

U.S. ENVIRONMENTAL PROTECTION AGENCY,
REGION 10
CLEAN WATER STATE REVOLVING FUND PROGRAM

PROGRAM EVALUATION REPORT

ALASKA CLEAN WATER FUND
SFY 2005



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 Sixth Avenue
Seattle, WA 98101

Reply to
Attn Of: OWW-137

Lynn Kent, Director
Division of Water
Department of Environmental Conservation
555 Cordova Street
Anchorage, Alaska 99501

RE: Alaska Clean Water State Revolving Fund
Program Evaluation Report for SFY 2005

Dear Ms. Kent:

The US Environmental Protection Agency (EPA) has completed the 2005 annual review of Alaska's Clean Water State Revolving Fund (CWSRF) as required by section 606(e) of the Clean Water Act. I have enclosed the 2005 Program Evaluation Report (PER) of the Department of Environmental Conservation's (ADEC) CWSRF program which has been prepared by my staff for Alaska's CWSRF program.

The PER follows EPA's March 2004 guidance governing how the EPA's regional offices design and conduct their legally required annual program evaluations of the clean water state revolving loan funds. This Report consists of several related documents. The first document is a narrative that articulates our findings, summarizes our reviews of project files and provides explanatory information, where necessary, for a set of completed review questionnaires. Those review questionnaires are incorporated into the second document, which is presented as a set of completed Excel worksheets. Those worksheets frame the questions that guided the EPA's annual performance review of the CWSRF. Finally, a third document details the completed project file reviews which were summarized in the aforementioned narrative.

The Alaska Department of Environmental Conservation made significant positive progress in SFY 2005 to address concerns and correct problems identified in the previous PER. The administrative funds inappropriately drawn from CWSRF grants and associated state match have both been repaid to the ACWF. Proper controls are in place to ensure that administrative charges paid by the ACWF accurately reflect the staff work going into the ACWF program. The ACWF has engaged in discussions with their independent auditor to consider what additional audit work might be included in future financial audits of the fund. Additionally, the ACWF has taken several steps to decrease the amount of unobligated funds sitting in the State's ACWF account. EPA appreciates

these and other efforts made by ADEC and the staff of the ACWF to increase the amount of ACWF funds that are signed into new loans for projects and in bringing about improved financial management. Our SFY 2005 review confirmed much of this progress and the limited number of required follow-up actions reflects of the progress made.

EPA would also like to commend the ACWF for having excellent written procedures detailing how project engineers are to implement the State Environmental Review process on ACWF projects. During the review, we interviewed each of the ACWF project engineers and found them to be knowledgeable about the procedures. Each of the project files we reviewed had excellent documentation related to the environmental review process. The ACWF staff is to be commended for their implementation of the State Environmental Review process.

The PER notes a few areas where actions by ADEC are required. First, an accurate administrative fund balance for the end of SFY 2005 and a report or worksheet for the fee account reconciling the reported amounts at the end of SFY 2005 between the financial statements and the ACWF internal database should be completed and sent to EPA's CWSRF Financial Analyst by September 30, 2006. Second, the ACWF must ensure procedures are consistently followed for ensuring that only non-federal/non SRF state-match funds are used to fund disbursements for loans that are associated with special appropriation grant projects. Third, the ACWF must comply with the requirement that all new projects be included in an Intended Use Plan in order to be eligible for new loan funding; adding a new project to an existing loan does not meet the Intended Use Plan requirement. Future loans provided for projects not included in the Intended Use Plan will be subject to termination of the loan agreement and immediate repayment of all loan funds disbursed to the ineligible project.

If the ADEC would like to provide additional comments on this PER or describe the corrective actions that the ADEC will implement and provide a schedule for those actions, we will revise the PER so that the document recognizes those plans.

We appreciate the time that your staff, particularly Mr. Bill Griffith, Mr. Mike Lewis, Mr. Butch White, Ms. Terri Lowell, Mr. Dan Garner, Ms. Susan Randlett, and Ms. Joanna McDowell spent in assisting us during our review and commenting on the draft version of the PER. Their cooperation and assistance during this review were exceptional. If you have any questions regarding the enclosed report, please call me at (206) 553-7151, or contact Michelle Tucker at (206) 553-1414. We look forward to continuing to work with you as you manage the Alaska Clean Water Fund and to protect and improve water quality in the State of Alaska.

Sincerely,

Michael F. Gearhead, Director
Office of Water and Watersheds

Enclosure (1)

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
PROGRAM HIGHLIGHTS	4
FOLLOW-UP FROM THE EPA’S LAST PROGRAM EVALUATION	6
SFY 2003-2004 REQUIRED ACTIONS	6
SFY 2003-2004 RECOMMENDED ACTIONS.....	7
CURRENT PROGRAM EVALUATION TOPICS.....	10
REQUIRED PROGRAM ELEMENTS	10
<i>Annual Report</i>	10
<i>Equivalency Projects</i>	10
<i>Environmental Review</i>	11
<i>Compliance with Cross-Cutters</i>	12
<i>Operating Agreement</i>	14
REQUIRED FINANCIAL ELEMENTS	14
<i>CWSRF Loan Disbursements on Special Appropriation Grant Projects</i>	15
<i>Binding Commitments</i>	16
<i>Administrative Charging</i>	17
<i>Administrative Reserves Account</i>	17
<i>Fees Accounting and Reporting</i>	18
<i>Long-Term Planning</i>	20
<i>Disbursement Documentation and Cash Draw Transaction Testing</i>	20
<i>Independent Audit of Financial Statements</i>	21
<i>Financial Indicators</i>	21
CONCLUSION	23
REQUIRED ACTIONS	23
RECOMMENDED ACTIONS	23
ATTACHMENT I – ANNOTATED REVIEW CHECKLISTS	I-1
GENERAL INSTRUCTIONS FOR USE OF CHECKLISTS	I-1
ANNUAL REVIEW INFORMATION SHEET	I-2
REQUIRED PROGRAM ELEMENTS	I-3
REQUIRED FINANCIAL ELEMENTS	I-8
ATTACHMENT II – FILE REVIEWS	II-1
ANCHORAGE; 127101	II-1
ATQASUK – 635031	II-15
MAT-SU – 561021.....	II-25

EXECUTIVE SUMMARY

This report presents the Environmental Protection Agency's (EPA's) evaluation of the performance of the Alaska Department of Environmental Conservation (ADEC) in its administration of the Alaska Clean Water Fund during State Fiscal Year (SFY) 2005. Our review was conducted pursuant to the Annual Review Guidance for the State Revolving Fund Programs (Interim Final) published by the EPA's Office of Water in March 2004.

In accordance with that guidance, this report is organized into the following components:

- This Executive Summary.
- A narrative statement that summarizes program highlights and discusses the follow-up actions that ADEC has implemented since the EPA's most recent Program Evaluation Report (PER) on the Alaska Clean Water Fund was published.¹
- An annotated program review checklist for both programmatic and financial elements of revolving fund administration (Attachment I – Annotated Review Checklists).
- Explanatory notes for those items in the review checklist that merit additional discussion (following the program highlights).
- Project file review checklists (Attachment II – File Reviews).

This report reflects the EPA's examination of the following types of records:

- The Operating Agreement between the EPA and ADEC governing the administration of Alaska's Clean Water Fund.
- The grant agreements associated with each of the open EPA capitalization grants to ADEC.
- The Intended Use Plans (IUPs) for the Alaska Clean Water Fund for SFY 2004 and SFY 2005.
- Records of financial transactions maintained by the EPA and ADEC
- The annual reports submitted by ADEC for SFY 2005.

¹ That report was published February 2006 and evaluated the program's performance for SFY 2003-2004.

- Project loan files maintained by ADEC.
- The independent financial audit of Alaska's Clean Water Fund for SFY 2005.

As part of our review, the EPA visited the Department of Environmental Conservation for several days during the week of May 15, 2006. During that visit, we met with ADEC staff to discuss and review several components of ADEC's financial management system, reporting requirements, and programmatic conditions. We also reviewed loan files for three loans and interviewed ACWF regional project engineers. The results of these loan file reviews appear later in this report.

There are a number of positive factors that contribute to the success of Alaska's Clean Water Fund. ADEC has a dedicated and competent staff in both its central and regional offices. It uses an integrated planning and priority setting system to allocate fund resources in a manner that maximizes the potential water quality benefits of the projects receiving financial assistance from the Fund. The ACWF loan program has detailed environmental review procedures which allow project engineers certainty when making environmental review decisions. The program also has a detailed checklist, called the "SRF Cincinnati Checklist" which assures that funded projects have implemented all equivalency requirements and other federal cross-cutting authorities. Additionally, as part of the program's ongoing effort to effectively use all available funds for water quality projects, management in the ACWF has been working with EPA contractors to complete a marketing survey which may improve the speed with which ADEC obligates funds as they become available.

The Alaska Department of Environmental Conservation made significant positive progress in SFY 2005 to address concerns and correct problems identified in the previous PER. Proper controls are in place to ensure that administrative charges paid by the ACWF accurately reflect the staff work going into the ACWF program. Numerical errors have been eliminated in the annual report exhibits and other account reconciliation efforts are underway to address any outstanding financial reporting discrepancies. Additionally, the ACWF has engaged in discussions with their independent auditor to consider what additional audit work might be included in future financial audits of the fund. EPA appreciates these and other efforts made by ADEC and the staff of the ACWF to bring about improved financial management reporting. Our SFY 2005 review confirmed much of this progress and the limited number of required follow-up actions is reflective of the progress made.

Based on our review of the Alaska Clean Water Fund's performance in SFY 2005, we have identified the following matters for which corrective action by the Department of Environmental Conservation is warranted:

1. An accurate administrative fund balance for the end of SFY2005 must be determined and reported to EPA's CWSRF Financial Analyst. For further discussion see "Administrative Reserves Account" on page 17.
2. A report or worksheet for the fee account reconciling the reported amounts at the end of SFY2005 between the financial statements and the ACWF internal database must be provided to the EPA CWSRF Financial Analyst. For further discussion see "Fees Accounting and Reporting" on page 18.
3. The ACWF must follow procedures consistently for ensuring that only non-federal/non SRF state-match funds are used to fund disbursements for loans that are associated with special appropriation grant projects. For further discussion see "CWSRF Loan Disbursements on Special Appropriation Grant Projects" on page 15.
4. The ACWF must comply with the requirement that all new projects be included in an Intended Use Plan in order to be eligible for new loan funding. Adding a new project to an existing loan does not meet the Intended Use Plan requirement. Loans provided for projects not included in the Intended Use Plan could be subject to termination of the loan agreement and immediate repayment of all loan funds disbursed to the ineligible project. For further discussion see "Binding Commitments" on page 16.

PROGRAM HIGHLIGHTS

The Alaska Department of Environmental Conservation's (ADEC) Division of Water manages Alaska's Clean Water State Revolving Fund (established in state statute as the Alaska Clean Water Fund), Drinking Water State Revolving Fund, a state Municipal Matching Grants Program and the Village Safe Water Program. This suite of programs provides a broad range of financing mechanisms for water quality related environmental infrastructure in the state. This report focuses solely on Alaska's Clean Water Fund.

The Alaska Clean Water Fund (ACWF) received its first capitalization grant from the Environmental Protection Agency (EPA) in November 1988. Through the end of SFY 2005 it had received a total of approximately \$138 million in EPA capitalization grants. These grants were matched by the State with approximately \$29 million in capital contributions. Historically, the ACWF received its match from appropriated funds from the Alaska State Legislature. Beginning with SFY 2001, the ACWF chose to issue a short-term bond instrument for the state match and use the interest earnings (investment interest and interest payments on loans) to retire the bond. Total funds available to the program through the end of SFY 2005, including Fund interest earnings over the life of the program, principal, and interest repayments, was approximately \$261 million. The Fund has always been operated as a direct loan program (The state has never leveraged the Fund by issuing bonds to increase the annual dollar volume of assistance that it could provide to eligible projects).

The Alaska Clean Water Fund offers assistance to projects eligible under Sections 212 and 319 of the Clean Water Act (CWA). While the CWSRF is also available to fund CWA §320 projects, Alaska has no such federally designated estuaries. Every year ADEC develops an Intended Use Plan (IUP) that documents the total dollars and sources of funds available for the upcoming state fiscal year and all projects which have applied for possible funding shown on the Funding Priority List and the Planning Priority List. In addition, ADEC indicates which projects it intends to fund in the coming year based on the priority ranking score of each project and its readiness to proceed with construction.

As of June 30, 2005, the Fund had executed approximately \$198 million in loans. Within this universe of projects, the Fund offered approximately \$156.9 million worth of loans for publicly owned treatment works and \$41.4 million in assistance to projects that implemented the state's nonpoint source water quality strategy.

Effective April 28, 2005, the interest rate for new loans through the ACWF with maturities up to 20 years was reduced from an effective rate of 2.5% to 1%, plus an annual fee of 0.5%. Significantly, the interest rate on outstanding balances on existing loans was also lowered to 1% plus an annual fee of 0.5%. Loans for one year or less continued to be offered to communities with a zero percent interest rate and a 0.5%

annual fee charge. Loans with a maturity of one to five years were still provided with an interest rate of 0.5% and an annual fee of 0.5%. As a result, the Alaska Clean Water Fund offers some of the lowest interest rates in the nation from state water pollution control revolving funds.

During SFY 2004 and SFY 2005 the EPA started a pilot effort at better documenting the environmental results being obtained from its water infrastructure finance programs. The Alaska Department of Environmental Conservation was one of several states that were active participants in that pilot effort. Based on ADEC's experience with the pilot, as well as the experiences of the other pilot states, the EPA was able to incorporate a simplified system for reporting environmental results for state revolving fund programs into the SFY 2006 grants management guidance.

FOLLOW-UP FROM THE EPA'S LAST PROGRAM EVALUATION

The EPA issued a Program Evaluation Report (PER) of Alaska's Clean Water Fund for SFYs 2003 and 2004 in February 2006. That report identified four topics where prompt action by the Department of Environmental Conservation was necessary. Additionally, it offered four other recommendations that the EPA thought important to enhance the program. ADEC provided the EPA with a letter April 11, 2006 that articulated its response and actions to the required and recommended elements. The current status of the subjects addressed in the SFY 2003 and 2004 PER is discussed below.

SFY 2003-2004 REQUIRED ACTIONS

THE STATE OF ALASKA MUST REPAY THE ENVIRONMENTAL PROTECTION AGENCY \$223,155 THAT WAS INAPPROPRIATELY DRAWN FROM VARIOUS CAPITALIZATION GRANTS

This requirement has been met. The State of Alaska returned \$223,155 to the ACWF on February 2, 2006 via an Automated Standard Application for Payment (ASAP) book entry. This was accomplished by increasing the grant funds available to the ACWF using credit (i.e. undrawn federal grant funds) from the Alaska Native Village Safe Water Program. (ANV program.) The State paid for eligible ANV expenditures and had the grant reimbursement for those expenditures applied as an increase to the ACWF grant.

THE STATE OF ALASKA MUST TRANSFER \$44,642 FROM THE STATE TREASURY TO THE ALASKA CLEAN WATER FUND ACCOUNT TO REPAY INAPPROPRIATELY DRAWN STATE MATCH FUNDS

This requirement has been met. The State of Alaska transferred \$44,642 back to the Alaska Clean Water Fund (ACWF) on February 16, 2006. This was accomplished by using state general funds to pay for expenses previously charged against the ACWF administrative account, thereby increasing the amount available in the ACWF administrative account for payment of current and future expenses.

THE ALASKA CLEAN WATER FUND MUST OBLIGATE AT LEAST \$30 MILLION DOLLARS BEFORE THE FFY 2005 CAPITALIZATION GRANT WILL BE AWARDED.

This requirement has been met. The State originally informed EPA that it intended to meet this requirement by transferring \$15 million from the ACWF to the Alaska Drinking Water Fund and signing loans for the remaining \$15 million. After encountering some legal difficulties, it was determined that the transfer could not take place until SFY 2007. EPA

negotiated with the State and determined that as long as the transfer process continued moving forward, EPA would process the FFY 2005 capitalization grant once the State had signed loans totaling at least \$25 million. The State updated EPA every time a new loan was signed to document its progress towards meeting this requirement. In April 2006, the State of Alaska met this goal and was awarded its FFY 2005 grant of \$6,414,400.

THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION MUST WORK WITH THE EPA TO DEVELOP A NEW OPERATING AGREEMENT

This requirement is still in process. The ACWF has stated, "Our goal is to integrate new requirements, developing an updated agreement this year that is similar to that of the State of Idaho." Updating the Operating Agreement is the last task that must be accomplished before the ACWF can transfer funds to the ADWF and will be completed during SFY 2007.

SFY 2003-2004 RECOMMENDED ACTIONS

MODIFICATIONS TO THE ANNUAL REPORT

This recommendation is being implemented. In the State's response to EPA it stated,

As EPA requested, the SFY 2006 annual report will include a description on our progress toward short and long-term goals, an explanation of the timely and expeditious use of funds, and the history of bypass events. The history of disbursements exhibit, which is intended to show loan disbursements of the fund over time, will also be modified to better accomplish its intent.

EPA appreciates the state's commitment for improving the annual report. EPA also requests that administrative cash draws be included in the annual report exhibit "Disbursement History" (Exhibit 5 in the SFY2005 annual report).

INTEGRATION WITH OTHER INFRASTRUCTURE FINANCING PROGRAMS AND/OR ACWA

This recommendation was not addressed in the State's response to EPA's latest PER. During SFY 2006, the ACWF staff began working with EPA and its contractors to complete a marketing survey. EPA looks forward to the results of that survey and subsequent marketing structures the ACWF implements based on those results.

CHANGES TO THE WORK ASSIGNMENT FOR THE INDEPENDENT AUDIT OF FINANCIAL STATEMENTS

This recommendation is being implemented. The State wrote,

Seven items are already included in the work assignment: 1) Annual state match contributions to the ACWF, 2) Annual contributions from federal grants to the ACWF, 3) Annual loan disbursements, 4) Annual administrative charges and disbursements for administrative costs, 5) A comparison of current year to previous year activity for each of the above items, 6) Reconciliation of the administrative fee account balance from fiscal year to fiscal year, and 7) Examination of employee timesheets and pay rate records on a test basis, as well as verification of the applicable approved indirect rate. DEC will discuss the remaining suggested changes with the independent auditor to determine the feasibility of modifying the scope of work for the three-year contract.

EPA's recommendations for expanded scope of work for the annual audit included testing of account balances for both annual amounts and cumulative amounts. The state's response notes that the audit work assignment already includes tests of annual account activity but does not include tests for cumulative amounts. We encourage the ACWF to include both of these tests in the discussion with the independent auditor. Most of the issues that prompted the recommendation of an expanded audit have been resolved in SFY2005 through efforts by ACWF staff and ADEC's Division of Administration and Information Services (DIAS). An annual audit that includes tests for account balances, annual and cumulative, and testing administrative charging procedures would ensure that the good work done to improve financial reporting in SFY2005 is successfully carried forward to future years.

WORK WITH EPA ON LONG-TERM PLANNING FOR THE ACWF

This recommendation is being implemented. The State provided the following response to this recommendation,

Financing infrastructure through maintenance of a perpetual fund is the primary objective of this program. While ADEC intends to continue using the State's existing planning model, we are very interested in any assistance or alternate projections EPA is able to provide.

During subsequent communications and at the SFY2005 annual review visit, EPA was able to observe and to participate in long-term planning discussions with ACWF staff and management. As a result, we better recognize that management and staff are regularly considering the impacts of policy decisions on the financial performance and perpetuity of the ACWF. EPA looks forward to having similarly productive long-term planning discussions in future reviews.

CURRENT PROGRAM EVALUATION TOPICS

REQUIRED PROGRAM ELEMENTS

ANNUAL REPORT

The annual report for fiscal year 2005 was a month late. This delay appears to be the result of ADEC's desire to have audited financial statements contained in the annual report. As it is a standard grant condition to send the annual report to EPA within 90 days of the close of the State Fiscal Year, EPA needs official notification in September if the State realizes that it will be able to submit the annual report by the September 30th deadline. EPA appreciates the effort ADEC makes to ensure timely audits each year.

The annual reports are thorough and include an extensive set of exhibits. They provide a useful picture of how the Fund's loan portfolio is currently structured, how that structure has changed during the fiscal year, binding commitments that have been made, and detailed accounts of cash draws.

EPA's PER for SFYs 2003 and 2004 was issued after ADEC had already prepared and submitted its annual report for SFY 2005. ADEC has agreed to modify the SFY 2006 annual report based on the prior PER's recommendations. Therefore, EPA will not reiterate those points here. In addition to the prior PER recommendations, EPA requests that administrative cash draws be included in the annual report exhibit "Disbursement History" (Exhibit 5 in the SFY2005 annual report).

EQUIVALENCY PROJECTS

Section 602(b)(6) of the Clean Water Act "attaches" 16 specific statutory requirements from Title II of the Act to publicly owned treatment works projects constructed in whole or in part before Federal Fiscal Year 1995 with funds directly made available from the EPA capitalization grants. There are two basic elements to establishing compliance with this requirement at this late date. First, the state needs to submit a document that identifies the specific projects that were required to meet these terms as well as the amount and binding commitment date of the loans involved. Second, the EPA needs to conduct file reviews on a sample of those project loans to verify that these projects did, indeed, comply with the 16 specific requirements.

During the SFY 2005 review EPA reviewed three project files; Anchorage's FY97 Miscellaneous Wastewater Projects-Chester Creek Sewer Trunk Upgrade only (loan #127101), Atqasuk Village's Water and Sewer project (loan #635031), and the Mat-Su Borough's Salted Sand Storage Building (loan #561021). These files provide a sampling of

ACWF projects from which the EPA can determine compliance with various federal authorities, each to be discussed in further detail later in this report. Of the three projects reviewed, only the Anchorage Chester Creek Truck Upgrade fulfilled equivalency requirements. The results of the file reviews in their entirety can be found as Attachment II - File Reviews of this document.

The Anchorage loan chosen for review contained several different projects bundled into a single loan. Given time constraints, EPA was not able to review all the projects contained within loan #127101, only the Chester Creek Sewer Truck Upgrade. This individual project within a larger loan was found to have met equivalency requirements. No determination will be made in the SFY 2005 review as to the other projects within loan #127101.

Though neither the Atqasuk nor Mat-Su projects met equivalency requirements, this is not through any fault of the Alaska Department of Environmental Conservation. The project engineer handling the Atqasuk project has repeatedly tried to get the borrower to submit documentation of initiation of operations, project certification, and a copy of the operations manual. He has been unable to obtain these items from any responsible entity. As this is a clear violation of sections 5.1 and 5.3 of ADEC's loan agreement, the project engineer may need to work with the ACWF Financial Specialist to enforce this condition of the loan agreement.

The Mat-Su project is a nonpoint source pollution control project that does not fit the definitions of "construction" or "treatment works" in CWA §212 and therefore is not subject to equivalency requirements.

There are other requirements that continue to apply to the CWSRF even once a state has fulfilled its equivalency commitment. Under Agency regulations at 40 C.F.R. 35.3140(c), all SRF-funded section 212 projects must undergo a State Environmental Review Process, whether or not they are supported by equivalency funds. All projects funded with funds "directly made available by" capitalization grants must also continue to comply with the federal "cross-cutting" authorities, which are Federal laws and authorities that apply by their own terms in federal financial assistance programs. Finally, the Civil Rights Act of 1994 and related anti-discrimination laws will continue to apply to all projects and activities of each state's SRF program.

ENVIRONMENTAL REVIEW

Under the Clean Water Act and 40 C.F.R. §35.3140(a), EPA requires that all section 212 projects undergo a NEPA-like environmental review. These projects include the familiar wastewater treatment projects as well as nonpoint source pollution control and estuary projects that can also fit the definitions of "construction" and "treatment works"

in CWA §212. EPA's regulations implementing the CWSRF program at 40 C.F.R. Part 35 Subpart K extract the fundamental principles of EPA's 40 C.F.R. Part 6 NEPA regulations in a way that fits the unique structure of the CWSRF program. They set forth the minimum requirements that must be incorporated in state environmental review processes (SERPs) for all project.

To evaluate ADEC adherence to its SERP, EPA reviewed three project files; Anchorage's FY97 Miscellaneous Wastewater Projects-Chester Creek Sewer Trunk Upgrade only (loan #127101), Atqasuk Village's Water and Sewer project (loan #635031), and the Mat-Su Borough's Salted Sand Storage Building (loan #561021). EPA also interviewed all four ADEC CWSRF project officers to determine if/how they implement the state's SERP.

ADEC issued a Finding of No Significant Impact (FONSI) for the Anchorage project, adopted the Bureau of Indian Affairs' (BIA) FONSI for the Atqasuk project, and issued a Categorical Exclusion (CE) for the Mat-Su project. From these project file reviews and staff interviews, it is EPA's determination that the ADEC's CWSRF team is doing an excellent job implementing the state's approved SERP.

COMPLIANCE WITH CROSS-CUTTERS

Cross-cutting federal authorities are the requirements of other federal laws and executive orders that apply in federal financial assistance programs. Often, these authorities are expressly applied by the statute authorizing the assistance itself. More frequently, the requirements are not cited in the authorizing statute, but apply broadly by their own terms to a wide range of federal financial assistance programs. In the CWSRF program, these include environmental laws such as the Endangered Species Act, the National Historic Preservation Act and executive orders on the protection of wetlands and flood plains, social policy authorities such as executive orders on equal employment opportunity in federally assisted programs, and economic authorities such as rules implementing executive orders on the debarment and suspension of persons who have engaged in misconduct.

Cross-cutters apply to the CWSRF agency as the grant recipient and to projects and activities receiving federal financial assistance. Because CWSRFs may consist of funds from several sources (federal grants, state match, loan repayments, or bond proceeds), states must apply cross-cutter requirements to projects whose cumulative funding is equal to the amount of the federal capitalization grant.

The state decides which projects will be used to meet this requirement and must ensure that these projects comply with federal cross-cutting authorities. Once the state determines which projects will receive funding that cumulatively equals the amount of the

capitalization grant, other projects funded with CWSRF monies are not generally subject to cross-cutting authorities². However, the state may require compliance with cross-cutters by projects whose cumulative funding is greater than the amount of the federal capitalization grant. If the state does this, it may bank the excess to meet future requirements.³

We assessed the Fund's compliance with federal cross-cutting authorities as a part of our review of project loan files. As previously mentioned, EPA reviewed Anchorage's FY97 Miscellaneous Wastewater Projects-Chester Creek Sewer Trunk Upgrade only (loan #127101), Atqasuk Village's Water and Sewer project (loan #635031), and the Mat-Su Borough's Salted Sand Storage Building (loan #561021). To see those reviews in detail, please refer to the Project File Review Tables, Attachment II - File Reviews.

Both the Anchorage (as previously mentioned, Chester Creek Truck portion only) and Atqasuk projects implemented federal cross-cutting authorities. The Mat-Su project has not yet begun construction; EPA is therefore unable to make a determination at this time as to whether all other applicable federal cross-cutters have been addressed. As a NPS project, ADEC may choose to explicitly exempt the Mat-Su project from implementing federal cross-cutting authorities.

ADEC did an excellent job documenting compliance with Federal cross-cutting authorities in the project files EPA reviewed during SFY 2005. Of note, compliance with the various anti-discrimination laws requires all fund recipients to fill out EPA form 4700-4 and mail it to EPA. At the request of the EPA CWSRF regional staff, the ACWF staff has been making a copy of this form and placing it in the project file prior to sending the original to EPA. The EPA CWSRF regional staff greatly appreciates this extra step on the part of the ACWF staff as this has made a tremendous difference for us when conducting project file reviews. Finally, EPA would like to praise ADEC for its use of the "SRF Cincinnati Checklist." We recommend this checklist to other states in Region 10.

² All programs, projects, and activities undertaken by the CWSRF program are subject to the federal anti-discrimination laws, including the Civil Rights Act of 1964, Pub. L. No. 88-352 §601, 78 Stat. 252 (codified as amended at 42 U.S.C. §2000d), the Rehabilitation Act of 1973, Pub. L. No. 93-1123, 87 Stat. No. 94-135, §303, 89 Stat. 713, 728 (codified at 42 U.S.C. §6102). Further, these broader anti-discrimination laws apply by their own terms to the entire organization receiving federal financial assistance, not just to the project itself.

³ Required compliance under the minority-owned and women-owned business enterprise laws by projects whose cumulative funding is greater than the amount of the federal capitalization grant is not "bankable."

OPERATING AGREEMENT

The Alaska Clean Water Fund continues to be managed in accordance with the original Operating Agreement between the Department of Environmental Conservation and EPA, Region 10. This Operating Agreement, from December 1988, is outdated. It does not reflect some of the department's current practices, federal cross-cutters, changes that have been made to the program as it has evolved over more than a decade, and it does not allow the ACWF to transfer funds to the ADWF.

The EPA has been working with the Department of Environmental Conservation to update the Operating Agreement (OA). This work should be completed during the next several months and a new OA will be in place by the start of the 2007 calendar year.

REQUIRED FINANCIAL ELEMENTS

Similar to the SFY 2003-2004 review, the annual review checklist provided the basis for determining which financial elements would be assessed for the SFY2005 annual review of the ACWF. Many of the elements that were noted as concerns on the previous checklist show marked improvement in the SFY 2005 annual review checklist. This improvement is largely a result of the efforts on the part of the ACWF staff and management to make changes and corrections to processes and reports as needed to ensure appropriate financial management of the fund. Another factor is the ongoing communications between ACWF staff, DIAS and EPA which helped to resolve a number of financial elements that were identified as concerns in the last annual review checklist.

The annual review checklist for SFY2005 includes only two financial elements where a non-affirmative answer was indicated. One of these is the question regarding timely and expeditious use of funds. (See Attachment I - Annotated Review Checklists - Required Financial Elements, item 2.4_1). During SFY2005, the ACWF only signed \$606 thousand in new loans and had over \$53 million in uncommitted funds available at the end of SFY2005. Progress has been made in SFY2006. The ACWF needs to continue its efforts to sign new loans for all available funds within one year of receiving those funds. Additional discussion of this issue is in the section detailing the SFY2003-2004 Required Actions. (See "The Alaska Clean Water Fund must obligate at least \$30 million dollars before the FFY 2005 capitalization grant will be awarded." on page 6.)

The other item is related to the discovery and reporting of "erroneous payments" (See Attachment I - Annotated Review Checklists - Required Financial Elements, item 2.3_4). Reports provided by ACWF staff showed that past disbursements to loans associated with special appropriation grant projects did not follow a consistent procedure to ensure correct funding sources. The ACWF must ensure that adequate procedures are

implemented consistently for processing these disbursements as noted in the "Required actions" on page 23. This issue is discussed further below.

CWSRF LOAN DISBURSEMENTS ON SPECIAL APPROPRIATION GRANT PROJECTS

The ACWF has made a number of loans to communities for the purpose of providing the matching funds required for special appropriation grants awarded to these communities for wastewater construction projects. CWSRF policy guidance⁴ states that these ACWF loans be funded with non-federal money. Therefore funds drawn directly from SRF capitalization grants or associated state match are not allowed to be used for disbursements to loans applied towards the special appropriation grant match requirements. Disbursements to these loans should be drawn from ACWF funds that can be accounted for as "second-round money;" that is, funds that are in the ACWF as a result of loan repayments or interest earnings from fund investments.

Our review of a single disbursement from February 2003, on a loan associated with a special appropriation grant to the City of Sitka (ACWF loan # 783041), revealed that federal funds had been drawn to fund the disbursement. Subsequently we contacted staff at the ACWF in November of 2005 to correct the disbursement in question, and to establish an understanding of the procedures that would be put in place to ensure correct processing of these types of loan disbursements in the future. During our annual review we asked staff to provide us with details of the follow-up actions that were implemented since the November 2005 communication on this issue. We also asked for an accounting of all disbursements processed in prior years for loans associated with special appropriation grant projects.

The Financial Analyst for the ACWF provided us with a spreadsheet that identified all of the ACWF loans that had an associated special appropriation grants. This spreadsheet also identified any disbursement amounts that were processed for these loans that improperly included federal cap grant draws. Finally the spreadsheet listed loan disbursements from "second-round money" that could have been eligible for draws from federal cap grants. The amount of these eligible-for-federal-cap-grant-draw disbursements paid from "second-round money" was sufficient to offset the total of improper disbursements to special appropriation grant projects by a ratio of approximately 2:1. We accept this accounting offset as a corrective action to remedy previous mistakes made in processing loan disbursement requests for special appropriation

⁴ CWSRF 01-9 Policy memorandum dated August 23,2001, "Class Deviation from 40CFR 35.3125(b)(i)"

grant projects. However, all future loan disbursements for special appropriation grant projects must be processed in a way that ensures only non-federal/ non SRF state-match funds are used to fund the disbursements.

ACWF staff confirmed that new procedures have been implemented that require Project Engineers to note in the comment section of the disbursement request memo the need to use “second-round money” only for loan disbursements associated with special appropriation grant projects. Because the occurrences of improper draws for these type of loans went unchecked for a number of years, we strongly recommend that ACWF be particularly attentive to this matter following the implementation of this new procedure and make sure that it is being followed on every applicable disbursement transaction.

BINDING COMMITMENTS

The ACWF is meeting the binding commitment requirement for signing loan agreements in amounts equal to or greater than 120% of the grant amounts within one year of scheduled grant payments. Cumulatively through SFY2005 the ACWF has made loans equal to 148% of grant payments received.

Program regulations⁵ also require that projects eligible for ACWF funding be included in published Intended Use Plans (IUP). The published IUP serves the purpose of providing required public notice and opportunity for public comment on proposed water quality projects. During the project file review we discovered that the loan for the Chester Creek Sewer Trunk Upgrade, signed in SFY 2004, was recorded as an increase to the existing Anchorage SFY97 Miscellaneous Wastewater Projects loan. The Chester Creek project had previously appeared in the SFY 2003 IUP but local officials encountered difficulties and were not prepared to sign a loan agreement for this project until midway through the following state fiscal year. The project was not listed in the 2004 IUP and therefore was no longer eligible for a loan. The ACWF program manager at the time knew this and also knew that there was “extra” money on Anchorage’s SFY97 Miscellaneous Wastewater Projects loan. The decision was made to add this project to the existing loan and increase the loan amount to cover the additional costs. Funding the Chester Creek project as an increase to a loan signed over nine years ago for “Anchorage SFY97 Miscellaneous Wastewater Projects” is not an acceptable alternative to publishing a project in the IUP.

⁵ 40 CFR, Ch.1, Subpart K, §35.3150, (b) (1) (i) Intended Use Plan, Contents, List of Projects.

The ACWF must comply with the requirement that all new projects be included in an Intended Use Plan in order to be eligible for new loan funding. Loans provided for projects not included in the Intended Use Plan could be subject to termination of the loan agreement and an immediate repayment of all loan funds disbursed to the ineligible project.

ADMINISTRATIVE CHARGING

EPA requested documentation of the payroll charges associated with the CWSRF grant cash draws taken for administrative costs during SFY 2005. DIAS provided copies of timecards of staff whose salaries were charged to the ACWF and other programs. We reviewed the procedures followed by staff in reporting their hours in the BillQuick time reporting and charging system. We also looked at accounting system records verifying that the correct amounts were charged to the ACWF administrative account and that funds drawn were in the correct proportionality of federal and state match funds. The documentation provided for this review supports our conclusion that the ACWF is charging correctly for salary and indirect costs for program administration. We also noted that the ACWF staff is following department procedures in utilizing the BillQuick system to accurately report their work hours related to program charges.

ADMINISTRATIVE RESERVES ACCOUNT

Our discussion about the administrative reserve account generated a question about whether the full amount of indirect costs associated with the ACWF program administration will be charged against the ACWF administration account for SFY 2006 and future years, or will some of these indirect charges be paid from other sources. EPA requests that the staff from either the ACWF or DIAS inform us as to the selected methodology.

At our SFY 2005 review the total administrative reserve amount expended and balance remaining could not be reconciled among the different data bases and accounting reports for the ACWF. Staff from the ACWF program office and staff from DIAS are working together to resolve and correct the accounting variances so that future reports reconcile to each other. We request that the ACWF follow-up with EPA's CWSRF Financial Analyst to report on the administrative fund balance. The administrative fund balance report should be as of June 30, 2005 to complete the SFY 2005 annual review.

As mentioned in the Annual Report section on page 10, EPA would like to see administrative cash draws included as part of the information displayed in the annual

report exhibit titled "Disbursement History". This would allow an easier year-to-year review of administrative funds expended from the capitalization grants as well as a visible reference for reconciling the balance of the administrative account.

FEES ACCOUNTING AND REPORTING

EPA and staff from the ACWF and DIAS had extensive discussions during the SFY 2005 annual review visit about program fees and the required accounting and reporting of fees under EPA guidance. Fee income for the ACWF has been reported regularly in the annual report and Notes to the Financial Statements since the program began charging fees in SFY 2001. EPA grant conditions for ACWF capitalization grants specify that fee revenue must be held in an account(s) outside of the ACWF and uses of fee revenue are subject to EPA approved purposes. The ACWF meets this requirement and maintains a separate account for fee revenues. Additionally the ACWF restricts the use of funds from the fee account to be used for future administration of the revolving loan fund. To date the ACWF has not drawn funds from the fee account as the 4% of the capitalization grants allowed for this purpose has been sufficient to pay for program administrative costs.

EPA issued final guidance on fees charged to CWSRF loan recipients in the Federal Register in October 2005.⁶ This guidance necessitates determination of fee revenue that will be classified as program income and clarifies the reporting requirements for fees. The ACWF and EPA Region 10 CWSRF staff will continue to work together to determine the specific option for calculating the amount of program income earned, consistent with the final guidance.

The final guidance on fees requires that the state's annual report identify the type of fees charged on loans, the amount of fees collected, and how those amounts were used. For accounting purposes, the fee account should contain codes or sub-accounts that identify fees as program income, non-program income, fee amounts collected during the grant period and fee amounts collected outside of the grant periods. Accounting requirements vary depending on the purposes for which a state uses fees collected. At present the ACWF and EPA grant conditions restrict the use of fee revenue to program administrative costs or other EPA- approved water quality purposes. However the AK

⁶ CFR Volume 70, No. 202 / October 20, 2005 - Page 61039. Guidance on Fees Charged by States to Recipients of Clean Water State Revolving Fund Program Assistance.

statute governing the use of SRF fees⁷ is not as restrictive as the current EPA grant conditions and therefore the possibility exists for a change in ACWF policy regarding the use of fees in the future. As such, accounting for the fee account must include ways to differentiate between program income/non program income and fee revenue earned during grant periods and fee revenue earned outside of grant periods.

To implement this guidance, the ACWF should also modify its annual financial statements so that fees are clearly differentiated from assets or activities that are part of the (ACWF) fund.

This could be accomplished by including a separate column for fee financial activity and/ or by breaking out fee revenues and expenses in line item entries that clearly differentiate fees from the SRF fund. This separation of fees in the financial statements would be consistent with the principles discussed in National Council of Government Accounting Statement 1 (NCGAS 1)⁸; as recognized by the Governmental Accounting Standards Board (GASB). Additionally, the Notes to the Financial Statements should be revised so that the narrative no longer states that the fee is included in the interest rate charged, or that fees are included in interest income on loans in the Statement of Activities. We request that this change in reporting be incorporated into the SFY 2006 annual report and financial statements and subsequent years unless otherwise indicated by future EPA guidance or recommendations.

During the annual review visit, we were not able to reconcile the balance of the fee account as stated in the Notes to the Financial Statement against other data sources. Differences in amounts were traced by ACWF staff to a loan payment from one community that included fees, but the fees were inadvertently posted as interest when the payment was entered into the department's accounting records. Staffs from the program office and DIAS are continuing to work on making the necessary accounting adjustments and to establish the corrected fee account balance for the end of SFY 2005. We request that a report or worksheet detailing the accounting adjustments made or other corrections to the fee account be provided to EPA's CWSRF Financial Analyst.

⁷ AS 46.03.034 Alaska Clean Water Fund Administrative Fund -Section 2 b, d.

⁸ NCGAS 1 " Accounting and Reporting Capabilities" 1) A government accounting system must make it possible both a) to present fairly and with full disclosure the financial position and results of the funds and account groups of the governmental unit in conformity with generally accepted accounting principles; and (b) to determine and demonstrate compliance with finance related and contractual provisions.

LONG-TERM PLANNING

As a key element for this year's annual review visit, we participated in a discussion focused on long-term planning with staff and management of the ACWF. This discussion covered current and projected cash balances, anticipated loan demand for the near future and projected loan capacity for a twenty-year future time frame. The following details support the conclusion that the ACWF does engage in long-term planning, and that ADEC management considers long-term planning an important element in the funds operation.

ACWF staff provided examples of both recent and prior year long-term planning analyses performed using their in-house financial model. The impact of loan interest rates and return on invested funds are regularly considered in light of loan demand and market interest rates. Different views were offered on the relative importance of inflation, and/or construction cost increases as related to the perpetuity of the ACWF. Although no unanimous decision was made about which inflation assumption should be the standard for calculating future value of loan funds available, EPA encourages the ACWF to continue assessing the impact of inflation and cost increases as part of fund management decisions.

The planned transfer of \$29 million from the ACWF to the Alaska Drinking Water Fund (ADWF) is also recognized as a major factor that will influence the financial position of the ACWF.

EPA considers long-term planning to be a critical element in the successful operation of a revolving fund loan program. Our recognition of the ACWF's practice of long-term planning was made easier because of the open discussion that we had at this year's annual review. We appreciate the participation and viewpoints of those who participated.

DISBURSEMENT DOCUMENTATION AND CASH DRAW TRANSACTION TESTING

A regular part of the annual review process is checking cash draw transactions and loan disbursement documentation. For the SFY 2005 review, EPA selected ten loan disbursements from five different projects. We observed consistent documentation for the internal processing of disbursement requests and noted that the correct proportionality was maintained for federal and state match cash draws. When reviewing the project documentation for costs incurred, we enquired about the ACWF program's practice of accepting spreadsheets and cost summaries versus actual invoices for documenting costs from some ACWF borrowers. Staff from the ACWF program office and Project Engineers familiar with the performance of these loan recipients provided project information and the additional back-up documentation that we requested to determine cost eligibility. We appreciate the cooperation and assistance provided. As such, we concur, that for selected borrowers, those with a positive track record of cost

documentation and clean project audits, the spreadsheets and summary reports accepted by the ACWF program for disbursement requests are adequate.

Of particular note is the complete and comprehensive documentation that accompanied the disbursement to the Homer loan # 409031 that we reviewed. Project costs were clearly supported by documents included in the disbursement records, and the communications between the Project Engineer and the loan recipient about cost eligibilities were clearly evident.

INDEPENDENT AUDIT OF FINANCIAL STATEMENTS

EPA recognizes and appreciates that the ACWF voluntarily contracts for an independent annual audit. The SFY 2005 independent audit report provided a positive opinion about the program's financial statements adherence to generally accepted accounting principles (GAAP). The audit report also expressed positive opinions regarding the ACWF's internal controls and compliance. This independent audit meets the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. Furthermore, the independent audit of the ACWF is conducted to meet the compliance requirements of the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Statement.

FINANCIAL INDICATORS

Financial indicators for the ACWF reiterate some of the challenges and the successes that the program experienced in SFY2005. The cumulative percentage use of funds available decreased from 89% in SFY2004 to 81% during SFY2005. This is a result of the relatively low volume of loans signed by the ACWF during the year. As discussed earlier, the timely and expeditious use of funds available continued to be an issue through SFY2005 and the ACWF expects to show significant progress in the use of available funds during the next fiscal year.

In contrast, the return on federal investment increased from 108% in SFY2004 to 116% in SFY2005-highlighting the ACWF's continued positive rate of disbursing funds to projects compared to amount of funds drawn from federal capitalization grants.

Description	Alaska SFY 2004	Alaska SFY 2005	Small States Average ⁹ SFY2005	National Average for FY2005
# 1- Return on Federal Investment - Shows the amount invested in water quality beneficial projects for each federal dollar invested	108%	116%	140.5%	147%
# 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	89%	81%	95%	92%
# 3- Percentage of Funds Disbursed to Closed Loans - Shows the amount of funds actually disbursed compared to the amount of signed loan agreements	73%	80%	82%	80%
# 4- Benefits of Leveraging - (generating additional SRF funds by issuing bonds)	N/A	N/A	N/A	N/A
# 5- Perpetuity of Fund - Demonstrates whether the program is maintaining its contributed capital. A positive result indicates the Program is maintaining its capital base	\$37,398,411	\$40,269,218	N/A	N/A
# 6- Estimated Subsidy - An estimate of the CWSRF interest rate subsidy, stated as a percentage of the market rate.	58%	63.3%	62%	55%

⁹ Small states average is calculated using SFY2005 financial indicators for 7 states which were awarded capitalization grants of less than \$8M in 2005 and do not leverage their loan program.

CONCLUSION

REQUIRED ACTIONS

Based on our review of the Alaska Clean Water Fund's performance in SFY 2005 we have identified a few matters for which corrective action by the Department of Environmental Conservation must be taken:

1. An accurate administrative fund balance for the end of SFY2005 must be determined and reported to EPA's CWSRF Financial Analyst. For further discussion see "Administrative Reserves Account" on page 17.
2. A report or worksheet for the fee account reconciling the reported amounts at the end of SFY2005 between the financial statements and the ACWF internal database must be provided to the EPA CWSRF Financial Analyst. For further discussion see "Fees Accounting and Reporting" on page 18.
3. The ACWF must consistently follow procedures for ensuring that only non-federal/non CWSRF state-match funds are used to fund disbursements for loans that are associated with EPA special appropriation grant projects. For further discussion see "CWSRF Loan Disbursements on Special Appropriation Grant Projects" on page 15.
4. The ACWF must comply with the requirement that all new projects be included in an Intended Use Plan in order to be eligible for new loan funding. Adding a new project to an existing loan does not meet the Intended Use Plan requirement. Loans provided for projects not included in the Intended Use Plan could be subject to termination of the loan agreement and immediate repayment of all loan funds disbursed to the ineligible project. For further discussion see "Binding Commitments" on page 16.

RECOMMENDED ACTIONS

For reasons stated earlier in this document, EPA would like to request ADEC consider making the following changes:

1. Changes to accounting and reporting should be implemented for SFY 2006 and subsequent years for the fees charged as part of the ACWF loan program. (See "Fees Accounting and Reporting" page 18).
2. Modifications to the annual report (see "Annual Report" on page 10)

ATTACHMENT I - ANNOTATED REVIEW CHECKLISTS

GENERAL INSTRUCTIONS FOR USE OF CHECKLISTS

The checklists that follow are designed to provide a convenient method for ensuring that the annual review has addressed all of the major review elements. The checklists are organized by topic for easy reference and do not represent a suggested order for conducting the review. For example, project file reviews may touch on many different annual review topics and the checklists provide a mechanism to quickly locate the topic and record the findings while moving from one topic to another. Once the review is completed, all of the topics must either be specifically addressed or noted as not being covered during this review. If an area was not reviewed, note the reason for not reviewing it and any future review activities.

For the items that are reviewed, the requested information on the checklist must be completed noting EPA's findings. Make sure to check all data sources that were used in determining the findings. Pertinent attachments should be added to the checklists and referred to as is appropriate. The checklists must be used as EPA's work papers for the overall evaluation and a reference document in the future to prepare for the next annual review.

It should be noted that the checklist topics are references and are not intended to be comprehensive statements of each program item. Other supporting documents, such as the Annual Review Guidance, program documents provided in the SRF Document Library, the SRF Audit Compliance Supplement, the EPA SRF Financial Planning Model, and many other SRF related information and tools should be utilized to delve in depth into specific review topics.

ANNUAL REVIEW INFORMATION SHEET

State Under Review: Alaska
 DW or CW Program? CW

For SRF Fiscal Year Beginning: 07/01/04 Ending: 06/30/05

Annual / Biennial Report Received: 10/31/2005
 Annual Audit Received: 10/31/05

Audit Year: SFY 2005

State Contact: Mike Lewis
 Phone No. (907) 269-7616

Core Review Team:

<u>Role</u>	<u>Name</u>
Team Leader, CWSRF Coordinator	Michelle Tucker
Financial Analyst	Chris Castner

<u>State Staff Interviewed</u>	
Bill Griffith	Facility Operations Manager
Mike Lewis	CWSRF Program Manager
Butch White	Financial Analyst
Terri Lowell	Administrative Services
Dan Garner	Project Engineer
Mike Phillips	Project Engineer
Susan Randlett	Project Engineer
Joanna McDowell	Financial Officer
Kim Kruse	Division of Governmental Coordination

Project Files Reviewed: Mat-Su Borough Salted Sand Storage Building #561021

North Slope Borough Atqasuk Village Water and Sewer Project #635031

Anchorage FY97 Miscellaneous Wastewater Projects (Chester Creek Sewer Trunk Upgrade only (B-5G, B-6DEF)) #127101

	First Team Meeting	Second Team Meeting	On-Site Visit	Draft PER	Final PER
Estimated Date:	Many meetings re:admin issue resolution/hurricane deployment/split city agenda development		5/16/2006 - 5/19/2005	7/31/2006	8/31/2006
Actual Date:	4/13/2006	5/12/2006	5/16/2006 - 5/19/2005	8/11/2006	8/30/2006

REQUIRED PROGRAM ELEMENTS

Review Item and Questions to Answer <i>reference to guidance manual</i>	Yes	No	N/A	Comments	Data Sources (check all that apply)
1.1 Annual / Biennial Report					
1 Does the State's Annual / Biennial Report meet all requirements?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SFY05 Annual Report issued by State prior to receiving SFY03-04 PER. Required changes elaborated in SFY03-04 PER and State response letter indicated willingness to make changes for SFY06 Annual Report. Will re-evaluate at that time.	<input checked="" type="checkbox"/> Annual Report: Date Oct. 31, 2005
a. Reports on progress towards goals and objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Short term goal to loan \$52.1M; only loaned \$606,000 not explained in report. EPA will work with State to better report on progress towards goals and when goals aren't met, to explain why.	<input checked="" type="checkbox"/> Annual Report, pg. 1-2
b. Reports on use of funds and binding commitments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Annual Report, pg. 2-3 and Exhibit 1
c. Reports on the timely and expeditious use of funds	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	State doesn't currently report on "timely and expeditious use of funds." T&E continuing problem, identified to state in the past. Timely and expeditious use of funds discussed with State every year. Program behind in signing loans. ADEC working with EPA HQ contractors to complete survey of potential borrowers to determine if there are changes that can be made to increase T&E use of funds. SFY05 grant held until state obligates \$30M.	<input checked="" type="checkbox"/> Annual Report, pg. 7
d. Identifies projects and types of assistance provided.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Annual Report pg. 2 and Exhibit 1
e. Includes financial statements and cross-references independent audit report	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Independent audit last attachment of Annual Report	<input checked="" type="checkbox"/> Annual Report, Exhibit 6
f. Provides overall assessment of the SRF's financial position and long-term financial health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The Annual Report provides summary data on the ACWF's activities and financial position but provides no assessment of whether or not the financial position is better or worse than previous years, nor does the Annual Report provide an assessment of the long-term financial health of the program.	<input checked="" type="checkbox"/> Annual Report Executive Summary page1, and Details of Accomplishments pages 3 - 6.
g. Demonstrates compliance with all SRF assurances	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Annual Report pgs. 4-6
h. Demonstrates compliance with SRF program grant conditions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Annual Report pgs. 4-6
i. Demonstrates that the highest priority projects listed in the IUP were funded (DW only)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
j. Documents why priority projects were bypassed in accordance with state bypass procedures and whether state complied with bypass procedures.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	IUP explains procedure for bypassing project. Annual Report does not specifically address this issue.	
k. Documents use of set-aside funds (see set-aside sheet for details)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		

1.3 Compliance with DBE Requirements

1	Is the State complying with all DBE requirements (setting goals, six affirmative steps and reporting)?	<u> X </u>		<u> X </u> Grant / Operating Agreement <u> X </u> Annual / Biennial Report <u> X </u> Project Files <u> X </u> DBE Reporting Forms <u> X </u> Interview with CWSRF M/WBE Coord.
2	Are assistance recipients complying with all DBE requirements?	<u> X </u>	Project file reviews show that ADEC does an excellent job of ensuring assistance recipients comply with all MBE/WBE requirements.	<u> X </u> Project Files

1.4 Compliance with Federal Cross-Cutting Authorities (Cross-Cutters)

1	Is the State complying with applicable federal cross-cutting authorities?	<u> X </u>		<u> X </u> Project Files <u> X </u> Grant / Operating Agreement <u> X </u> Annual / Biennial Report <u> X </u> Interviews with CWSRF engineers
2	Is the State ensuring that assistance recipients are complying with all applicable federal cross-cutting authorities?	<u> X </u>		
3	Were there any issues which required consultation with other State or Federal agencies?		<u> X </u>	
	a. What did the consultation conclude with regard to compliance with the cross-cutter?		<u> X </u>	

1.5 Compliance with Environmental Review Requirements

1	Are environmental reviews being conducted in accordance with the State's approved environmental review procedures (SERP)?	<u> X </u>		<u> X </u> Project Files <u> X </u> State Environmental Review Procedures <u> X </u> Annual / Biennial Report <u> X </u> Interviews with CWSRF engineers
2	Does the State document the information, processes, and premises leading to decisions during the environmental review process?	<u> X </u>		<u> X </u> Project Files <u> X </u> Staff interviews
	a. Decisions that projects meet requirements for a categorical exclusion (CE) or the State equivalent?	<u> X </u>	Mat-Su Salted Sand Storage Shed	
	b. Environmental Assessment (EA)/Findings of No Significant Impacts (FONSI) or the state equivalent.	<u> X </u>	Anchorage Chester Creek Truck Replacement	
	c. Decisions to reaffirm or modify previous SERP decisions.	<u> X </u>	Atqasuk project require reaffirmation of BIA issued FONSI	
	d. Environmental Impact Statement (EIS)/Records of Decisions (RODS) or the State equivalent.		<u> X </u>	Did not review project with this type of decision.

3	Are public notices and meetings, as required by the SERP, provided during the environmental review process?	X		
4	Are documented public concerns being addressed/resolved by the State in the environmental review process?		X	No public concerns were found during the file review.
5	Do environmental reviews document the anticipated environmental and public health benefits of the project?		X	Environmental and public health benefits are addressed, not "documented," in the environmental reviews. Pursuant to EPA Order 5700.7, "Environmental Results Under Assistance Agreements," ACWF has agreed to fill out an environmental benefits "one-pager" for every project with which they sign a loan. This volunteer effort will provide EPA with invaluable information as to the benefits of the CWSRF. EPA would like to thank ADEC for agreeing to this with their SFY2004 Capitalization Grant and for providing that information in their SFY06 Annual Report.
1.6 Operating Agreement				
1	Is the State's Operating Agreement up to date reflecting current operating practices?		X	The Operating Agreement is the original from 1988, it has never been updated. A new, updated Operating Agreement will be in effect by Jan. 2007.
	a. Program administration		X	The State has undergone several reorganizations since the Operating Agreement was approved in 1988.
	b. MOUs		X	
	c. Description of responsible parties		X	The State has undergone several reorganizations since the Operating Agreement was approved in 1988.
	d. Standard operating procedures		X	
1.7 Staff Capacity				
1	Does the State have staff, in terms of numbers and capability, to effectively operate the SRF?		X	The senior engineer, Mike Lewis, still has all the responsibilities of running the CWSRF, DWSRF, and State Municipal Matching Grant Program and still maintains many of his engineers responsibilities. This program is seriously behind in Timely and Expedient use of its P&I repayments and the SFY05 grant is being held until \$30M has been obligated. Strong leadership and marketing are necessary to put the program back on track. Updating the Operating Agreement, providing all the legal documents necessary to transfer funds between the CWSRF and DWSRF, significantly increasing the rate at which funds are obligated, etc. all require a full time program manager.
	a. Accounting & Finance		X	
	b. Engineering and field inspection		X	Either a new engineer or program manager should be hired.
	c. Environmental review / planning		X	
	d. Management		X	Either a new engineer or program manager should be hired.
	e. Management of set-asides (DW only)		X	

2 Does the program have an organizational structure to effectively operate the SRF?

 X

1.8 DWSRF Withholding Determinations

1 Did the State document ongoing implementation of its program for ensuring demonstration of new system capacity?

 X

2 Did the State document ongoing implementation of its capacity development strategy?

 X

3 Did the State document ongoing implementation of its operator certification program?

 X

REQUIRED FINANCIAL ELEMENTS

Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources (check all that apply)
2.1 State Match					
1 Has the State provided match equal to 20 percent of the grant amount?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	A copy of the Alaska State Accounting System's ACWF account receipt, provided by staff during the on-site annual review visit, displayed state match bond receipts of \$1,582,380.. CWNIMS data confirms cumulative state match at 20% of federal grants received through SFY05.	<input checked="" type="checkbox"/> Audited Financial Statements <input checked="" type="checkbox"/> Annual / Biennial Report <input checked="" type="checkbox"/> State Accounting Records Review
2 Was each match amount deposited at or before the federal cash draw?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The ACWF deposits the entire amount of state match from bond proceeds into the ACWF account at the time of bond issuance which is before the grant award.	<input type="checkbox"/> Audited Financial Statements <input type="checkbox"/> Annual / Biennial Report <input checked="" type="checkbox"/> State Accounting Records Review
3 What is the source of the match (e.g., appropriation, State GO bonding, revenue bonds, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	ACWF issues bonds to generate the 20% state match.	<input type="checkbox"/> Grant Application <input checked="" type="checkbox"/> Audited Financial Statements <input checked="" type="checkbox"/> Annual / Biennial Report
4 Are match funds held outside the SRF until the time of cash draws?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The ACWF deposits the entire amount of state match from bond proceeds into the ACWF account at the time of bond issuance which is before the grant award.	
5 If bonds are issued for state match, and the SRF is used to retire these bonds, do the bond documents clearly state what funds are being used for debt service and security?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Notes to the Financial Statements also state that loan interest and investment earnings are used to retire the bonds issued for state match.	ACWF Financial Statements, Notes to the Financial Statements, page 24
a. Has the state match structure been approved by Headquarters?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		EPA HQ memo, dated June 28, 2000
6 Is the state match bond activity consistent with the approved state match structure?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

2.3 Cash Draws

1	Has the State correctly adhered to the "Rules of Cash Draw" ?	<u> X </u> <u> </u> <u> </u>	<p>All of the ACWF cash draws during SFY05 were for loan project costs incurred and eligible program administrative costs.</p> <hr/> <p style="text-align: right;"> <input checked="" type="checkbox"/> Project disbursement requests <input checked="" type="checkbox"/> Accounting transactions <input type="checkbox"/> Approved leveraging structure <input checked="" type="checkbox"/> Federal draw records (IFMS) <input type="checkbox"/> Audits </p> <hr/>
2	Does a review of specific cash draw transactions confirm use of correct proportionality percentages?	<u> X </u> <u> </u> <u> </u>	
3	For leveraged states, what proportionality ratio is the state using to draw federal funds?	<u> </u> <u> </u> <u> X </u>	
4	Have any erroneous payments/cash draws/disbursements been discovered and, if so , what corrective steps are being taken?		<p>In Nov 2005 EPA asked the ACWF about grant funds that were drawn for a disbursement on a loan for the match portion of a Special Appropriation grant awarded to Sitka, AK. The amount of federal funds drawn from CWSRF grants for this loan was \$263,568 in SFY05. Subsequent analysis provided by the ACWF Financial Analyst revealed a total of \$1,491,569 of federal cap grant funds incorrectly drawn over the period from SFY2000 to SFY2005 for special appropriation project loans. The analysis provided by ACWF confirmed that sufficient amounts of (non-federal) second-round money had been disbursed to loans that <i>would have qualified</i> for federal draws to offset the total amounts incorrectly drawn. EPA Region 10 accepted this as corrective action for prior year disbursements. Additionally, EPA and the ACWF established the procedures by which the ACWF will ensure that future disbursements be made from second - round funds only on Special Appropriation Grant loans.</p>
5	Does a review of specific Project cash draw transactions confirm the use of federal funds for eligible purposes?	<u> X </u> <u> </u> <u> </u>	<p>All disbursements reviewed were accompanied by adequate documentation. EPA Financial Analyst noted that ADEC accepts spreadsheet documentation of costs (versus actual invoices) from borrowers who have earned the confidence of ACWF program staff because of past performance and successful results of ongoing project audits.</p>
6	Does a review of specific Administrative cash draw transactions confirm the use of federal funds for eligible purposes?	<u> X </u> <u> </u> <u> </u>	<p>All administrative cash draw transactions reviewed were accompanied by adequate documentation. EPA Financial Analyst was pleased to note that previous deficiencies in admin charging practices have been corrected.</p>
		<u> X </u> <u> </u> <u> </u>	

2	Does the annual audit confirm compliance with State laws and procedures?	<u> X </u>		
	a. Did the audit include any negative comments on the state's internal control structure?	<u> X </u>		
	b. Did the audit identify any erroneous payments/cash draws/disbursements?	<u> X </u>		
	c. Has the State taken action to recover the improperly paid funds?	<u> X </u>		
3	Has the program implemented prior audit recommendations and/or recommendations in the "management" letter?	<u> X </u>		The audit report for SFY2005 did not include any recommendations in the management letter. Prior audit reports for SFY2003 and SFY2004 did not make any recommendations.
4	Are the states cash management and investment practices consistent with State law, policies, and any applicable bond requirements?	<u> X </u>		See "Cash and Cash Investments" in SFY2005 ACWF Notes to the Financial Statements, page 14.
				<u> X </u> Audit
	a. Is the SRF earning a reasonable rate of return on invested funds?	<u> X </u>		In SFY05, the rate of return for funds invested was 2.8%. NOTE: Neither the ACWF staff or management have control of investment returns for the cash balances of the fund - the State Treasurer's office determines how funds are invested.
5	Are State accounting procedures adequate for managing the SRF?	<u> X </u>		EPA's CWSRF Financial Analyst found accounting procedures to be consistent with financial management practices and policies appropriate for SRF programs.
				<u> </u> Accounting procedures manual
				<u> </u> Internal controls documentation
	a. Do the State's accounting procedures include internal control procedures for state-purchased equipment?	<u> X </u>		No state purchased equipment has been noted.
6	Are loan recipients providing single audits?	<u> X </u>		ADEC receives copies of all the single audits performed on AK communities.
				<u> </u> Project files
	a. Is the State reviewing the loan recipient audits and resolving issues?	<u> X </u>		ADEC receives copies of all the single audits performed on AK communities. The State OMB alerts ADEC if any findings are evident in Single Audits. (Butch White of the ACWF program office also routinely reviews the single audits of AK communities who are ACWF borrowers)
				Section 4.7 in the ACWF loan agreement stipulates that borrowers must keep project accounts in accordance with generally accepted governmental accounting principles. Accounting practices of the borrowers are also reviewed during the post-project audit conducted by Butch White, the ACWF Financial Analyst.
	b. Does the State ensure that assistance recipients are adhering to GAAP accounting requirements?	<u> X </u>		

2.8 Assessment of Financial Capability and Loan Security

1	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/> Financial Capability Review Procedures
			<input checked="" type="checkbox"/> Loan applications
			<input type="checkbox"/> Project Files
2		Loan applications include financial statements and budgets submitted by the borrower / applicant. Project Engineers review the financial data and complete a financial capability assessment checklist. New loan applications trigger requests for reports from Boise State "90% of the time" for loan applicants who have not applied for loans with ADEC before or when it has been a number of years since the last financial assessment was done for borrower / applicant.	
	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/> Financial Capability Review Procedures
			<input type="checkbox"/> Loan approval documentation
			<input checked="" type="checkbox"/> Project Files
3			
		<input checked="" type="checkbox"/>	<input type="checkbox"/> Capability Review Procedures
			<input type="checkbox"/> Loan applications
			<input type="checkbox"/> Project Files
4			
		<input checked="" type="checkbox"/>	<input type="checkbox"/> Capability Review Procedures
			<input type="checkbox"/> Loan approval documentation
			<input type="checkbox"/> Project Files
5			
	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/> Financial Capability Review Procedures
			<input type="checkbox"/> Loan approval documentation
			<input checked="" type="checkbox"/> Project Files
6			
		<input checked="" type="checkbox"/>	<input type="checkbox"/> Project Files
		This is not a requirement in ACWF loan agreements.	

2.9 Financial Management

1	Is the SRF program's financial management designed to achieve both short- and long -term financial goals?	<u> X </u>	During annual review discussion, EPA staff requested that the write-up of short-term and long-term goals in the IUP and annual report be updated periodically to better reflect the program's direction.	Annual / Biennial Report <u> X </u> Staff interviews
	a. Do the Financial Indicators show progress in the program in funding the maximum amount of assistance to achieve environmental and public health objectives?	<u> X </u>	Financial Indicators for SFY05 show increase from SFY04 on Return on Federal Investment. (% of loans to funds available dropped in SFY05 but improvement in this area is apparent for SFY06).	
2	Does the State have a long-term financial plan to direct the program?	<u> X </u>		
	a. Was financial modeling used to develop the plan?	<u> X </u>		
	b. Is the plan periodically reviewed and updated?	<u> X </u>		
	c. Does planning address types of assistance and terms, use of leveraging, and transfers or cross-collateralization between programs?	<u> X </u>		
3	Are funds disbursed to assistance recipients in a timely manner?	<u> X </u>	Transaction testing of disbursements showed a consistent pattern of funds disbursed within a few days after receipt of the request and expense documentation.	
4	Has the State resolved any issues related to loan restructuring, the potential for defaults, and the timeliness of loan repayments?	<u> X </u>	Some late payment(s) experienced. The communities have paid the associated late penalty fees.	
5	Are net bond proceeds, interest earnings, and repayments being deposited into the fund?	<u> X </u>	Accounting records provided verify bond proceeds for state match were deposited into the fund. Financial statements reported state match as well as loan repayments and interest earnings all being deposited into the fund.	
6	If the State leverages, is its leveraging activity consistent with the accepted leveraging structure?	<u> X </u>		
7	Are leverage and state match bond documents consistent with SRF regulations?	<u> X </u>		

Cash Draw / Disbursement testing: Ten (10) loan project disbursements and cash draws were tested for a total of \$3,630,474.(\$3,025,394 federal draws) Additionally two (2) administrative draws were tested totaling \$121,517. Erroneous payments associated with loans to projects funded by Special Appropriation Grants were noted totaling \$1,491,569. See element 2.3_4

ATTACHMENT II - FILE REVIEWS

ANCHORAGE; 127101

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Project Name	Loan Agreement 6/11/97	Anchorage - FY97 Miscellaneous Wastewater Projects (Chester Creek Sewer Trunk Upgrade only (B-5G, B-6DEF))
Project Loan Number	Loan Agreement 6/11/97	127101
Date of Loan	Loan Agreement 6/11/97	6/11/97 - loan not closed and is not in repayment Anchorage submitted an application to ADEC in April 03 and was on the SFY2003 IUP. Something happened and the loan was not signed by August...new SFY2004 went final and project wasn't on it. Anchorage said they needed money ASAP and couldn't wait a year for the IUP to come out again. Program Manager decided to add project to this existing loan since three other projects covered by this loan were not moving forward.
Project Description	1) Loan Amendment #2 10/24/03 2) Loan Agreement 6/11/97	1) And the Chester Creek Sewer Trunk Upgrade (B-5G, B-6DEF). 2) The project includes Chester Valley East 17 th Ave, B-5-4 Sitka St sewer, Ilianma Sewer R&R, pump station #10 upgrade, pump station #13 upgrade, Sydney Kay Street Sewer R&R. The rehabilitation and replacement of projects are designed to upgrade the existing facilities to provide for efficient and environmentally sound collection of wastewater

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		at the respective location in Anchorage.
Amount of Loan	1) Loan Amendment #2 10/24/03 2) Loan Agreement 6/11/97	1) \$2,250,000 2) \$2,000,000
Need for Project		<p>The B5-B6 sewer trunks have exceeded the material design life of the system and are in need of rehabilitation. They were constructed in the 1950s, with the B6 line predating the B5 sewer trunk line. Previous studies predicted capacity problems with both sewer lines due to population growth, flows from the Merrill Field leachate collection system, and infiltration and inflow.</p>
Loan Terms (rate/amortization period)	1) Loan Amendment #3 11/07/05 2) Loan Amendment #2 10/24/03 3) Loan Amendment #1 2/16/01	1) <u>Section 1.1.</u> (b) "Finance Charge Rate" means 1.50 percent per annum. <u>Section 4.2.</u> (a) the Municipality will pay a finance charge of 1.50 percent on each disbursement. Accrual of interest will begin one year after the date of the first disbursement to the Municipality. 2) No change to loan terms 3) <u>Section 1.1. (b)</u> "Finance Charge Rate" means 2.50 percent per annum. <u>Section 4.2.</u> The Municipality agrees to repay the principal

Item Description	What, Where & How Met	Explanation of requirement (if needed)
<p>Loan Terms (rate/amortization period) cont.</p>	<p>4) Loan Agreement 6/11/97</p>	<p>amount and the finance charge rate on all cash draws made to the Municipality according to the repayment schedule, which will be prepared by the Department and confirmed by the Municipality following initial disbursement of the loan amount. The repayment schedule for the actual amount of loan payments made to the Municipality will provide that:</p> <p>a) the Municipality will pay a finance charge of 2.50 on each disbursement. Accrual of interest will begin one year after the date of the first disbursement to the Municipality.</p> <p>4) <u>Section 1.1. (b)</u> "Contract interest rate" means 4.09 percent per annum.</p> <p><u>Section 4.2.</u> The Municipality agrees to repay the principal amount and the interest on all cash draws made to the Municipality according to the repayment schedule, which will be prepared by the Department and confirmed by the Municipality following initial disbursement of the loan amount. The repayment schedule for the actual amount of loan payments made to the Municipality will provide that:</p> <p>b) the Municipality will pay a interest at the contract interest rate on each disbursement, accruing from the disbursement date.</p> <p>c) the loan amount will be paid back within 20 years following initiation of operations of the facility.</p>

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Loan Terms (rate/amortization period) cont.	Loan Agreement 6/11/97 cont.	<p>Repayment of the loan will be made with either equal annual total payments including interest. Other repayment methods may be negotiated with the Department.</p> <p>d) the first loan repayment will be due one year following initiation of operation of the facility.</p> <p>Section 4.8. If a payment is received by the Department more than 30 days after it is due, the Municipality agrees to pay a late charge of five percent of the payment. Interest on the unpaid balance will continue to accrue at the contract interest rate and must be paid in addition to the late charge.</p>
Type of assistance under §603(d)	Loan Agreement 6/11/97	Direct loan
Financial Capability Assessment/Repayment Source Evaluation	Financial Information Form 11/17/00	<p>All necessary information provided though no documented evaluation. New assessment agreed upon for SFYs 2000 & 2001 PER not yet in effect.</p> <p>USER FEES PLEDGED TO REPAY LOAN: The Anchorage wastewater utility is subject to rate regulation by the Alaska Public Utilities Commission. The utilities financial position is continually monitored to determine the reasonableness of rates. If the revenue from rates is inadequate to cover the utilities expenses, revenue requirement studies are conducted and a request for increased rates is</p>

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		filed with the commission for approval. The utilities rate structure is monitored and revised in a similar fashion.
Loan Security Provisions	Loan Agreement 6/11/97	Section 4.10. The provisions of AS 37.15.575 relating to state aid interception apply to the loan made under this agreement.
Facility Plan Available/Approved	Pre-design Report 10/01 NO APPARENT ADEC APPROVAL	Municipality of Anchorage, Anchorage Water and Wastewater Utility, Pre-design Report, B-5 and B-6 Sewer Trunk Upgrade, AWWU Project Identification Number SCB4012, October 2001. Memo No. 3 discusses various options.
Plans & Specs Available/Approved	Plans and Specifications - Review/Approval Anchorage - B5G-B6CDEF (Chester Creek) Trunk Sewer Upgrade (Phillips) 6/29/04	I have reviewed the plans and specifications for the above referenced project, and give approval to construct. Based upon this review, the scope of work for this project consists of installation of approximately 400 square feet of new PVC interior lining on the sanitary sewer manhole, including concrete surface cleaning and preparation, shoring or excavation, and sewer flow control.
Bid Advertisement and Approval	Construction Contract, Bid Documents, and NTP Concurrence (Phillips) 10/12/04	I have reviewed your construction contract dated August 12, 2004 with Construction Unlimited, Inc. for the subject project, and give concurrence. The bid tabulations showed Construction Unlimited as the lowest responsive bidder, and their bid proposal was shown to satisfy the MBE/WBE requirements of the ACWF Loan Program.

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Bid Advertisement and Approval cont.	<p>Construction Contract, Bid Documents, and NTP Concurrence (Phillips) 5/1/03</p> <p>Advertising Waiver Approval (Lewis) 11/19/02</p>	<p>Invitation to bid No. 24-C038 - B-5 and B-6 MH31428-19 Upgrade...where was this published? For how long? I have reviewed the construction contract dated January 21, 2003 with TAM Construction, Inc. for the subject projects, and give concurrence. The bid tabulations showed TAM Construction as the lowest responsive bidder, and their bid proposal was shown to satisfy the MBE/WBE requirements of the ACWF Loan Program.</p> <p>Invitation to bid No. 22-C054 - B-5 & B-6 and C-5-7 Sewer Trunk Upgrade...where was this published? For how long? I have reviewed your waiver request for the subject projects and give approval. The waiver allows a 21-day advertising period for the subject projects.</p>
MBE/WBE Compliance	<ol style="list-style-type: none"> 1) Sworn Statement for Compliance 5/21/02 2) Estimated sub-Contractor's Data 1/20/03 3) Appendix C 	<ol style="list-style-type: none"> 1) Signed Municipality of Anchorage Office of Equal Opportunity Sworn Statement for Compliance laying out affirmative steps. 2) Signed Municipality of Anchorage Office of Equal Opportunity Estimated Sub-Contractor's Data detailing MBE/WBE status of all sub-contractors. 3) Signed Municipality of Anchorage Small and Minority Firms and Women's Business Enterprise Statement for EPA-financially assisted projects (Form 10-029 (Rev. 98) EPA

Item Description	What, Where & How Met	Explanation of requirement (if needed)
MBE/WBE Compliance cont.	4) MBE/WBE Planned Utilization 1/13/03 5) Loan Agreement 6/11/97	4) Signed MBE/WBE Planned Utilization 5) Section 3.9 The Borough will comply with the minority and women owned business requirements of the State Revolving Loan Fund program, and will require its contractors to also meet these requirements.
Initiation of Operations/Performance Certification [§204(d)(2)] [equivalency]	1) B-5G_B-6CDEF Sewer Trunk Upgrade (Ramirez) 5/9/06 2) Initiation of Operation Acceptance Anchorage - B5G-B6CDEF Sewer Trunk Upgrade (Phillips) 5/9/06	1) Per the executed ADEC Certification of Construction for Domestic Wastewater Systems form, the final phase of the B-5G_B-6CDEF SEWER TRUNK UPGRADE project (formerly CHESTER CREEK TRUNK), the manhole , was completed July 14, 2005. In accordance with the State of Alaska Clean Water loan regulations, AWWU therefore requests Initiation of Operation for this project under ACW Loan 127101 be established as July 14, 2005 . Affirmative Certification for ACW Loan 127101 will not be forthcoming until the last project in the group (Pump Station 10) has been constructed, and it has undergone its one year performance period set by its Initiation of Operation. 2) I have reviewed your request to have the July 14, 2005 "Certification of Construction" date for the B5G-B6CDEF as the Date of Initiation of Operation for this project, and give approval. Please note, because there are multiple projects under ACWF Loan N. 127101, this project

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		performance period is only one phase of the overall ACWF loan project performance period.
BPWTT [Best Practical Wastewater Treatment Technology; §201(b)] [equivalency]	Pre-design Report 10/01	Municipality of Anchorage, Anchorage Water and Wastewater Utility, Pre-design Report, B-5 and B-6 Sewer Trunk Upgrade, AWWU Project Identification Number SCB4012, October 2001. Memo No. 3 discusses various options.
Eligible Categories [§201(g)(1)] [equivalency]	Pre-design Report 10/01	Project is for repair and replacement of existing collection system which are eligible categories under the CWA.
Reclaim, Reuse [Alternative management techniques; e.g., land treatment, small systems, reclamation and reuse of water must be considered] §201(g)(2) [equivalency]	NA	Pipe replacement
Infiltration/Inflow §201(g)(3) [equivalency]	Pre-design Report 10/01	<p>Page iv – The following significant sewer pipe defects were found during the CCTV inspection:</p> <ul style="list-style-type: none"> • In the concrete pipe that is submerged in the water table many of the joints are leaking as evidenced by mineral buildup and active infiltration. • Some holes and other miscellaneous broken pipe section were found • Root intrusion was observed n a number of places.

Reviewer: Michelle Tucker

Date: May 16-19, 2006

Project: Anchorage (Chester Creek
Sewer Truck Upgrade only) - 127101

Page 9 of 32

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Infiltration/Inflow §201(g)(3) [equivalency] cont.	Pre-design Report 10/01 cont.	<ul style="list-style-type: none">• The CMP pipe in the tide flats is collapsed in one area and is nearing the end of its useful life. Signs of corrosion and metal loss were observed.• Most of the concrete block manholes are actively leaking or have signs of leaking some time during the season.• And more
Innovative/Alternative Treatment Technology (§201(g)(5) [equivalency])	Pre-design Report 10/01	Various options reviewed, including pipe bursting which is not common in Alaska.
Recreation & Open Space (§201(g)(6) [equivalency])	NA	Pipe replacement
CSO Funding Limitations (§201(n)(1-2) [equivalency])	NA	Not a CSO
Capitol Financing Plan (§201(o) [equivalency])		1995 Anchorage Wastewater Master Plan (no actual capitol financing plan)
Water Quality Management Plans (§204(a)(1) [equivalency])	NA	Alaska does not do 208 or 303(e) plans.
Operation and Maintenance (§204(a)(2) [equivalency])	NA	Anchorage sends updates to O&M manual when there is manufactures cut-sheets, pumps involved, etc. No O&M manuals required for pipe. For every project ADEC approves

Reviewer: Michelle Tucker

Date: May 16-19, 2006

Project: Anchorage (Chester Creek

Sewer Truck Upgrade only) - 127101

Page 10 of 32

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		record drawings and keeps a copy.
User Charge System [\$204(b)(4)] [equivalency]	1) SRF Ordinance & Rate Approval (Verrelli) 1/24/01 2) Financial Information Form 3/17/97	1) I have reviewed Update No. 19 to Sewer Tariff No. 2 and give approval. These submittals, which provide tariff updates effective January 1, 2001 were found to satisfy 18 AAC 76.060(a)(6) of the Alaska Clean Water regulations. 2) User Fees \$23,661,000. The Anchorage Wastewater Utility is subject to rate regulation by the Alaska Public Utilities Commission. The Utility's financial position is continually monitored to determine the reasonableness of rates. If the revenue from rates is inadequate to cover the Utility's expenses, revenue requirement studies are conducted and a request for increased rates is filed with the Commission for approval. The Utility's rate structure is monitored and revised in a similar fashion.
Collection Systems [\$211] [equivalency]	Pre-design Report 10/01	Collection system has exceeded design life, it about to exceed capacity, and is need of repair.
Cost Effectiveness [\$218] [equivalency]	Pre-design Report 10/01	Costs associated with various options analyzed and lowest cost options chosen.
Davis Bacon Act [\$512] [equivalency]	NA	Project signed after Oct. 94
Environmental Review [\$511(c)(1)] [equivalency]	FONSI issued 01/27/03	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Was the appropriate type of Enviro. Review conducted	Yes	Environmental Assessment prepared
If another agency's environmental review was adopted, is the adoption process appropriately documented	NA	
Public Notice	<p><i>Anchorage Daily News</i> Affidavit of Publication 12/26/02 (Teresita Peralta)</p>	<p><i>Anchorage Daily News</i> 12/26/02 – Public Notice Department of Environmental Conservation Finding of No Significant Impact.</p> <p>Notice is hereby given that the Department of Environmental Conservation proposes to issue a Finding of No Significant Impact based on the findings of an Environmental Assessment performed for the following project:</p> <p>The Anchorage Water and Wastewater Utilities, located at 3000 Arctic Boulevard, Anchorage, Alaska 99503-3898 is proposing the construction of the "B-5 and B-6 (Chester Creek) Truck Sewer Upgrade" consisting of rehabilitation of three segments of sewer mains totaling approximately 977 lineal feet. These mains are located within existing easements and road rights-of-way, with two of the segments to be removed and replaced and the third segment to be relined.</p>

Reviewer: Michelle Tucker

Date: May 16-19, 2006

Project: Anchorage (Chester Creek

Sewer Truck Upgrade only) - 127101

Page 12 of 32

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Public Notice cont.	<i>Anchorage Daily News</i> Affidavit of Publication 12/26/02 (Teresita Peralta) cont.	<p>The environmental assessment process did not identify a significant environmental impact from the proposed project. Consequently, and Environmental Impact Statement will not be required. A copy of the Environmental Assessment may be obtained by contacting Terri Lowell at (907) 465-5416 at 410 Willoughby Avenue, Suite 303, Juneau, Alaska 99801-1795.</p> <p>The annexed is a copy of an advertisement as it was published in regular issues (and not in supplemental form) of said newspaper on the above dates (<u>12/26/02</u>) and that such newspaper was regularly distributed to its subscribers during all of said period.</p>
Public Hearing	NA	
Was an appropriate range of alternatives evaluated	Environmental Assessment	
Were other environmental review considerations adequately addressed		
Endangered Species Act	Enviro. Assessment	
National Historic Preservation Act	Environmental Assessment	
Archeological & Historic Preservation Act	Environmental Assessment	

Reviewer: Michelle Tucker

Date: May 16-19, 2006

Project: Anchorage (Chester Creek

Sewer Truck Upgrade only) - 127101

Page 13 of 32

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Wild & Scenic Rivers Act	Environmental Assessment	
Coastal Zone Management Act Compliance	NA	
Coastal Barriers Resource Act	NA	
Farmland Protection Act	Environmental Assessment	
E.O. 11990 Wetlands Protection	Environmental Assessment	
E.O. 11888 Floodplain Management Act	Environmental Assessment	
Clean Air Act Compliance	Environmental Assessment	
Safe Drinking Water Act	Environmental Assessment	
Civil Rights Act	EPA 4700-4; 10/30/98	Signed Pre-award Compliance Review Report for all Applicants Requesting Federal Financial Assistance; EPA 4700-4 (Rev. 1/90)
E.O. 11246	1) Sworn Statement for Compliance 5/21/02 2) Loan Agreement 6/11/97	1) Signed Municipality of Anchorage Office of Equal Opportunity Sworn Statement for Compliance laying out affirmative steps. 2) Section 3.9 The Borough will comply with the minority and women owned business requirements of the State Revolving

Reviewer: Michelle Tucker

Date: May 16-19, 2006

Project: Anchorage (Chester Creek

Sewer Truck Upgrade only) - 127101

Page 14 of 32

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		Loan Fund program, and will require its contractors to also meet these requirements.
E.O. 12898 Environmental Justice		
Small Business & Rural Communities Act		
Uniform Relocation Act		
Debarment & Suspension	B-5 and B-6 MH31428-19 Upgrade Invitation to Bid No. 24-C038 Specifications and Contract Documents	<p>DEBARMENT LIST <u>AS 36.05.090(b)</u> states that "the state disbursing officer or the local fiscal officer shall distribute to all departments of the state government and to all political subdivisions of the state a list giving the names of persons who have disregarded their obligations to employees."</p> <p>A person appearing on the following debarment list and a firm, corporation, partnership or association in which the person has an interest may not work as a contractor or subcontractor on a public construction contract for the state or a political subdivision of the state for three (3) years from the date of debarment. (Two companies listed with dates of disbarment and debarment expiration)</p>

ATQASUK - 635031

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Project Name	Loan Agreement 4/13/01	Atqasuk Village - Water and Sewer Project
Project Loan Number	Loan Agreement 4/13/01	635031
Date of Loan	Loan Agreement 4/13/01	4/13/01
Project Description	Loan Agreement 4/13/01	The project will provide for the construction of a wastewater treatment plant, vacuum sewer station, piped collection network for collection of grey and black water and a transmission line for disposal of treated sewage effluent.
Amount of Loan	Loan Agreement 4/13/01	\$1,250,000
Need for Project	<p>North Slope Borough CIPM Department - Village Water and Sewer Project Final Phase 1 report</p> <p>Environmental Assessment</p>	<p>6.2.4 <u>Sewage Collection</u> Honey bags are collected from the homes by truck. The education building has a sewage holding tank and the sewage is piped to a pumping station in the utility building.</p> <p>The community of Atqasuk would benefit from the proposed water and sewer project in the following ways:</p> <ul style="list-style-type: none"> • Human and Environmental Health: The principal benefit would be the overall enhancement of human and environmental health. Sanitation improvements to the water and sewer systems would reduce the incidence of disease and illness and diminish the negative environmental impacts of dumping raw sewage directly into the lagoons. Additionally, the water distribution

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Need for Project cont.	Environmental Assessment cont.	<p>system would provide fire protection to the village.</p> <ul style="list-style-type: none"> • Accessibility and Convenience: The Atqasuk Water and Sewer Project is planned so that water and sewer services will be available to <u>every</u> residential and commercial lot including the school, health clinic, fire station, and community hall. On-site facilities mitigate the need for water distribution and sewage collection on an individual level. This is especially advantageous for elderly and disabled residents. • Aesthetics: By eliminating the honeybucket collection and raw sewage dumping, the aesthetic qualities of Atqasuk would be enhanced.
Loan Terms (rate/amortization period)	Loan Agreement 4/13/01	<p><u>Section 1.1. (b)</u> "Finance Charge Rate" means 2.50 percent per annum.</p> <p><u>Section 4.2.</u> The Borough agrees to repay the principal amount and the finance charge rate on all cash draws made to the Borough according to the repayment schedule, which will be prepared by the Department and confirmed by the Borough following initiation of operation of the facility. The repayment schedule for the actual amount of loan payments made to the Borough will provide that:</p> <ul style="list-style-type: none"> e) the Borough will pay a finance charge of 2.50 percent on each disbursement. Accrual of interest will begin one year after the date of the first disbursement to the Borough.

Item Description	What, Where & How Met	Explanation of requirement (if needed)
<p>Loan Terms (rate/amortization period) cont.</p>	<p>Loan Agreement 4/13/01 cont.</p>	<p>f) the loan amount will be paid back within 10 years following initiation of operations of the facility. Repayment of the loan will be made with either equal annual principle payments plus the finance charge or equal annual total payments including the finance charge. Other repayment methods may be negotiated with the Department.</p> <p>g) the first loan repayment will be due one year following substantial completion and initiation of operation of the facility.</p> <p>Section 4.6. If a payment is received by the Department more than 30 days after it is due, the Borough agrees to pay a late charge of five percent of the payment. Interest on the unpaid balance will continue to accrue at the contract interest rate and must be paid in addition to the late charge. Payments in arrears over 90 days, will be referred to the Attorney Generals Office for collection.</p>
<p>Type of assistance under §603(d)</p>	<p>Loan Agreement 4/13/01</p>	<p>Direct loan</p>
<p>Financial Capability Assessment/Repayment Source Evaluation</p>	<p>Financial Information Form 11/17/00</p>	<p>All necessary information provided though no documented evaluation. New assessment agreed upon from SFYs 2000 & 2001 PER not yet in effect.</p> <p>User fees are applied to cost of operation and will not be used to repay loan; no increase in user fees.</p>

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Financial Capability Assessment/Repayment Source Evaluation cont.	Financial Information Form 11/17/00 cont.	Property taxes used to repay loan (oil companies). The property taxes have not been previously pledged. The current Village Water and Sewer Project has been financed with General Obligation (GO) Bonds. Repayment of GO Bonds are based on annual appropriations of property tax proceeds.
Loan Security Provisions	Loan Agreement 4/13/01	Section 4.9. The provisions of AS 37.15.575 relating to state aid interception apply to the loan made under this agreement.
Facility Plan Available/Approved		Facility Plan not approved by ADEC...ADEC loan not provided until after construction began.
Plans & Specs Available/Approved	1) Approval to Construct (Ronimus) 9/15/98 2) Approval to Construct (Rieth) 5/24/99	ADEC didn't approve...loan signed after construction began 1) Plans for the construction or modifications of <u>NSB Village W&S Project Standard Vacuum Sewer Service Connections for the domestic wastewater disposal system located in Pt. Hope, Atqasuk, Kaktovik, & Nuiqsut, Alaska</u> , submitted in accordance with 18 AAC 72.210 by <u>Shiltec (Karl Hansen)</u> have been reviewed and are conditionally approved (see attached letter dated 9/15/98). LETTER NOT FOUND 2) Plans for the construction <u>A collection system, wastewater treatment plant & sludge bagging system for domestic wastewater disposal system located in Atqasuk, Alaska</u> , sub. in accordance with 18 AAC 72.210 by <u>LCMF-Tom Winkler, P.E.</u> have been reviewed and are conditionally approved <ol style="list-style-type: none"> 1. solid waste disposal per fairbanks 2. wastewater disposal per kinakrak lake but authorized by T. Wingerter ADEC Fairbanks

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Bid Advertisement and Approval		No bid advertisement and/or approval since contract was sole-source
MBE/WBE Compliance	1) Garner letter 6/4/01 2) Loan Agreement 4/13/01	1) We note that Atqasuk Constructors is a 100% native owned business, which means 100% achievement for purposes of the ACWF and ADWF MBE/WBE requirements. 2) Section 3.9 The Borough will comply with the minority and women owned business requirements of the State Revolving Loan Fund program, and will require its contractors to also meet these requirements.
Initiation of Operations/Performance Certification [§204(d)(2)] [equivalency]		Unable to obtain from any responsible entity.
BPWTT [Best Practical Wastewater Treatment Technology; §201(b)] [equivalency]	North Slope Borough CI PM Department - Village Water and Sewer Project Final Phase 1 report	Two design alternatives were considered for the sewage collection system for Atqasuk, in an effort to find the most economical and technically feasible means. This section describes the features of each. Alternative 1: Direct Bury, Gravity Sewer. Alternative 2: Direct Bury, Pressure Sewer.
Eligible Categories [§201(g)(1)] [equivalency]	Loan Disbursement Request #1 - 1/14/02	Full \$1,250,000 paid on 1 st and only disbursement. Atqasuk provided ~6.5M in incurred costs and requested payment of \$1.2M loan.
Reclaim, Reuse [Alt.manag. techniques] §201(g)(2) [equivalency]		Limited possibilities given remote location and harsh climate

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Infiltration/Inflow §201(g)(3) [equivalency]	NA	New system
Innovative/Alternative Treatment Technology (§201(g)(5) [equivalency]		Limited possibilities given remote location and harsh climate
Recreation & Open Space [§201(g)(6)] [equivalency]		Limited possibilities given remote location and harsh climate
CSO Funding Limitations [§201(n)(1-2)] [equivalency]	NA	New system - not separating CSO
Capitol Financing Plan [§201(o) [equivalency]]		Atqasuk Village too small...North Slope Borough paying for project. NSB has CIP covering all villages up there.
Water Quality Management Plans [§204(a)(1)] [equivalency]	NA	Alaska does not do 208 or 303(e) plans.
Operation and Maintenance [§204(a)(2)] [equivalency]		ADEC doesn't have O&M manuals, they know they exist but there is no one left at the Borough to provide them.
User Charge System [§204(b)(4)] [equivalency]	Financial Information Form 11/17/00	<p>User fees are applied to cost of operation and will not be used to repay loan; no increase in user fees.</p> <p>Property taxes used to repay loan (oil companies). The property taxes have not been previously pledged. The current Village Water and Sewer Project has been financed with General Obligation (GO) Bonds. Repayment of GO Bonds are based on annual appropriations of property tax proceeds.</p>

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Collection Systems [§211] [equivalency]		Plans lay out grid pattern to provide services to all residents
Cost Effectiveness [§218] [equivalency]		Project under \$10 million, Value Engineering not required
Davis Bacon Act [§512] [equivalency]	NA	Project signed after Oct. 94
Environmental Review [§511(c)(1)] [equivalency]	FONSI issued by BIA 9/7/99	
Was the appropriate type of environmental review conducted	Adoption notification	The Division of Facility Construction and Operation, within the Department of Environmental Conservation, having reviewed the Facility Planning documents and the Finding of No Significant Impact, is issuing this adoption of the previous federal determination for these projects in accordance with 18 AAC 76.040(f) and the environmental review procedures of the Alaska Clean Water Fund.
If another agency's environmental review was adopted, is the adoption process appropriately documented	Yes	See below for publication of Notice of Adoption
Public Notice	1) <i>Nome Nugget</i> Affidavit of Publication 2/15/01 (Mary Wheeler?)	1) <i>Nome Nugget</i> 2/15/01 - Alaska Clean Water and Drinking Water Revolving Loan Funds Adoption of a Previous Federal Determination Finding of No Significant Impact to the Environmental Review Process North Slope Borough-

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Public Notice cont.	<p><i>Nome Nugget</i> Affidavit of Publication 2/15/01 (Mary Wheeler?) cont.</p> <p>2) <i>Fairbanks Daily New Miner</i> Affidavit of Publication 2/15/01 (Holly R. Hanson)</p>	<p>Kaktovik, Atqasuk and Nuiqsut Water and Wastewater Projects was published in said publication on the <u>15</u> day of <u>February 2001</u> and thereafter for <u>one</u> consecutive week, the last publication appearing on the <u>15</u> day of <u>February 2001</u> and that rate charged thereon is not in excess of the rate charged private individuals.</p> <p>2) <i>Fairbanks Daily News Miner</i> 1/20/98 - Alaska Clean Water and Drinking Water Revolving Loan Funds Adoption of a Previous Federal Determination Finding of No Significant Impact to the Environmental Review Process North Slope Borough-Kaktovik, Atqasuk and Nuiqsut Water and Wastewater Projects was published in said paper on the following day(s): <u>1/31/01</u> <u>2/16/01</u> and that rate charged thereon is not in excess of the rate charged private individuals, with usual discounts.</p>
Public Hearing	NA	Not necessary
Was an appropriate range of alternatives evaluated	Environmental Assessment	In an effort to find the most economical and technically feasible sewage collection system, two design alternatives were considered. This section briefly describes the features of each. Alternative 1 - direct bury, gravity sewer. Alternative 2 - direct bury, pressure sewer.
Were other enviro. review consid. adequately addressed		
Endangered Species Act	Environmental Assessment	

Item Description	What, Where & How Met	Explanation of requirement (if needed)
National Historic Preservation Act	Environmental Assessment	
Archeological & Historic Preservation Act	Environmental Assessment	
Wild & Scenic Rivers Act	Enviro. Assessment	
Coastal Zone Management Act Compliance	NA	Not coastal community
Coastal Barriers Resource Act	NA	Not coastal community
Farmland Protection Act	Enviro. Assessment	
E.O. 11990 Wetlands Protection	Environmental Assessment	
E.O. 11888 Floodplain Management Act	Environmental Assessment	
Clean Air Act Compliance	Environmental Assessment	
Safe Drinking Water Act	Environmental Assessment	
Civil Rights Act	EPA 4700-4; 10/17/01	Signed Pre-award Compliance Review Report for all Applicants Requesting Federal Financial Assistance; EPA 4700-4 (Rev. 1/90)
E.O. 11246	Loan Agreement 4/13/01	Section 3.9 The Borough will comply with the minority and women owned business requirements of the State Revolving Loan Fund program, and will require its contractors to also meet these requirements.

Item Description	What, Where & How Met	Explanation of requirement (if needed)
E.O. 12898 Environmental Justice	Environmental Assessment	
Small Business & Rural Communities Act		
Uniform Relocation Act		
Debarment & Suspension		The sole source construction contract was let to a joint Venture Company between the North Slope regional Corporation and the Atqasuk village corporation. This Joint Venture Construction Company was created solely for this project and did not exist prior to this project. It could not be on the debarred list because it didn't exist until this project.

MAT-SU - 561021

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Project Name	Loan Agreement 6/2/05	Mat-Su Borough - Salted Sand Storage Building
Project Loan Number	Loan Agreement 6/2/05	561021
Date of Loan	Loan Agreement 6/2/05	ADEC signed 6/2/05; Borough signed 2/13/06
Project Description	Loan Agreement 6/2/05	The project will construct an aluminum framed membrane covered structure for the storage of winter salted sand. Construction will also include a paved asphalt pad inside the structure to prevent leaching of chloride into the groundwater aquifer.
Amount of Loan	Loan Agreement 6/2/05	\$296,000
Need for Project	Matanuska-Susitna Borough Public Works Department Memorandum 12/20/04	Ground water monitoring for our down gradient monitoring wells has been ongoing at the Central Landfill since 1993. Over the last several years there has been an increasing chloride level in monitoring wells 11, 12, and 16. Monitoring well 11 has exceeded the Ground Water Protection Standard of 250 ppm on several occasions and has been noted as such in several of our quarterly monitoring reports. It is obvious to that the practice of open stockpiling salted sand and storage of large quantities of calcium chloride at the landfill site is the factor responsible for these chloride concentrations being detected in the wells. Discussions have taken place regarding the construction of a structure that would enclose and cover the salted sand utilized by the Road Service Area contractors. Storing this material under cover will undoubtedly prevent the

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Need for Project cont.	Matanuska-Susitna Borough Public Works Department Memorandum 12/20/04 cont.	<p>occurrence of runoff containing these chlorides from entering the groundwater table. It is imperative for the continued use of this area at the Central Landfill that the salted sand be placed under cover as soon as a structure can be constructed for this purpose.</p> <p>State NPS Update - Section II Assessment - Sources of Pollution from Community and Urban development.</p>
Loan Terms (rate/amortization period)	Loan Agreement 6/2/05	<p><u>Section 1.1. (b)</u> "Finance Charge Rate" means 1.50 percent per annum.</p> <p><u>Section 4.2.</u> The Borough agrees to repay the principal amount and the finance charge rate on all cash draws made to the Borough according to the repayment schedule, which will be prepared by the Department and confirmed by the Borough following initiation of operation of the facility. The repayment schedule for the actual amount of loan payments made to the Borough will provide that:</p> <ul style="list-style-type: none"> h) the Borough will pay a finance charge of 1.50 percent on each disbursement. Accrual of interest will begin one year after the date of the first disbursement to the Borough. i) the loan amount will be paid back within 20 years following initiation of operations of the facility. Repayment of the loan will be made with either equal annual principle payments plus the finance charge or

Item Description	What, Where & How Met	Explanation of requirement (if needed)
<p>Loan Terms (rate/amortization period) cont.</p>	<p>Loan Agreement 6/2/05 cont.</p>	<p>equal annual total payments including the finance charge. Other repayment methods may be negotiated with the Department.</p> <p>j) the first loan repayment will be due one year following substantial completion and initiation of operation of the facility.</p> <p>Section 4.6. If a payment is received by the Department more than 30 days after it is due, the Borough agrees to pay a late charge of five percent of the payment. Interest on the unpaid balance will continue to accrue at the finance charge rate and must be paid in addition to the late charge. Payments in arrears over 90 days, will be referred to the Attorney Generals Office for collection.</p>
<p>Type of ass. under §603(d)</p>	<p>Loan Agreement 6/2/05</p>	<p>Direct loan</p>
<p>Financial Capability Assessment/Repayment Source Evaluation</p>	<p>Financial Information Form 11/17/00</p>	<p>“Evenson assessment” agreed upon in PER completed. Various Road Service Area Funds (RSA). RSA are responsible for X miles of road. Mat-Su Borough is divided into RSAs...RSAs are like a division within the Borough government. Each RSA is responsible for the percentage of the loan based on the percentage of road miles being serviced by the Salt Storage Shed. RSAs are funded out of the Borough’s annual budget...repayment of this loan is now a new line item in the yearly budget request. Ordinance 06-065 lays out each service area’s annual payment responsibility based on the preliminary repayment schedule provided by ADEC.</p>

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Loan Security Provisions	Loan Agreement 6/2/05	Section 4.9. The provisions of AS 37.15.575 relating to state aid interception apply to the loan made under this agreement.
Facility Plan Available/Approved	NA	NPS project. Borough submitted monitoring well studies that show need for project, preliminary design of some structures that could be used, and a map of the location for the salt sand storage facility. Actual building design hasn't been chosen yet. However ADEC will approve project for eligibility prior to RFP.
Plans & Specs Avail/Approved	NA	ADEC will review and approve RFP prior to invitation to bid.
Bid Advertisement and Approval	NA	Project too new, not at this point yet. ADEC will approve bid advertisement prior to RFP.
MBE/WBE Compliance	NA	Project not yet begun. ADEC considering funding with repayment funds only and not applying cross-cutters.
Initiation of Operations/Performance Certification [§204(d)(2)] [equivalency]	NA	NPS project; project not yet started.
BPWTT [Best Practical Wastewater Treatment Technology; §201(b)] [equivalency]	NA	NPS project; project not yet started.
Eligible Categories [§201(g)(1)] [equivalency]	NA	NPS project; project not yet started.
Reclaim, Reuse [Alter manag tech] §201(g)(2) [equivalency]	NA	NPS project; project not yet started.

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Infiltration/Inflow §201(g)(3) [equivalency]	NA	NPS project; project not yet started.
Innovative/Alternative Treatment Technology (§201(g)(5) [equivalency]	NA	NPS project; project not yet started.
Recreation & Open Space [§201(g)(6)] [equivalency]	NA	NPS project; project not yet started.
CSO Funding Limitations [§201(n)(1-2)] [equivalency]	NA	NPS project; project not yet started.
Capitol Financing Plan [§201(o) [equivalency]]	NA	NPS project; project not yet started.
Water Quality Management Plans [§204(a)(1)] [equivalency]	NA	Alaska does not do 208 or 303(e) plans.
Operation and Maintenance [§204(a)(2)] [equivalency]	NA	NPS project; project not yet started.
User Charge System [§204(b)(4)] [equivalency]	NA	NPS project; project not yet started.
Collection Systems [§211] [equivalency]	Na	NPS project; project not yet started.
Cost Effectiveness [§218] [equivalency]	NA	NPS project; project not yet started.
Davis Bacon Act [§512] [equivalency]	NA	Project signed after Oct. 94

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Environmental Review [§511(c)(1)] [equivalency]	CE issued 10/8/04	
Was the appropriate type of environmental review conducted	Yes	NPS project, purpose to eliminate groundwater contamination. Meets state criteria for CE.
If another agency's environmental review was adopted, is the adoption process appropriately documented	NA	
Public Notice	<i>Anchorage Daily News</i> Affidavit of Publication 10/14/04 (Teresita Peralta)	<p><i>Anchorage Daily News</i> 10/14/04 – Public Notice Department of Environmental Conservation Alaska Clean Water Revolving Loan Fund</p> <p>Notice is hereby given that the Department of Environmental Conservation, as provided by 18 AAC 76.040 proposes to issue a Categorical Exclusion to the Environmental Review Procedures of the Alaska Clean Loan Fund for the following project.</p> <p>Matanuska-Susitna Borough Salted Sand Storage Building.</p> <p>The project will provide for a pre-engineered aluminum framed, membrane covered structure for storage of salted sand used for road sanding. The proposed structure will prevent precipitation runoff from the stored sand and extend protection to ground water sources.</p>

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Public Notice cont.	<i>Anchorage Daily News</i> Affidavit of Publication 10/14/04 (Teresita Peralta) cont.	<p>All work for this project is being done within previously developed public right-of-ways, and therefore will have no impact on any adjacent undeveloped properties or waters. In addition, this project will not directly or indirectly provide an adverse effect to any of the following:</p> <ol style="list-style-type: none"> 1. Cultural resource areas; 2. Endangered or threatened species or their habitat; 3. Environmentally important natural areas. <p>The project is not expected to have any significant adverse effects on the quality of the environment either individually, cumulatively over time, or in conjunction with other federal, State, local or private actions.</p> <p>The annexed is a copy of an advertisement as it was published in regular issues (and not in supplemental form) of said newspaper on the above dates (<u>10/13/04</u>) and that such newspaper was regularly distributed to its subscribers during all of said period.</p>
Public Hearing	NA	CE issued 10/8/04
Was an appropriate range of alternatives evaluated	NA	CE issued 10/8/04
Were other environmental review considerations adequately addressed	NA	CE issued 10/8/04
Endangered Species Act	NA	CE issued 10/8/04

Item Description	What, Where & How Met	Explanation of requirement (if needed)
National Historic Preservation Act	NA	CE issued 10/8/04
Archeological & Historic Preservation Act	NA	CE issued 10/8/04
Wild & Scenic Rivers Act	NA	CE issued 10/8/04
Coastal Zone Management Act Compliance	NA	CE issued 10/8/04
Coastal Barriers Resource Act	NA	CE issued 10/8/04
Farmland Protection Act	NA	CE issued 10/8/04
E.O. 11990 Wetlands Protection	NA	CE issued 10/8/04
E.O. 11888 Floodplain Management Act	NA	CE issued 10/8/04
Clean Air Act Compliance	NA	CE issued 10/8/04
Safe Drinking Water Act	NA	CE issued 10/8/04
Civil Rights Act		Copy of 4700-4 mailed to EPA
E.O. 11246	NA	NPS project; project not yet started.
E.O. 12898 Environmental Justice	NA	CE issued 10/8/04
Small Business & Rural Communities Act	NA	NPS project; project not yet started.
Uniform Relocation Act	NA	NPS project; project not yet started.
Debarment & Suspension	NA	NPS project; project not yet started.