110-15, application amount of \$7,000,000 of which \$1,750,000 is 100% categorically water efficiency.

2.2 Additional Financial Information

The following tables provide additional financial information and data on program activity, capitalization, and certain U.S. Environmental Protection Agency requirements.

2.2.1 Table 2. Capitalization funding of Oregon's Clean Water State Revolving Fund since its inception through June 2016.

Federal Fiscal Year	Federal Capitalization Grant Award Amount	20 percent State Match Amount	Administrative Allowance (4% of Grant)	Net Available Amount for Loans
1989	\$10,655,073	\$2,131,015	(\$426,203)	\$12,359,885
1990	11,021,373	2,204,275	(440,855)	12,784,793
1991	23,183,622	4,636,724	(927,345)	26,893,001

1992	21,949,191	4,389,838	(877,968)	25,461,061
1993	21,712,581	4,342,516	(868,503)	25,186,594
1994	13,472,415	2,694,483	(538,897)	15,628,001
1995	13,914,054	2,782,811	(556,562)	16,140,303
1996	22,791,123	4,558,224	(911,645)	26,437,702
1997	7,011,959	1,402,392	(280,478)	8,133,873
1998	15,211,548	3,042,310	(608,462)	17,645,396
1999	15,212,835	3,042,568	(608,513)	17,646,890
2000	15,161,256	3,032,251	(606,450)	17,587,057
2001	15,026,517	3,005,303	(601,061)	17,430,759
2002	15,059,979	3,011,996	(602,399)	17,469,576
2003	14,962,068	2,992,414	(598,483)	17,355,999
2004	14,971,077	2,994,215	(598,843)	17,366,449
2005	12,172,941	2,434,588	(486,918)	14,120,611
2006	9,892,200	1,978,440	(395,688)	11,474,952
2007	0	0	0	0
2008	19,755,273	3,951,055	(790,211)	22,916,117
2009	7,664,700	1,532,940	(306,588)	8,891,052
ARRA	44,271,000	0	(1,770,840)	42,500,160
2010	23,017,000	4,603,400	(920,680)	26,699,720
2011	16,681,000	3,336,200	(667,240)	19,349,960
2012	15,966,000	3,193,200	(638,640)	18,520,560
2013	15,082,000	3,016,400	(603,280)	17,495,120
2014	15,839,000	3,167,800	(633,560)	18,279,280
2015	15,758,000	3,151,600	(630,320)	18,909,600
Totals	\$431,576,785	\$77,461,158	(\$16,963,071)	\$492,405,192

Note: No match was required for the ARRA grant. Beginning with the 2004 grant, DEQ has chosen to use 100% of the federal grants to make loans and pay for administrative costs using its annual fee income.

2.2.2 Federal Grants and State Match

The CWSRF loan program is capitalized by grants from the EPA. EPA began awarding these annual grants to Oregon's CWSRF program in federal fiscal year 1989, and grants have been awarded in each subsequent year, although in 2007 the grant was withheld and then combined with the 2008 grant. The State of Oregon must also contribute an amount equal to 20 percent of the federal capitalization amount (except for the ARRA grant, as noted above). As of June 30, 2016, EPA has awarded capitalization grants in the amount of \$447,415,785 to DEQ's CWSRF program, including the 2009 ARRA grant.

2.2.3 Table 3. Capitalization grant awards, amounts drawn on each grant as of the balance sheet date, and balances available for loans and administrative costs.

Year	Grant Amount	Total Draws as of June 30, 2015	2016 Draws	Total Draws as of June 30, 2016	Grant Funds Available June 30, 2014
1989-2013 including ARRA	415,818,785	415,818,785	0	415,818,785	0
2014	15,839,000	4,288,818	11,550,182	15,839,000	0
2015	15,758,000	0	8,763,268	8,763,268	6,994,732
Totals	447,415,785	420,107,603	20,313,450	440,421,053	6,994,732

2.2.4 Payments on Match Bonds

Prior to 1993 DEQ's matching contribution was provided through appropriation of State general fund resources. Beginning in 1993 state matching funds were provided by issuing General Obligation Pollution Control Bonds. Between 1993 and 2003 Oregon issued \$29,980,000 in state match bonds and transferred the proceeds plus interest to the CWSRF as state match. In July 2003 EPA allowed the CWSRF to assume \$23,765,000 of previously issued bonds, and principal and interest payments on those bonds to be paid from interest earnings of the SRF.

Table 4. Payments since July 2003 on CWSRF Match Bonds transferred to the SRF.

Bond Issue	Balance 8/22/03	PAYMENTS		Balance 6/30/14
		FY 04-13	FY2014	
1993A	1,865,000	1,865,000		0
1994A	3,965,000	3,965,000		0
1995B	3,755,000	3,755,000		0
1997A	6,660,000	3,845,000	2,815,000	0
2000A	7,520,000	3,265,000	4,255,000	0
TOTALS:	23,765,000	16,695,000	7,070,000	0

Interest paid on bonds transferred to the SRF totaled \$6,083,147 in fiscal years 2004 through 2014. Since July 2003 Oregon has issued bonds to provide state match, with all principal and interest on such bonds paid by the SRF.

Table 5. Principal payments on CWSRF Match Bonds issued since July 2003

Bond Series	Issue Amount	Principal Paid			Balance
		FY 04-14	FY2015	FY2016	6/30/2016
2003C	3,000,000	3,000,000	0	0	0
2004A	6,000,000	6,000,000	0	0	0
2008A	4,800,000	1,070,968	201,290	209,032	3,318,710
2009A	4,890,000	1,465,000	245,000	220,000	2,960,000
2010A	4,945,000	800,000	205,000	210,000	3,730,000
2012A	4,235,000	60,000	145,000	150,000	3,880,000
2013A	4,015,000	310,000	310,000	345,000	3,050,000
2015A	4,040,000	0	0	0	0
TOTAL:	31,885,000	12,705,968	1,106,290	1,134,032	16,938,710

2.2.5 Project Schedules

Table 6. Planned schedules for active loans, loan terms, and estimate of future funding demand on the CWSRF loan program

Borrower	Loan Number	Date Loan Signed	Start Date	Completion Date	Loan Amount	Term (Yrs)	Interest Rate	Annual Fee
Adair Village	R10201	6/30/2015	6/30/2015	6/1/2017 E	100,000	5	0.88%	0.0%
Ashland	R11751	7/16/2013	7/13E	6/18E	4,549,691	20	1.00%	0.5%
Bay City	R13840	7/20/2015	7/20/2015	12/31/2016E	190,000	5	0.88%	0.0%
Bend	R14513	2/9/2015	2/9/2015	12/1/2016E	3,939,246	5	1.06%	0.0%
Bend	R14514	12/11/2015	12/11/2015	6/2018E	21,000,000	20	1.96%	0.5%
Bend	R14515	3/3/2016	3/3/2016	6/2018E	13,620,000	20	2.00%	0.5%
Bend	R14516	12/11/2015	12/11/2015	6/2018E	28,144,891	20	1.00%	0.5%
Central Or I.D.	R21641	9/30/2013	10/15E	4/18E	3,250,000	20	2.17%	0.5%
Chiloquin	R22130	5/15/2014	5/1/2014	6/17E	165,000	5	1.13%	0.0%
Clackamas SWCD	R22405	7/22/2011	8/11/2015	6/17E	250,000	10	2.63%	0.5%
Coos Bay	R24000	5/16/2016	5/16/2016	10/2017E	19,636,876	30	1.00%	0.5%
Coos Bay	R24001	5/16/2016	5/16/2016	10/2017E	2,200,000	30	1.00%	0.5%
Dexter	R27850	5/5/2015	5/5/2015	12/16/2017E	25,000	5	8.80%	0.0%
Echo	R30251	2/21/2014	2/21/2014	12/16E	45,000	5	1.15%	0.0%
Farmers I.D.	R32245	5/5/2016	5/5/2016	5/2018E	3,071,574	20	2.00%	0.5%
Gold Hill	R37820	10/30/2015	10/30/2015	12/2016E	1,334,200	2	0.92%	0.0%
Gresham	R39193	2/24/2010	2/1/2010	12/16E	5,000,000	20	0.00%	0.5%
Hood River	R435760	6/23/2014	4/4/14E	4/3/16E	2,181,825	2	1.13%	0.0%
Klamath Falls	R52602	5/2/2011	12/15E	12/16E	1,000,000	20	3.32%	0.5%
Klamath Falls	R52603	11/29/2011	12/15E	12/16E	14,484,130	20	2.71%	0.5%
Klamath Falls	R52604	6/28/2012	12/15E	12/16E	7,150,672	20	2.45%	0.5%
Monroe	R66270	5/15/2014	5/15/2014	5/1/2016E	100,800	5	0.99%	0.0%
Myrtle Point	R67985	6/28/2012	9/1/2013	12/16E	7,511,000	2	0.94%	0.0%
Myrtle Point	R67986	4/13/2015	4/1/2015	12/16E	2,994,000	2	0.88%	0.0%
Newberg	R68821	6/29/2012	12/12E	10/16E	14,484,130	20	2.45%	0.5%
Newport	R68933	4/23/2014	6/24/2014	1/26/2018E	8,906,800	20	2.48%	0.5%
Newport	R68934	2/22/2016	2/22/2016	12/2017E	1,115,000	20	1.00%	0.5%
Newport	R68935	2/22/2016	2/22/2016	12/2017E	4,128,454	20	1.00%	0.5%
North Powder	R69630	5/1/2015	5/1/2015	12/16/2016	33,750	5	0.88%	0.0%
Powers	R74332	12/12/2013	12/13E	12/16E	639,100	5	1.18%	0.5%
Prineville	R74683	11/5/2015	11/5/2015	11/2017E	4,000,000	2	0.92%	0.0%
Rock Creek Dist	R78270	5/24/2016	5/24/2016	12/2017 E	270,786	30	1.35%	0.5%
St. Helens	R80163	7/27/2010	6/20/2011	9/16E	4,559,700	20	2.83%	0.5%
Sutherlin	R89540	10/19/2015	10/19/2015	12/18E	18,500,000	30	1.47%	0.5%
Three Sisters I.D.	R91413	5/30/2013	5/13E	12/18E	2,000,000	20	2.05%	0.5%
Vernonia	R93644	6/30/2015	6/30/2015	6/2017 E	2,877,000	2	0.88%	0.0%
Warrenton	R94944	4/30/2007	7/1/2004	11/16E	1,920,304	20	2.73%	0.5%
Winston, City of	R97791	7/31/2009	10/19/2009	12/16E	160,000	5	1.25%	0.0%
Total					\$205,538,929			

(1) Dates followed by an "E" are estimates.

(2) On projects that include construction: The "Start Date" is the Construction Start Date. The "Completion Date" is the Initiation of Operations Date.

(3) Projects are deleted from this list when fully disbursed.

2.2.6 Binding Commitments

The following summarizes loan activity during fiscal year 2016 and program administrative expense. This demonstrates DEQ's compliance with the federal requirement, 40 CFR §35.3135(c), to execute binding commitments in an amount equal to or greater than 120% of all federal grant payments within one year of those payments on a cumulative basis.

Total loans as of June 30, 2015	1,040,108,607
Total Admin. Exp. Pd. From Grants	10,101,744
Total Commitments	1,050,210,351
Federal Payments thru June 30, 2015	416,575,785
FISCAL YEAR 2016 ACTIVITY	
Loans	111,428,406
Admin. Expense Pd. From Grants	0
Federal Payments (prior yr.)	15,758,000
Cumulative Total Loans as of June 30, 2015	1,151,537,013
Cumulative Total Admin. Exp. Pd. From Grants	10,101,744
Total Commitments	1,161,638,757
Cumulative Total Fed. Payments thru 2014	432,333,785
Commitments as a percentage of federal payments (cumulative)	269%

2.2.7 Loans to Major Local Agencies

As of June 30, 2016, DEQ has made loans to 36 local governments in the amount of \$10,000,000 or more, and in the aggregate, exceeds \$890,000,000. The outstanding balances of these loans represent approximately 32 percent of the total loans receivable.

Table 7. CWSRF borrowers with loans totaling more than \$10 million (as of June 30, 2016)

Borrower	Authorized Loan Amt	Amount Outstanding	Current Status
Albany, City of	78,202,059	53,432,125	Repayment
Ashland, City of	28,469,759	1,645,280	(1)
Astoria, City of	18,205,436	11,512,592	Repayment
Bend, City of	105,504,137	48,433,573	Active
Brookings, City of	13,100,000	0	Paid
Clackamas Co. S.D.#1	14,738,643	6,436,621	Repayment
Coburg, City of	18,548,538	11,609,376	Active
Coos Bay, City of	21,836,876	0	Active
Corvallis, City of	21,963,693	0	Paid
Dallas, City of	14,880,000	0	Paid
Eugene, City of	25,592,592	0	Paid
Farmers Irrigation Dist.	30,913,497	17,320,879	(1)
Florence, City of	17,114,267	4,109,844	Repayment
Gold Beach, City of	10,944,024	43,725,000	Repayment
Gresham, City of	55,587,554	4,961,051	(1)
Hermiston, City of	21,100,000	16,096,285	Repayment
Klamath Falls, City of	22,763,515	0	Active
MWMC	20,523,046	13,695,204	Repayment

Borrower	Authorized Loan Amt	Amount Outstanding	Current Status
Myrtle Point	10,505,000	7,906,911	Active
Newberg, City of	25,893,775	23,671,699	Active
Newport, City of	34,379,137	3,173,202	Active
Oak Lodge S.D.	19,000,000	16,830,385	Repayment
Ontario, City of	13,971,689	892,340	Repayment
Portland, City of	36,344,075	14,920,587	Repayment
Prineville, City of	20,285,213	6,105,534	Repayment
Rainier, City of	10,071,925	7,288,654	Repayment
Redmond, City of	19,349,175	8,501,785	Repayment
Reedsport, City of	12,000,000	9,853,223	Repayment
Rogue Valley Sewer Ser	10,771,968	0	Paid
St. Helens, City of	12,335,077	3,575,709	(1)
Salem, City of	29,665,805	0	Paid
Sutherlin, City of	18,500,000	244,487	Active
Sweet Home, City of	13,576,063	9,829,260	Repayment
Tillamook, City of	20,647,309	13,785,862	Repayment
Warrenton, City of	11,333,960	5,551,883	(1)
Woodburn, City of	31,903,194	0	Paid
	890,521,001	365,109,351	

(1) Borrower has both active loans and loans in repayment

2.2.8 Loan Activity and Environmental Review

Table 8 below lists all new loans executed and all loan increases and decreases processed during the fiscal year 2015. The table also includes: the project's priority ranking from the Project Priority List for new loans, an indication of whether new loans will be required to comply with the federal "cross-cutter" laws, and an indication of whether the project was issued a Categorical Exclusion or was required to complete an Environmental Review.

1st Quarter (July 2015 – September 2015)

Loan #	ER/CE	Borrower	Action	Ranking	Amount	Cross-Cutters?
13840	N/A	Bay City	New	16	190,000	N

SUBTOTAL: 190,000

2nd Quarter (October 2015 – December 2015)

Loan #	ER/CE	Borrower	Action	Ranking	Amount	Cross-Cutters?
89540	ER	Sutherlin	New	3	18,500,000	Y
37820	N/A	Gold Hill	New	7	1,334,200	Y
74683	N/A	Prineville	New	2	3,500,000	Y
14514	N/A	Bend	Increase	N/A	12,200,000	Y
14514	N/A	Bend	Increase	N/A	8,800,000	Y
14516	ER	Bend	New	13	28,144,891	Y

SUBTOTAL: 72,479,091

3rd Quarter (January 2016 – March 2016)

Loan #	ER/CE	Borrower	Action	Ranking	Amount	Cross-Cutters?
32244	N/A	Farmers	Decrease	N/A	-3,071,574	N
74683	N/A	Prineville	Increase	N/A	500,000	Y
68934	ER	Newport	New	8	1,115,000	Y
68935	N/A	Newport	New	8	4,128,454	Y
94945	N/A	Warrenton	New	12	1,920,304	N
94944	N/A	Warrenton	Canceled	N/A	-1,920,304	N
22406	CE	Clackamas SWCD	New		250,000	N
14515	ER	Bend	New	14	13,620,000	Y

SUBTOTAL 16,541,880

4th Quarter (April 2016 – June 2016)

Loan #	ER/CE	Borrower	Action	Ranking	Amount	Cross-Cutters?
32245	CE	Farmers	New	23	3,071,574	Y
45760	N/A	Hood River	Decrease	N/A	-293,361	N
31740	N/A	Estacada	Decrease	N/A	-127,067	N
24000	ER	Coos Bay	New	3	19,636,876	Y
24001	N/A	Coos Bay	New	3	2,200,000	N
78270	CE	Rock Creek	New	10	270,786	N
22405	N/A	Clackamas SWCD	Decrease	N/A	-41,373	N
43772	N/A	Hermiston	Canceled	N/A	-2,500,000	N

SUBTOTAL: 22,217,435

ANNUAL TOTAL: 111,428,406

2.2.9 Implementation of the Loan By-Pass Procedure

Each loan application submitted to DEQ is scored and ranked by CWSRF program staff and included in the IUP. Projects can only be funded if they are included in the IUP and are “ready to proceed”. “Ready to proceed” means satisfying all CWSRF requirements, including for example, a land use compatibility statement, an environmental review (if applicable) and documentation supporting compliance with the federal cross cutting authorities, as applicable. An applicant is not considered ready to execute a loan agreement until all such requirements have been satisfied.

If enough projects are ready to proceed, the CWSRF loan program may not have sufficient funds available to accommodate all those requests. In this situation, DEQ will award loans to projects that are ready to proceed in rank order based on the Project Priority List ranking as published in this IUP. If the number of projects ready to proceed does not require all available CWSRF program funds, DEQ will award loans without regard to ranking, since available funds will accommodate all projects ready to proceed. This encourages applicants to proceed with their projects, and helps put CWSRF funds to work in a timely manner. As a result of this process, a project with a lower ranking could be funded ahead of a higher ranking project, if that lower project is ready to proceed and the higher ranking project is not.

This by-pass procedure approach prevents a situation where DEQ would have to wait for the highest ranking projects to satisfy all CWSRF program requirements before offering loans to lower ranking projects that are ready to proceed. If DEQ did not implement this approach, the CWSRF program would

be impacted in its ability to provide loan financing in a timely manner for projects that are ready to proceed. Loan agreements executed during FY2016 were not the result of by-pass procedure application, because the CWSRF loan program had sufficient funds available to satisfy the demand for loans.

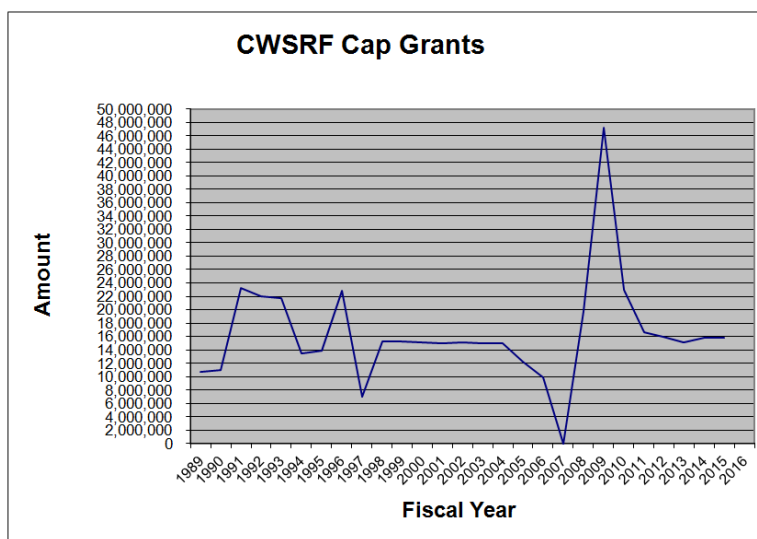
2.2.10 State Match Requirement

The following schedule shows the availability of federal funds according to the grant payment schedules, the actual transfer of state matching funds, and compliance with the federal requirement (40 CFR §35.3135(b)) that the cumulative state match transfers equal at least 20% of the cumulative federal grant payments available.

Federal Grant Payments thru 2015	\$387,386,785
State Match Payments thru 2015	83,648,025
Match payments as a percentage of federal Payments	21.59%
Fiscal Year 2016 Activity	
Grant Payments	15,758,000
Match Payments (new money to the SRF)	0
Cumulative Totals	
Grant Payments	\$403,144,785
Match Payments	83,648,025
Match payments as a percentage of federal Payments	20.75%

2.2.11 Federal Capitalization Grant Awards

Figure 1. Federal capitalization grants awarded to the CWSRF loan program since 1989 (the 2009 amount includes the ARRA grant of \$44,271,000, awarded June 3, 2009).



The above chart does not include the federal fiscal year 2016 capitalization grant, which was not awarded until August 2, 2016, during state fiscal year 2017.

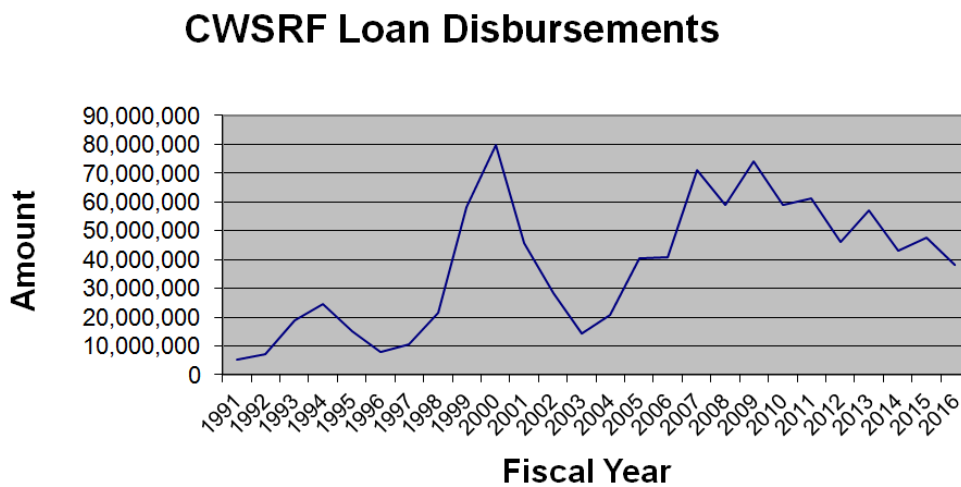
2.2.12 Program Pace

The following schedule summarizes the FY2016 disbursements, administrative expense and federal grant draws. It also documents the pace of the program, by indicating the ratio of federal funds drawn to total funds (from all sources) utilized over the life of the program.

TOTALS AT 6/30/2015	
Total loan disbursements	\$ 958,122,088
Total administrative expense	25,369,097
Total funds utilization	1,033,175,268
Total federal grant draws	420,117,095
Grant draws as a percent of total funds utilization	40.66%
Fiscal Year 2016 Activity	
Loan disbursements	38,017,868
Admin. Expense	1,862,261
Federal grant draws	20,313,450
Cumulative loan disbursements	\$ 996,139,956
Cumulative admin. expense	27,231,358
Cumulative total funds utilization	1,023,371,314
Cumulative federal grant draws	440,430,545
Grant draws as a percent of total funds utilization	43.04%

2.2.13 Loan Disbursements

Figure 2. Amount of loan disbursements processed during each state fiscal year.



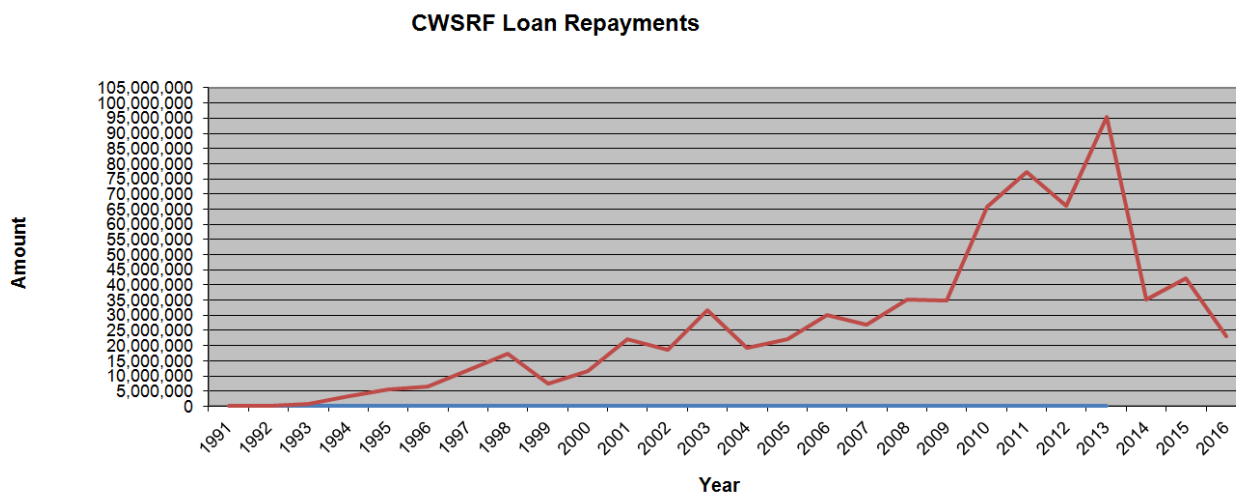
2.2.14 Refinancing Rule Exclusion and Compliance

Federal regulations define “refinancing” to include construction costs which have been incurred prior to signing loan agreements. A cumulative exclusion amount of \$2 million each year is available to offset these situations. When the cumulative exclusion is exceeded, payment of the “refinanced” costs will be made ratably over eight quarters.

Refinancing Rule Exclusion	
Exclusion Available as of 6/30/2015	\$33,248,617
Plus FY 2016 Exclusion	2,000,000
Less FY 2016 Exclusion Used	7,738,786
Exclusion Available as of 6/30/2016	\$27,509,831

2.2.15 CWSRF Loan Repayments History

Figure 3. Loan repayments (principal and interest) the CWSRF loan program has received since 1991.



2.2.16 CWSRF Financial Indicators -- FY2015

The following financial data shows how successful Oregon’s CWSRF loan program is based on six financial indicators that were developed by the EPA/States SRF Workgroup. These indicators show Oregon’s progress in funding as many water quality improvement projects as possible while maintaining the program’s equity in perpetuity. The data is based on Oregon’s CWSRF program activity through June 30, 2015.

Indicator #1: Return on Federal Investment

Shows the amount invested in water quality beneficial projects for each federal dollar invested (total loan disbursements/total federal draws (for loans and administrative costs))

(A) Total Loan Disbursements:	996,620,141
(B) Federal draws for loans:	431,557,433
(C) Federal draws for Admin:	10,101,744
(A)/(B+C)	225.65%

Indicator #2: Percentage of Closed (executed) Loans to Funds Available For Loans

Shows the amount of signed loan agreements compared to the amount of funds available for loans

(A) Amount of signed loan agreements:	1,151,537,013
(B) Cumulative Cap Grants:	447,455,785
(C) Cumulative State Match:	83,566,724
(D) Loan Principal Repaid:	544,791,261
(E) Operating Profit	
(1) Interest from loans:	175,551,726
(2) Interest from investments:	36,957,219
(3) Administrative Expense:	10,101,744
(F) Match Bond Payments from the SRF	48,228,280
(A)/(B+C+D+E1+E2-E3-F)	93.62%

Indicator #3: Percentage of Funds Disbursed to Closed Loans

Shows the amount of funds actually disbursed compared to the amount of signed loan agreements

(A) Total Loan Disbursements:	996,620,141
(B) Total Signed Loan Agreements:	1,151,537,013
A/B	86.55%

Indicator #4: Benefits of Leveraging

DOES NOT APPLY TO OREGON PROGRAM

Indicator #5: Perpetuity of Fund

Demonstrates whether the program is maintaining its contributed capital

(A) Interest on Loans	175,551,726
(B) Interest on Investments	36,957,219
(C) Fed. Admin. Allowance	17,898,231
(D) Actual Admin. Costs	10,101,744
A+B+C-D	220,305,432
A positive result indicates the Program is maintaining its capital base	

Indicator #6: Estimated Subsidy - Current Fiscal Year

An estimate of the CWSRF interest rate subsidy, stated as a percentage of the market rate

(A) Estimated Market Int. Rate:	3.61%
(B) Average CWSRF Loan Rate:	1.34%
A-B	2.27%
(A-B)/A	62.9%

2.2.17 Binding Commitments and Funds Available

EPA requires that the CWSRF program execute binding commitments at least equal to the amount of funds available in the program, within one year of that fund availability. Table 9 shows the amount of funds available as of June 30, 2014, and then compares that amount to the amount of the binding commitments executed as of June 30, 2015. The amount of binding commitments as a percentage of funds available from 2015 is 99.2%.

Table 9. Binding commitments executed and amount of funds available

FUNDS AVAILABLE AS OF JUNE 30, 2015:							
Total Federal Cap Grants Awarded	Total State Match	Total Principal Repayments	Total Interest Repayments	Total Investment Interest	Total Early Principal Repayments SFY 14, 15*	Total Cumulative Admin Allowance and Bond Debt Service	TOTAL FUNDS AVAILABLE
447,415,785	83,571,686	499,255,751	157,713,086	35,382,687	-19,268,275	-64,240,598	1,223,338,995
					2014 -6,529,025	Admin allowance -17,896,631	
					2015 -12,739,250	Bond debt service -46,343,967	
						adjusted total	1,139,830,122
Total Binding Commitments as of June 30, 2016:							1,151,537,013
Binding Commitments as a Percentage of Funds Available From 2015:							101.0%

* We have 3 years to commit early principal payments

EARLY REPAYMENTS DEQ HAS RECEIVED FROM BORROWERS

Borrower/Loan Number	Amount	State Fiscal Year
Gold Beach 37814	4,057,000	FY 14
Gold Beach 37811	929,141	FY 14
Cove 24680	1,345,194	FY 14
Three Sisters 91412	2,975	FY 14
Maywood Park 63960	27,160	FY 14
Vernonia 93642	8,613	FY 14
Athena 11850	139,997	FY 14
Athena 11850	12,378	FY 14
Athena 11850	6,567	FY 14
Total	6,529,025	
Athena 11850	48,239	FY 2015
Athena 11850	10,208	FY 2015
Neskowin SD 68650	58,441	FY 2015
Creswell 25140	2,839	FY 2015
Coburg 23043	6,175,421	FY 2015
Govt Camp 38350	57,991	FY 2015
Govt Camp 38350	43,068	FY 2015
Gresham 39192	3,017,094	FY 2015
Gresham 39191	2,767,097	FY 2015
Gresham 39189	434,568	FY 2015
Ione 47690	14,000	FY 2015
Coos Bay Port 24190	110,284	FY 2015
Total	12,739,250	

2.2.18 Program Income

Program income is defined to be income earned by the CWSRF that is directly attributable to receipt of federal grant money. In the CWSRF loan program this applies to fees collected on loans originally disbursed from federal grant money. Program income can be collected during a grant period (the time a grant is considered active by EPA), or can be collected after a grant period (since loan repayment generally continues for 20 years). The following schedules show the amount of program income from fees collected during and after grant periods, for each capitalization grant, during fiscal year 2015. The 1989 – 1991 grants are not shown, because the related loans are either paid in full or were assessed no fees:

1992 Cap Grant

Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$266

1993 Cap Grant

Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$5,973

1994 Cap Grant

Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$8,532

1995 Cap Grant

Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$4,037

1996 Cap Grant

Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$4,256

1997 Cap Grant

Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$498

1998 Cap Grant

Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$1,650

1999 Cap Grant

Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$3,577

2000 Cap Grant

Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$5,770

2001 Cap Grant

Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$8,676
2002 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$22,079
2003 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$6,922
2004 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$27,856
2005 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$88,030
2006 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$15,378
2008 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$45,243
ARRA Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$76,562
2009 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$26,444
2010 Cap Grant	
Program Income from Fees, earned during grant period:	\$0
Program Income from Fees, earned after grant period:	\$90,496
2011 Cap Grant	
Program Income from Fees, earned during grant period:	\$40,569
Program Income from Fees, earned after grant period:	\$6,396
2012 Cap Grant	
Program Income from Fees, earned during grant period:	\$40,567
Program Income from Fees, earned after grant period:	\$0
2013 Cap Grant	
Program Income from Fees, earned during grant period:	\$6,017
Program Income from Fees, earned after grant period:	\$0
Total FY2015 program income from fees, during grant period:	\$134,046

Total FY2015 program income from fees, after grant period:	\$302,729
Total fees collected in FY2016 that are NOT program income:	\$1,127,642
Total loan fees collected during FY2016:	\$1,658,919

Summary of fees collected since program inception (first fee was paid in April 1994):

Total program income, earned during grant period, since program inception:	\$ 2,221,378
Total program income, earned after grant period, since program inception:	\$ 8,256,669
Total fees collected since program inception – NOT program income:	\$ 12,220,539

2.2.19 Income From Loans Fees and Payment of Administrative Costs

CWSRF loan programs are allowed to pay for the costs of administering the programs with up to four percent of the capitalization grant funds each year. If a state chooses not to use grant funds for that purpose it may “bank” the four percent and use it at a later time. Oregon has chosen, beginning in December 2004, to use 100% of its grant funds to make loans, and to pay the administrative costs of the program using the loan fee charged on all our design/construction loans (except interim loans). This annual fee is authorized under OAR 340-054-0065(7).

During FY2016 DEQ collected \$1,663,438 in fee revenue from borrowers. All FY2016 administrative costs were paid from loan fee revenues. The following summarizes loan fee activity during state fiscal year 2016:

Beginning Net Assets in Fees Fund	\$3,425,860
Fees received during FY2016	1,658,919
Interest credited by Treasury Dept.	23,344
Administrative expense, FY2016 (see income statement)	1,862,261
Ending Net Assets in Fees Fund (6/30/2016)	\$3,245,862

Total administrative expense since state fiscal year 1991 is \$27,231,358.

Through December 2004 all administrative costs of the program were paid using the four percent allowed from the capitalization grant, totaling \$10,101,744. Since December 2004 DEQ has incurred an additional \$17,129,614 in administrative expense, which has been paid solely from the loan fees charged to borrowers.

The \$17,129,614 paid from fee revenues is considered allocated as follows: \$2,221,378 from program income earned during grant periods, \$8,256,669 from program income earned after grant periods, and the balance from non-program income.

2.2.20 Green Project Reserve

DEQ is required, as a condition of its capitalization grants, to fund projects that are considered “green”, based on criteria provided in EPA guidance. These are projects considered to be water efficient, energy efficient, environmentally innovative or green infrastructure, as defined in guidance. The amount of binding commitments for green projects must equal no less than 10% of the capitalization grants, beginning with the federal fiscal year 2012 grant.

The FFY 2015 requirement of \$1,575,800 will be met with the Clackamas Soil and Water Conservation District, project number 22405-16, application in the amount of \$250,000 of which \$250,000 is a categorically environmentally innovative project, Rock Creek Irrigation District, project number 78270-15, application amount of \$270,786, of which 100% is categorically water efficiency and Clean Water Services, project number 22700-16 of which \$2,160,000 is 100% categorically green infrastructure.

DEQ expects to meet the GPR requirement for FFY 2016 with City of Dallas project number 26110-15, application amount of \$7,000,000 of which \$1,750,000 is 100% categorically water efficiency.

FFY Grant	2015	2016
GPR Req	1,575,800	1,509,400
Clackamas SWCD	250,000	
Rock Creek	270,786	
Clean Water Services	2,160,000	
Dallas		1,750,000
	(1,104,986)	(240,600)

2.2.21 Additional Subsidization

The 2014 amended Clean Water Act no longer required that state CWSRF programs provide a minimum amount of principal forgiveness. Accordingly, DEQ revised its rule in OAR 340-054-0065(11) to allow a percentage of each capitalization grant to eligible applicants as principal forgiveness. The total percentage of principal forgiveness provided each year is dependent on the amount of the federal appropriation and to some extent the percentage of principal forgiveness offered by DEQ in previous years.

During state fiscal year 2016 DEQ entered into a binding commitment with two borrowers whose loans include principal forgiveness. .

City of Sutherlin

Amount of SRF assistance: \$18,500,000
 Name/Number: Wastewater treatment facility (loan #R89540)
 Location: 43-24-06 north latitude/123-21-47 west longitude
 Type of additional subsidy: Principal Forgiveness
 Subsidy amount: \$500,000
 Affordable without subsidy? No
 Population served: 7,975
 Sustainability: Installation of infrastructure in existing communities

City of Warrenton

Amount of SRF assistance: \$1,920,304
 Name/Number: Wastewater treatment facility (loan #R94945)
 Location: 131-31-99 north latitude/94-58-09 west longitude
 Type of additional subsidy: Principal Forgiveness
 Subsidy amount: \$500,000
 Affordable without subsidy? No
 Population served: 734
 Sustainability: Installation of infrastructure in existing communities

2.3 Loan Portfolio and Activities

2.3.1 Project Selection Procedures

DEQ sends out an Annual Solicitation and Quarterly Update Newsletter to all public agencies in Oregon including cities, service districts, and sanitary districts. DEQ scores and ranks all eligible applications that are received based upon criteria in DEQ administrative rules. These projects are then included in the Intended Use Plan.

As applications are received, or requests for loan increases are received, they are funded in rank order if funds are available, with requests for loan increases receiving first priority. When there are not enough funds for all of the projects that are ready to proceed, allocations of new funds are made on a competitive basis. The cash flow model is updated with the projected schedules for new loans to be sure that cash will be available when needed. During fiscal year 2015 1% of the available loan funds were used for new loans and to provide increases, or in some cases decreases, to existing loans. Not all available loan funds were committed during FY2016; however DEQ was in negotiation with borrowers regarding additional funding as of June 30, 2016. Available funds were increased by loan prepayments received, and DEQ actively markets the loan program to recommit those available funds.

The available funds are calculated annually in the Intended Use Plan considering all of the cash flow anticipated for the funding period. The maximum funding for any single borrower is 15% of the available funds (the maximum may be exceeded when no other requests for increases or unfunded applications are on hand). Reserve amounts are calculated as follows:

- Small Community Reserve: 25% of available funds for communities with populations of 10,000 or less.
- Facilities Planning Reserve: a maximum of \$3,000,000 will be available for facilities planning loans.

Increases for existing loans are funded first. After increases, applicable projects are funded from the reserves for Small Communities and Facilities Planning. The balance of available funds is used to finance all other projects that have completed applications in Priority List order. When the reserve funds have been depleted, Small Community and Facilities Planning projects compete with all other projects for funding.

If more funds become available during the year based on the cash flow model, over and above the original available funds calculation, additional increases and new loans are funded in priority order.

2.3.2 Project Scoring Criteria

An application for an eligible proposed project is ranked based on the program's criteria established by Oregon Administrative Rule 340-054-0025(4).

2.3.3 Project Information

During state FY2016, 14 projects, totaling \$117.4 million were started and 4 projects totaling \$14.5 million were completed. During the same period there were 12 projects that required either an environmental assessment or received a categorical exclusion from such review.

2.4 Other Program Requirements

2.4.1 Environmental Review

Environmental review during state FY2016 was completed on all new Title II Equivalency projects. For these projects, DEQ reviewed all requests for categorical exclusions, environmental assessments and environmental impact statements submitted by CWSRF borrowers according to the requirements of the National Environmental Policy Act. After incorporation of any DEQ review comments, public comments were solicited through notices published in one statewide and one local newspaper of general circulation. Notices were also mailed directly to other state and federal agencies, and other interested parties.

2.4.2 Applicable Federal Authorities and Laws

All State Revolving Fund projects receiving federal funds are required to comply with federal laws and authorities, as identified in the Initial Guidance of January 1988. Specific language agreeing to comply with these laws and authorities and a list of "cross-cutter" requirements are included in each loan agreement. Compliance is reviewed by each CWSRF program regional project officer.

At the end of each fiscal year, all borrowers receiving disbursements during the year are sent a statement showing the funding sources of the disbursements. Compliance with the Single Audit Act 2 CFR part 200 (OMNI Circular) in the annual audit of the borrower's financial statements is required if "first round" federal funds are "passed through" to subrecipients in loan disbursements. DEQ's borrowers are considered to be subrecipients for purposes of the OMNI Circular.

2.4.3 Public Involvement

Public involvement is provided during development and updates of the CWSRF Intended Use Plan. All public agencies that submit CWSRF applications are notified of the public comment period for the Proposed Intended Use Plan. A public notice is published in the Daily Journal of Commerce notifying the general public of the document's availability for review. The Proposed Intended Use Plan is available on DEQ's web page during this time. Public comments on the proposed Project Priority List and Intended Use Plan are addressed after the public comment period, and appropriate revisions are made.

2.5 Compliance With Applicable Federal Laws

DEQ's CWSRF loan program documents continuing compliance with all applicable cross-cutters for all projects, in an amount no less than that of the cap grants.

With the rule revisions of October 2015, DEQ established a new type of loan, the "federal loan." Launching of the federal loans is a pilot project giving DEQ the opportunity annually to offer incentives, in the form of a reduced interest rate, on a first come, first serve basis for a subset of borrowers subject to additional federal funding application requirements. These projects are funded with monies directly made available by the federal capitalization grant for the associated federal fiscal year. This strategy obligates one or two large communities in each fiscal year to complete the cross cutters, thus allowing DEQ, when appropriate, to waive the cross cutter documentation from smaller communities with less resources. For SFY 2016, City of Bend, loan no. R14516 in the amount of \$28 million met all the "equivalency" requirements, thus allowing three borrowers with categorical exclusions to have cross cutters documentation waived: Clackamas Soil and Water Conservation District, Rock Creek Improvement Company and City of Warrenton.

2.6 Clean Water Benefits Reporting

A summary report is presented below, which is generated from the Clean Water Benefits Reporting (CBR) database, showing the clean water benefits loan activity for the fiscal year ended June 30, 2016. This report demonstrates compliance with the requirement that this summary report be presented, or a one pager report be presented for each loan made during the fiscal year. The total amount presented differs from the total commitment activity for the fiscal year due to negative adjustments to loans and changes to loans that existed prior to the start of CBR reporting. Also included is an Assistance by Summary of Uses report for the same period.

Oregon CW Benefits Summary Report for Projects with Water Uses Reported								
All Loans								
	Loans		Projects			Borrowers		
	Assistance Dollars (millions)	Loan Count	Assistance Dollars (millions)	Subsidy Dollars (millions)	Project Count	Facility Population (millions)	Facility Flow (MGD)	Borrower Count
Total Records	110.1	15	110.1		15	0.1	12	11
Records with Benefits Data	95.1	13	95.1	42.4	13	0.1	12	10
Impacting Human Health	46.9	7	46.9	23.4	7	0.0	4	6
	49%	54%	49%		54%	640	People Served per Smillion	60%
With Impaired Waterbody			9.2	2.6	6	0.0	1	6
			10%		46%	2,173	People Served per Smillion	60%
With Waterbody Meeting Standards			19.6	8.6	1			
To Improve Water Quality			50.5	23.8	8			
To Maintain Water Quality			0.0	0.0	0			
To Achieve Compliance			18.5	11.4	1			
To Maintain Compliance			28.1	11.0	4			

All Dates from 7/1/2015 thru 6/30/2016 9/13/2016

Oregon Assistance by Summary of Uses
All Primary and Secondary Uses - National Use Codes

Use Type	Code	Description	Millions of Dollars		
			Total	Protect	Restore
DESIGNATED	US001	Drinking Water	18.8	18.8	0.0
	US002	Aquatic Life & Wildlife	55.9	51.3	4.6
	US004	Secondary Contact Recreation	54.8	51.3	3.5
	US008	Agricultural Water Supply	6.8	6.8	0.0
	US010	Aesthetic Value	41.9	41.9	0.0
	US911	Industrial Water Supply/Navigation	22.6	22.6	0.0
OTHER	OD001	Drinking Water Supply (e.g., groundwater source)	0.3	0.3	0.0
	OG001	Groundwater Protection	36.0	32.5	3.5
	OI002	Infrastructure Improvement	64.3	59.0	5.2
	OO001	Other Public Health/Pathogen Reduction	46.9	46.9	0.0
	OR001	Regionalization/Consolidation	28.1	28.1	0.0
	OS001	Security	0.2	0.2	0.0
	OW001	Water Reuse/Recycling/Conservation	37.3	33.8	3.5
	OW002	Wetland Restoration	7.6	0.0	7.6