

CLEAN WATER STATE REVOLVING FUND

ANNUAL REPORT

STATE OF OREGON
DEPARTMENT OF ENVIRONMENTAL QUALITY

FOR THE FISCAL YEAR 2003:
JULY 1, 2002 THROUGH JUNE 30, 2003

Prepared by:

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) is presented to introduce the annual financial statements of the Oregon Clean Water State Revolving Fund (CWSRF) for the year ended June 30, 2003, and is intended to supplement these financial statements and provide the users of these statements with pertinent financial information about the program, in an easy to read format. The MD&A provides financial statement readers with a summary of the information presented in the financial statements, discussion of pertinent policies, procedures and issues, and any additional information the CWSRF management feels is useful to the financial statement reader.

This MD&A is presented to comply with the requirements of Governmental Accounting Standards Board (GASB) Statement number 34, which prescribes changes in accounting and reporting for governmental entities. It is the intent of this Statement number 34 that the resulting financial statements be more understandable and useful to the reader. The Department of Environmental Quality (DEQ) CWSRF loan program is responsible for the content of these financial statements. DEQ implemented the GASB 34 requirements beginning with its fiscal year 2002 financial statements.

The Clean Water State Revolving Fund Loan Program

The CWSRF provides low interest loans to public entities for projects that protect the quality of Oregon's waters. DEQ receives an annual grant from the U.S. Environmental Protection Agency (EPA). The 2002 grant was in the approximate amount of \$15,000,000 (the 2003 grant was not awarded during the State fiscal year 2003). This grant must be matched with State funds in the amount of 20 percent of the federal grant, or approximately \$3,000,000 for 2002. These funds, combined with repayments on existing loans and investment interest earnings, totaled \$48,000,000 for State fiscal year 2002. If a \$15,000,000 grant was factored into the calculation of funds available for fiscal year 2003, there would be approximately \$56,000,000 available for loans. CWSRF loan interest rates can range from zero percent to the market rate, as authorized by State statute. Loan repayments are re-loaned to Oregon communities for completion of new projects, resulting in the "revolving" nature of the program. As of June 30, 2003 the Oregon CWSRF has loaned a total of \$407,186,484 to Oregon communities to help protect the quality of our water.

Net Assets of the CWSRF

Net assets are required, by GASB 34, to be reported including the amount of capital assets owned by the entity, less any debt incurred to obtain those capital assets. The Oregon CWSRF has no capital assets and has no debt, consequently the amount of net assets reported includes no such amounts. The total amount of reported net assets as of June 30, 2003 is \$321,172,308. The June 30, 2002 financial statements reported net assets of \$300,186,687. The increased net assets is the result of repayments received from borrowers, new federal grant funds received (from the 2002 grant) and investment interest earnings on the fund.

Net assets as of June 30, 2003 include all amounts earned and retained in the program (similar to retained earnings in a private enterprise), all grant funds received from EPA, and all amounts paid into the CWSRF by the State of Oregon as grant match.

Income During Fiscal Year 2003

Net operating income of the CWSRF for fiscal year 2003 was \$11,784,309. Operating income includes those amounts earned by the ordinary activities of the program, less the related expenses. Ordinary activities of the program include interest earned on loans, interest earned on balances held with the State Treasurer's Office, and fees collected from borrowers. Related expenses include payroll costs, amounts paid for services and supplies, and amounts paid for Indirect Cost, which is used by the DEQ to pay for centralized services, such as budgeting and accounting. Net operating income for fiscal year 2002 was \$10,466,135.

The program has incurred no losses as a result of borrower defaults. If borrowers experience financial hardship DEQ is willing to work to accommodate their needs, while ensuring the integrity of the CWSRF. Borrowers are required to review and adjust their sewer rates (which are pledged as the source of loan repayment) periodically, to ensure their ability to pay all their operating costs and debt service.

Net operating income increases the amount of net assets in the program. Other increases to net assets include amounts actually received from the EPA grant, and amounts contributed as grant match by the State of Oregon. In 2003 the amount of federal grant funds received was \$9,201,311, however there were no required deposits of state matching funds during the year.

The CWSRF loan program is allowed to use 4% of its federal grant funds to cover the cost of administering the program. In addition, the Oregon program charges its borrowers a loan fee to pay for program administrative costs after the federal grants have ended. The total amount of loan fees collected during fiscal year 2003 was \$1,654,212. These amounts are not deposited into the loan fund, but are held outside the fund for future payment of administrative costs.

Changes in Cash Position

During fiscal year 2003 CWSRF cash increased by \$28,701,864, as can be seen on the Statement of Cash Flows. Total loan repayments received from borrowers was \$31,767,721, including principal and interest. Loan fees collected totaled \$1,654,212. Interest credited to the CWSRF account with the State Treasurer's Office totaled \$1,072,829. Administrative expenses paid to employees, vendors, and for Indirect Cost totaled \$792,769. Cash received from EPA grant funds totaled \$9,201,015. Loan disbursements to borrowers totaled \$14,201,145. These amounts compose the change in cash balance and can be seen on the Statement of Cash Flows. Part of the reason for the large cash balance increase was because the City of Gresham paid several of its loans early, resulting in approximately \$10,000,000 more repayment money than anticipated.

DEQ would like to see a decrease in the current cash balance of over \$70,000,000, because that would indicate CWSRF funds are being used by Oregon communities to help reduce water pollution around the State. During 2003 DEQ did not disburse as much in loan proceeds as it would have liked, as CWSRF borrowers' projects are not proceeding as quickly as originally anticipated. DEQ is hopeful that the pace of our projects will increase in the near future. The projected amount of disbursements for fiscal year 2004 is \$44,573,321, which would help to reduce the amount of cash held by the program.

Business Decisions Affecting the CWSRF

In May 2003 the Environmental Quality Commission (EQC) approved certain changes to the Oregon Administrative Rules (OAR) that direct the CWSRF loan program. It is hoped that these rule changes make CWSRF funding more accessible for both point and nonpoint source pollution projects. These approved rule changes include the addition of new types of eligible projects (security projects, emergency projects), a simplified application process (a single application, rather than two applications), reduced interest rates, elimination of the loan origination fee, and new criteria that will be used to score and rank projects. DEQ believes these changes will increase demand for CWSRF funds and help to increase the size of the fund.

Many states around the country increase the amount of immediately available loan funds by issuing revenue bonds, backed by the CWSRF program revenues, and loan those bond proceeds. This "leveraging" of the program provides more loan funds in the short term, however it places a strain on program resources in future years as the program must repay the bonds. Oregon has considered leveraging its program, however we have made the decision not to leverage at this time.

What's Ahead For 2004

The last several years' capitalization grants from EPA have averaged approximately \$15,000,000 per year. The 2004 proposed budget for EPA includes approximately the same amount for the CWSRF. If appropriated by Congress, the amount of funds available to CWSRF borrowers in Oregon during 2004 would be approximately \$70,000,000.

The federal grant for 2003 was not awarded to Oregon until August of 2003, so the funds from that grant and the 2004 grant will both become available to the program during state fiscal year 2004. At the time these financial statements were created, the program was still drawing funds from the 2002 federal grant, although loan demand should soon require use of the 2003 grant funds.

A Change in State Matching Funds

In order to provide the required twenty percent state matching funds for the 2003 and 2004 federal grants the CWSRF program will issue general obligation bonds that will be repaid from program resources. This is a change from previous years when the legislature authorized the use of state general funds for this purpose. These bonds will be issued on a very short term basis, with repayment to occur within a week or less, and will be repaid using CWSRF loan and investment interest earnings. The immediate impact on the fund will be approximately \$3,000,000 in fewer funds available for loans in each of the fiscal years 2004 and 2005. Future years' match requirements will probably be met in the same fashion. In addition to the 2003 and 2004 grant match requirements, the CWSRF program will also have to begin making payment on state match bonds issued in previous years. Total fiscal year 2004 payments on these existing bonds will be approximately \$2,450,000. The program is actively working with DEQ's budget office and outside counsel to minimize the impact on the program because of these payments.

Conclusion

This MD&A is intended to provide a summary of the financial condition of the CWSRF loan program and should be read in conjunction with the remainder of this report. The financial statements, footnotes and supplemental information provided in this annual report provide a detailed analysis of the program's financial position and results of operations.

Questions about the Oregon CWSRF loan program should be directed to the Oregon DEQ, CWSRF Coordinator, 811 S.W. 6th Avenue, Portland OR 97204. Financial questions should be addressed to Rick Watters, CWSRF Accountant, at the same address.

OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
Clean Water State Revolving Fund Loan Program
Statement of Net Assets
 June 30, 2003

ASSETS	SRF	Administration	Total
Current			
Cash and Cash Equivalents	74,637,846	3,436,164	78,074,010
Loan Interest Receivable	2,549,782	0	2,549,782
Investment Interest Receivable	0	0	0
Due From EPA	70,177	0	70,177
Loans Receivable	11,165,648	0	11,165,648
	<u>88,423,453</u>	<u>3,436,164</u>	<u>91,859,617</u>
Non-Current			
Loans Receivable, net of Current Portion	229,468,929	0	229,468,929
	<u>229,468,929</u>	<u>0</u>	<u>229,468,929</u>
Total Assets	<u><u>317,892,382</u></u>	<u><u>3,436,164</u></u>	<u><u>321,328,546</u></u>
Liabilities			
Accounts Payable	0	8,796	8,796
Payroll Payable	0	46,949	46,949
Construction Costs Payable	100,431	0	100,431
Due To Other Funds	0	63	63
Total Liabilities	<u>100,431</u>	<u>55,808</u>	<u>156,239</u>
Net Assets			
Unrestricted	<u>317,791,951</u>	<u>3,380,356</u>	<u>321,172,307</u>
Total Liabilities and Net Assets	<u><u>317,892,382</u></u>	<u><u>3,436,164</u></u>	<u><u>321,328,546</u></u>

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

OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
Clean Water State Revolving Fund Loan Program
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2003

	<u>SRF</u>	<u>Administration</u>	<u>Total</u>
Operating Revenues			
Loan Interest	9,850,059	0	9,850,059
Loan Fees	0	1,654,212	1,654,212
Investment Earnings	1,032,208	40,622	1,072,830
	<u>10,882,267</u>	<u>1,694,834</u>	<u>12,577,101</u>
 Operating Expenses			
Salaries and Benefits	0	593,700	593,700
Services and Supplies	0	95,787	95,787
Indirect Costs	0	103,303	103,303
	<u>0</u>	<u>792,790</u>	<u>792,790</u>
 Operating Income	<u>10,882,267</u>	<u>902,044</u>	<u>11,784,311</u>
Transfers In (Out)	-792,061	792,061	0
EPA Grants Received	9,201,311	0	9,201,311
State Match Contributions	0	0	0
Increase in Net Assets	<u>19,291,517</u>	<u>1,694,105</u>	<u>20,985,622</u>
 Net Assets, Beginning of Year	298,500,435	1,686,252	300,186,687
 Net Assets, End of Year	<u>317,791,952</u>	<u>3,380,357</u>	<u>321,172,309</u>

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

OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY
Clean Water State Revolving Fund Loan Program
Statement of Cash Flows
For the Year Ended June 30, 2003

	2003
Cash Flows From Operating Activities:	
Cash received from loan interest repayments	11,121,857
Cash received from Treasury interest credits	1,072,829
Cash received from loan fees	1,654,212
Cash payments to:	
Vendors	(90,157)
Employees	(599,307)
Indirect Cost	(103,304)
	13,056,130
Net Cash Provided by Operating Activities	13,056,130
Cash Flows From Noncapital Financing Activities	
Transfers from SRF Fund to admin fund	(792,061)
Transfers received by administration fund	792,061
	0
Net Cash Provided by Noncapital Financing Activities	0
Cash Flows From Capital and Related Financing Activities	
Funds Received From EPA	9,201,015
Funds Received From The State of Oregon	0
Transfer to SRF fund from fees fund	0
Transfer received by SRF fund from fees fund	0
	9,201,015
Net Cash Provided by Capital and Related Financing Activities	9,201,015
Cash Flows From Investing Activities	
Loan Disbursements	(14,201,145)
Repayment of Loan Principal	20,645,863
	6,444,718
Net Cash Used in Investing Activities	6,444,718
Increase (Decrease) in Cash and Cash Equivalents	28,701,863
Cash and Cash Equivalents, Beginning of Year	49,372,147
Cash and Cash Equivalents, End of Year	78,074,010
Reconciliation of operating income to net cash provided by operating activities	
Operating Income	11,784,309
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase/Decrease in loan interest receivable	1,271,799
Increase/Decrease in accounts payable	5,632
Increase/Decrease in payroll payable	(5,594)
Increase/Decrease in amount due to other funds	(17)
Total adjustments:	1,271,821
Net cash provided by operating activities	13,056,130

NOTES TO FINANCIAL STATEMENTS

1. **Organization of the Fund**

The Oregon Clean Water State Revolving Fund (the Fund) was established pursuant to Oregon Revised Statutes 468.423 – 468.440. The State Revolving Fund (SRF) program replaces an earlier construction grants program. The purpose of the SRF is to provide low interest loans to local governments for the purpose of constructing wastewater treatment facilities, implementing nonpoint source pollution management plans, and the design and implementation of estuary management plans. The loan repayment period ranges from five to 20 years, and all repayments, including interest and principal, must be credited to the State Revolving Fund.

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

The ODEQ oversees administration of the Fund. ODEQ staff charges the Fund for time spent on SRF activities, and the Fund reimburses ODEQ for such costs in the following month. The charges include the salaries and benefits of the employees, as well as indirect costs allocated to the Fund. The rate of indirect cost is negotiated annually with the EPA. Employees charging time to the Fund are covered by the benefits available to Oregon State Employees. The Fund is also charged indirect costs through the cost allocation plan for general state expenses.

The Fund financial statements, footnotes, and required supplemental information are presented for the U.S. Environmental Protection Agency. The Fund is included in the Oregon general purpose financial statements as a special revenue fund which uses the modified accrual basis of accounting. Due to differences in reporting methods, there may be differences between the amounts reported in these financial statements and the general purpose financial statements.

2. **Summary of Significant Accounting Policies**

Basis of Accounting

The financial statements for the Fund are presented as an enterprise fund. As such, the Fund is accounted for using the flow of economic resources measurement focus and is maintained on the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred. All assets and liabilities associated with the operations of the Fund are included on the balance sheet. The State has elected to follow the accounting pronouncements of the Governmental Accounting Standards Board (GASB), as well as statements issued by the Financial Accounting Standards Board on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

All monies of the Fund are deposited with the Oregon Treasurer's Office which is responsible for maintaining these deposits in accordance with Oregon law. The Fund considers all such deposits to be cash. Investment interest earnings on these deposits are received by the Fund on a monthly basis. According to State law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the Fund, as further discussed in Note 3. Consequently, management of the Fund does not have any control over the investment of the excess cash. The statement of cash flows considers all funds deposited with the Treasurer to be cash or cash equivalents, regardless of actual maturities of the underlying investments.

Loans Receivable

The loans are funded by Federal capitalization grants, State matching funds, loan repayments and fund earnings. The SRF monies are disbursed to borrowers on a cost reimbursement basis. When the borrowers have incurred qualifying expenses, they request a loan disbursement from the Fund, and at that time, a disbursement is made and recorded in the Fund accounting records. Interest begins accruing when funds are disbursed to the borrower. After the final disbursement, repayment begins with an interest only payment. Full repayment must be received by the Fund within 20 years. There is no provision for uncollectible accounts, as all repayments are current, and program management believes all loans will be repaid according to the loan terms. There have been no loan defaults in the program since its inception.

Net Assets

Generally accepted accounting principles (GAAP), under GASB 34, require the balance sheet to include in the Net Assets section the amount of investment in capital assets, net of related borrowing, and net assets (restricted and non-restricted). The CWSRF program has no capital assets at this time, which results in a single amount of Net Assets on the balance sheet.

3. Cash and Cash Equivalents

All cash in the Fund is deposited with the State Treasurer who is responsible for maintaining and investing the pooled cash balances in accordance with State laws. The Treasurer is required to maintain a mix of investments in order to allow funds to be withdrawn at any time to meet normal operating needs. The Fund's share of the investment income is based on the average daily balance for the period and is credited to the Fund monthly. Details of the investments can be obtained from the State Treasurer's Office.

All cash and investments are stated at cost, which approximates fair market value. Investments held by the State Treasurer's Office are not categorized because they are not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Amount</u>	<u>Market Value</u>
Not subject to categorization:		
Deposited with State Treasurer's Office	<u>\$ 78,074,010</u>	<u>\$ 78,074,010</u>

4. **Loans Receivable**

The Fund makes loans to qualified entities at interest rates ranging from zero percent to 4.71 percent. Rates depend on the length of the loan, the type of loan, and program rules. Prior to 1995 rates were either zero percent or three percent, depending on the length of the repayment period. In 1995 this rule was changed to base loans on the average rate for state and local bond issues. Between 1995 and 2003 the rate for facilities planning loans was one-half the bond rate, and the rate for design and construction loans was the greater of either two-thirds the bond rate or the bond rate minus 200 basis points (two percent). A rule change in May of 2003 once again changed the interest rates, although they are still based on the average municipal bond rate. Rates vary with the term of the loan, with a low of 25% of the bond rate for 5 year maturities to a maximum of 65% of the bond rate for 20 year maturities. The maximum loan term is 20 years. Recipients make semiannual or, in some cases, annual payments, starting six months after project completion. Details of loans receivable as of June 30, 2003 are as follows:

	<u>Loan Authorized</u>	<u>Remaining Commitment</u>	<u>Outstanding Balance</u>
Completed projects	\$324,779,399	\$ 0	\$225,754,965
Projects in progress	<u>82,407,085</u>	<u>65,778,955</u>	<u>14,779,181</u>
Totals	<u>407,186,484</u>	<u>65,778,955</u>	<u>240,534,146</u>
Less amounts due within one year			11,165,648
Loans receivable, June 30, 2002			\$229,368,498

Loans mature at various intervals through June 1, 2026. The scheduled minimum principal repayments in future years are as follows:

Year ending June 30:	<u>Amount</u>
2004	\$ 11,165,648
2005	13,275,955
2006	13,071,760
2007	13,202,897
2008	13,461,251
Thereafter	<u>176,356,635</u>
Total	<u>\$240,534,146</u>

Loans to Major Local Agencies:

From the inception of the Clean Water State Revolving Fund, as of June 30, 2003, the Fund made loans to 15 local governments that totaled \$10,000,000 or more, and in the aggregate, exceeded \$290,000,000. The outstanding balances of these loans represent approximately 75 percent of the total loans receivable, as follows:

<u>Borrower</u>	<u>Authorized Loan Amount</u>	<u>Outstanding</u>	<u>Status</u>
City of Albany	\$ 25,000,000	0	New
City of Ashland	23,920,068	\$23,479,073	Repayment
City of Brookings	13,100,000	13,100,000	Repayment
City of Corvallis	21,963,693	20,147,636	Repayment
City of Cottage Grove	11,125,000	0	New
City of Dallas	14,880,000	13,219,186	Repayment
City of Eugene	25,592,592	4,169,216	Repayment
City of Florence	12,279,155	11,372,583	Repayment
City of Gresham	42,359,498	25,820,081	Repayment
City of Newport	20,228,883	20,069,671	Repayment
City of Ontario	13,971,689	9,653,142	Repayment
City of Portland	14,105,382	0	Paid
City of Prineville	11,167,286	4,480,884	New
City of Redmond	12,060,000	5,681,386	Active
City of Woodburn	<u>30,349,671</u>	<u>27,993,917</u>	Repayment
TOTAL	<u>\$ 292,102,917</u>	<u>\$ 179,186,775</u>	

5. **Fixed Assets**

The only fixed assets are equipment. During fiscal year 2003 there were no purchases of equipment, and the existing CWSRF loan program capital assets have all been fully depreciated.

6. **Federal Grants and State Match**

The Fund is capitalized through the Catalog of Federal Domestic Assistance (CFDA) 66.458, Capitalization Grants for SRF, through EPA. These grants have been awarded annually, however the grant for federal fiscal year 2003 was not awarded by June 30, 2003. It was, however, awarded subsequently, on August 22, 2003. The State of Oregon must also contribute an amount equal to 20 percent of the federal capitalization amount. Oregon's matching contribution has been provided through appropriation of State general fund resources and general obligation bonds of the State. However, beginning with the 2003 grant, the CWSRF loan program will be required to raise match from within the program, meaning any resulting debt will be the responsibility of the loan program. As of June 30, 2003, EPA has awarded capitalization grants in the amount of \$221,383,526 to the State of Oregon, of which \$216,990,212 has been drawn for loans and administrative expenses. The State has provided matching funds of \$44,276,706. The following summarizes the capitalization grant awards, amounts drawn on each grant as of the balance sheet date, and balances available for loans and administrative costs:

	Grant Amount	Total Draws As of June 30, 2002	2003 Draws	Total Draws as of June 30, 2003	Grant Funds Available June 30, 2003
1989	\$ 10,655,073	\$ 10,655,073	\$ 0	\$ 10,655,073	\$ 0
1990	11,021,373	11,021,373	0	11,021,373	0
1991	23,183,622	23,183,622	0	23,183,622	0
1992	21,949,191	21,949,191	0	21,949,191	0
1993	21,712,581	21,712,581	0	21,712,581	0
1994	13,472,415	13,472,415	0	13,472,415	0
1995	13,914,054	13,914,054	0	13,914,054	0
1996	22,791,123	22,791,123	0	22,791,123	0
1997	7,011,959	7,011,959	0	7,011,959	0
1998	15,211,548	15,211,548	0	15,211,548	0
1999	15,212,835	15,212,835	0	15,212,835	0
2000	15,161,256	14,797,256	364,000	15,161,256	0
2001	15,026,517	14,425,456	428,061	14,853,517	173,000
2002	15,059,979	2,430,711	8,408,954	10,839,665	4,220,314
Totals	\$ 221,383,526	\$ 207,789,197	\$ 9,201,015	\$ 216,990,212	\$ 4,393,314

As of June 30, 2002 and 2003, state matching contributions were as follows:

	June 30, 2002	2003 Contribution	June 30, 2003
Oregon State Matching Contribution	\$ 44,276,706	0	\$ 44,276,706

State matching funds were not contributed during fiscal year 2003, because the 2003 federal grant was not awarded during that time. We believe that two grants will be awarded during state fiscal year 2004, which will result in matching funds for both grants being contributed as well.

7. Loan Fees

In order to support administration and project management costs after the federal capitalization grant funds are depleted, loan fees are assessed on all loans originating after 1992. A loan origination fee of 1.5 percent is assessed at the beginning of the repayment period, and an annual fee of 0.5 percent is assessed on the outstanding balance. The fees are deposited to an account outside the Fund and will be used only for administrative and project management costs. Revenues in this account are shown in the table following:

	One Time Fee	Annual Fee	Total
FY 1994	\$ 0	\$ 325	\$ 325
FY 1995	1,189	0	1,189

FY 1996	114,629	33,764	148,393
FY 1997	63,335	59,577	122,912
FY 1998	140,641	72,422	213,063
FY 1999	155,710	83,706	239,416
FY 2000	349,738	156,545	506,283
FY 2001	574,998	328,385	903,383
FY 2002	1,467,025	840,321	2,307,346
FY 2003	680,719	973,493	1,654,212
TOTAL	<u>\$ 3,547,984</u>	<u>\$ 2,548,538</u>	<u>\$6,096,522</u>

In May 2003 the Environmental Quality Commission (EQC) approved changes to the program's administrative rules. One of the approved changes is the elimination of the 1.5% loan processing fee that has been charged on all loans. This fee is no longer charged. Also, fees on planning loans will not be assessed, in order to encourage Oregon communities to complete more planning.

In April 2002 CWSRF program management decided to transfer \$3,000,000 from the Fees fund into the Loan fund, because future fee income will be adequate to pay for administrative costs, and the \$3,000,000 could be used for water quality projects.

8. Contingencies, Related Parties, and Subsequent Events

Contingencies

The Fund is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, injuries to state employees while performing Fund business, or acts of God. The State maintains insurance for all risks of loss which is included in the indirect costs allocated to the Fund.

In previous years the State of Oregon has been named in suits against CWSRF borrowers, by citizens either claiming unlawful sewer rate increases or unlawful debt. These suits have been decided in favor of our borrowers and the State of Oregon, and we are unaware of any such contingencies in existence at this time.

Related Parties

There are no related party transactions with or related amounts receivable from management of the Fund.

Subsequent Events

As noted above, the federal capitalization grant for fiscal year 2003 was not awarded until August 22, 2003. It is our belief that the 2004 federal grant will be awarded more timely, and that the related matching funds for both loans will be raised during the State fiscal year 2004.

SUPPLEMENTAL INFORMATION

The following schedules provide additional information that may be useful to the financial statement reader. These schedules provide data about future program activity, loan security provisions, and certain U.S. Environmental Protection Agency requirements.

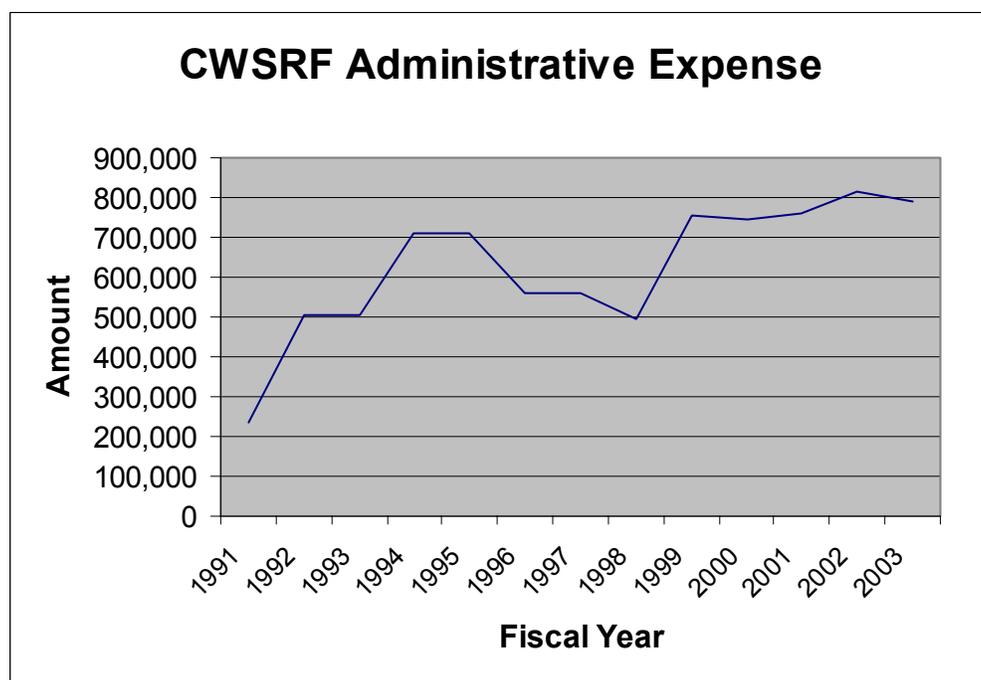
The table below shows the capitalization funding of the Clean Water State Revolving Fund since its inception through June 2003. It shows federal capitalization grants received from EPA and state matching funds, as well as how funds are allocated between loans and fund administration. The grant for 2003 was not awarded until August 2003, and, consequently, does not appear in this table.

CWSRF CAPITALIZATION

Federal Fiscal Year	Capitalization Grant Award	20% State Match	Administrative Allowance (4% of Grant)	Net Available for Loans
1989	10,655,073	2,131,015	(426,203)	12,359,885
1990	11,021,373	2,204,275	(440,855)	12,784,793
1991	23,183,622	4,636,724	(927,345)	26,893,001
1992	21,949,191	4,389,838	(877,968)	25,461,061
1993	21,712,581	4,342,516	(868,503)	25,186,594
1994	13,472,415	2,694,483	(538,897)	15,628,001
1995	13,914,054	2,782,811	(556,562)	16,140,303
1996	22,791,123	4,558,224	(911,645)	26,437,702

1997	7,011,959	1,402,392	(280,478)	8,133,873
1998	15,211,548	3,042,310	(608,462)	17,645,396
1999	15,212,835	3,042,568	(608,513)	17,646,890
2000	15,161,256	3,032,251	(606,450)	17,587,057
2001	15,026,517	3,005,303	(601,061)	17,430,759
2002	15,059,979	3,011,996	(602,399)	17,469,576
2003	0	0	0	0
Totals	\$221,383,526	\$44,276,706	(\$8,855,341)	\$256,804,891

The table below illustrates the administrative expenses of the CWSRF loan program, since its inception. These charges are exclusive of those charged to the loan fees fund, since they are not charged to the federal grant.



This table documents the planned schedules for active loans, and also lists the loan terms for each of these loans. This table provides an estimate of future demand on the State Revolving Fund.

Borrower	Loan Number	Date Loan Signed	Start Date	Completion Date	Loan Amount	Term (Yrs)	Interest Rate	One-Time Fee	Annual Fee
Albany	R10511	6/26/2003	7/1/2006	7/1/2009	25,000,000	20	3.14%	0.0%	0.5%
Arch Cape	R11430	12/9/2002	1/1/2003	8/1/2003	70,000	5	2.36%	0.0%	0.5%
Arch Cape	R11432	12/9/2002	12/16/02E	12/03E	233,000	20	3.14%	0.0%	0.5%
Astoria	R11790	11/12/2002	12/1/02E	12/03E	2,760,000	20	3.14%	1.5%	0.5%
BCVSA	R14002	2/21/2002	8/1/02E	11/03E	305,000	20	3.51%	1.5%	0.5%
BCVSA	R14003	2/21/2002	7/1/02E	11/03E	663,000	20	3.51%	1.5%	0.5%
Bunker Hill S.D.	R19150	4/25/2003	4/25/03E	12/03E	50,000	5	2.40%	1.5%	0.5%
Burns	R19400	9/25/1997	2/1/1999	5/04E	2,100,000	20	3.69%	1.5%	0.5%
Coburg	R23040	3/20/2002	2/15/02E	9/03E	450,000	5	2.63%	1.5%	0.5%
Coburg	R23041	3/20/2002	1/8/03E	10/04E	3,500,000	20	3.51%	1.5%	0.5%
Cottage Grove	R24571	1/27/1997	9/02E	11/03E	1,725,000	20	3.77%	1.5%	0.5%
Cottage Grove	R24572	1/27/1997	9/02E	10/04E	9,400,000	20	3.77%	1.5%	0.5%
Dufur	R29521	3/12/2002	6/01/02E	10/03E	450,000	20	3.51%	1.5%	0.5%
Garibaldi	R35610	3/24/1997	6/1/1997	5/1/1999	431,474	20	3.77%	1.5%	0.5%
Gov't Camp S.D.	R38350	6/29/1999	6/29/1999	12/8/2000	3,500,000	20	3.39%	1.5%	0.5%
Grants Pass	R38671	6/26/2001	7/1/2002E	6/30/05E	7,000,000	20	3.43%	1.5%	0.5%
Haines	R40350	1/12/2001	5/1/2001	12/03E	100,000	20	3.75%	1.5%	0.5%
Hines	R44630	12/4/2000	11/00E	1/04E	76,000	5	2.82%	1.5%	0.5%
Hines	R44631	11/27/2002	1/03E	12/04E	949,349	20	3.14%	1.5%	0.5%
Lakeside	R54435	6/28/1999	5/01/1999E	10/04E	114,716	5	2.54%	1.5%	0.5%
Maywood Park	R63960	5/1/2002	7/01/02E	12/31/03E	30,000	5	2.66%	1.5%	0.5%
Miles Crossing	R65230	2/9/2001	2/9/2001E	12/03E	80,000	5	2.82%	1.5%	0.5%
Myrtle Creek	R67980	6/29/2001	7/1/2001	1/04E	8,797,397	20	3.43%	1.5%	0.5%
Netarts	R68680	9/17/2002	8/1/2002	12/03E	100,000	5	2.54%	1.5%	0.5%
Powers	R74350	1/22/2002	12/01E	9/04E	20,000	20	3.51%	1.5%	0.5%
Prairie City	R74420	9/26/2000	10/1/2000E	12/03E	1,045,000	20	3.85%	1.5%	0.5%
Prineville	R74681	4/22/2002	7/1/02E	12/04E	8,900,000	20	3.55%	1.5%	0.5%
Rainier	R75260	2/20/1997	5/1/1997	3/31/2000	171,685	7	2.83%	1.5%	0.5%
Redmond	R76071	3/25/1997	2/1/1999	7/29/2000	12,060,000	20	3.77%	1.5%	0.5%
Salem	R80210	10/1/2002	9/02E	12/04E	6,300,000	20	3.38%	1.5%	0.5%
Sweet Home	R89750	12/23/2002	6/1/03E	9/30/04E	2,000,000	20	3.14%	1.5%	0.5%
Tillamook	R91562	3/24/1997	7/1/1997	1/15/1999	1,929,808	20	3.77%	1.5%	0.5%
Tillamook	R91563	4/11/2003	4/11/03E	12/31/03E	500,000	20	3.19%	1.5%	0.5%
Tillamook	R91564	4/14/2003	4/14/03E	12/31/03E	304,499	5	2.40%	1.5%	0.5%
Unity	R93091	3/3/1998	11/22/1999	12/1/1999	215,175	20	3.43%	1.5%	0.5%
Waldport	R94344	4/21/2003	4/21/03E	12/31/04E	1,221,700	2	3.23%	0.0%	0.0%
Warrenton	R94940	3/31/1997	9/98E	5/1/2000	250,000	20	3.77%	1.5%	0.5%
Wedderburn S.D.	R95510	11/22/1999	7/99E	12/03E	103,424	5	2.86%	1.5%	0.5%
Total					\$102,906,227				

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

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

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

The table below lists all loan balances (including accrued interest) as of June 30, 2003, grouped by security provisions.

Borrower	Loan Number	General Obligation Bonds	Special Assessmt Bonds	Revenue-Secured Direct Loans				
				First Lien	Parity With Other Loans	Subordinate To Other Loans	Parity With Revenue Bonds	Subordinate To Revenue Bonds
Albany	R10510							1,467,844
Arch Cape	R11432			225,262				
Ashland	R11750			23,613,295				
Astoria	R11790			7,983				
Bandon	R12911	861,148						
Bandon	R12912			895,520				
Rogue Valley Sewer	R14000			377,113				
Rogue Valley Sewer	R14001			4,146,340				
Rogue Valley Sewer	R14003			523,299				
Boardman	R16200			6,439				
Brookings	R18230			13,301,413				
Burns	R19400			401,256				
Canyonville	R20590			552,513				
Carlton	R20880				126,962			
Clackamas S.D.	R22401							2,074,990
Coburg	R23040			130,542				
Coburg	R23041			328,278				
Condon	R23721			211,237				
Coquille	R24291			967,951				
Corvallis	R24480					441,519		
Corvallis	R24481					19,773,258		
Dallas	R26111			13,435,650				
Dufur	R29521			41,411				
Eagle Point	R30021			1,427,758				
Eugene	R31794		176,728					
Eugene	R31795		414,049					
Eugene	R31796		486,400					
Eugene	R31797			2,048,451				
Eugene	R31798			1,071,318				
Florence	R33420			28,147				
Florence	R33421			11,535,116				
Garibaldi	R35610			364,936				
Gov't Camp S.D.	R38350	2,922,570						
Grants Pass	R38670			22,979				
Grants Pass	R38671			3,198,979				
Gresham	R39187							25,978,875
Haines	R40350				57,639			
Harrisburg	R41900	225,964						
Hines	R44630				62,056			
Hines	R44631				225,381			
Independence	R47601				657,187			
La Grande	R54330			4,851,873				
Lakeside	R54435				44,381			
Lakeview	R54440			2,485,259				

Lakeview	R54440	2,485,259							
Miles Crossing	R65230	82,226							
Monument	R66390			214,706					
Mt. Angel	R67210			325,735					
Myrtle Creek	R67980			6,850,606					
Neskowin	R68650	624,711							
Netarts-Oceanside	R68680	57,802							
Newport	R68931	12,247,557							
Newport	R68932	7,950,560							
Ontario	R70610	5,812,750							
Ontario	R70611	1,425,249							
Ontario	R70612	2,512,834							
Oregon City	R70651						561,076		
OR WW 2 Sani. Dist.	R70655	89,713							
Prairie City	R74420	911,021							
Prineville	R74680						1,420,974		
Prineville	R74681						3,179,252		
Rainier	R75260	54,624							
Redmond	R76071			5,768,822					
Redwood S.S.D.	R76080	5,823,247							
Rockaway Beach	R78280	28,191							
Roseburg U.S.A.	R78860	407,837							
St. Helens	R80160			813,364					
Sheridan	R83810					221,528			
Siletz	R84460			370,545					
Sisters	R85050			41,099					
Springfield	R86770	690,201							
Springfield	R86771							2,004,949	
Stanfield	R87160					140,748			
Tillamook	R91562	1,604,303							
Tillamook	R91563	215,243							
Tillamook	R91564	126,385							
Tri City Ser.Dist.	R92262	575,867							
Tri-City Sanitary Dist.	R92270	472,524							
Turner	R92630						136,508		
Turner	R92631						37,318		
Unity	R93090	24,813							
Unity	R93091	133,694							
Vale	R93221						1,004,441		
Veneta	R93621						189,219		
Vernonia	R93640						85,769		
Waldport	R94340	59,681							
Waldport	R94341	648,804							
Warrenton	R94940	212,470							
Warrenton	R94941	89,633							
Wedderburn S.D.	R95510	94,034							
Winston-Green	R97790						6,177,148		
Woodburn	R98411	3,462,645							
Woodburn	R98412	24,904,232							
Totals		243,083,927	4,009,682	1,077,177	157,543,170	15,558,483	20,577,053	12,791,704	31,526,658
% of Total		100.0%	1.7%	0.4%	64.8%	6.4%	8.5%	5.3%	13.0%

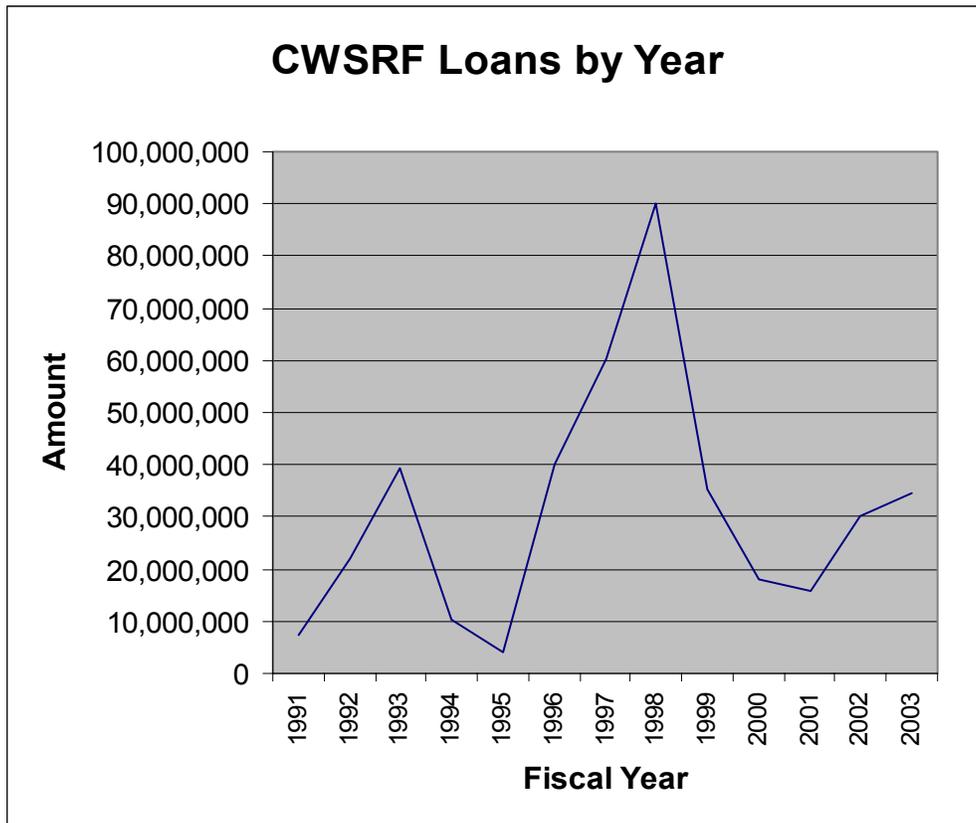
The table below shows all loans which were signed or received increases or decreases during fiscal year 2003, all administration expense, and compliance with the federal requirement to sign binding commitments (loan agreements) in an amount greater than 120% of federal grant payments within one year of the payment on a cumulative basis.

Borrower	Loan No.	Total at 6/30/02	Qtr. 1 7/02-9/02	Qtr. 2 10/02-12/02	Qtr. 3 1/03-3/03	Qtr. 4 4/03-6/03	FY 2003 Total	Total at 6/30/03
Albany, City of	R10511	0				25,000,000	25,000,000	25,000,000
Arch Cape S.D.	R11430	0		70,000			70,000	70,000
Arch Cape S.D.	R11432	0		233,000			233,000	233,000
Ashland, City of	R11750	23,420,068	500,000				500,000	23,920,068
Astoria, City of	R11790	0		2,760,000			2,760,000	2,760,000
Bear Creek Valley	R14002	305,000					0	305,000
Bear Creek Valley	R14003	663,000					0	663,000
Bunker Hill S.D.	R19150	0				50,000	50,000	50,000
Coburg	R23040	150,000				300,000	300,000	450,000
Coburg	R23041	3,500,000					0	3,500,000
Cottage Grove	R24572	9,400,000					0	9,400,000
Dufur	R29521	450,000					0	450,000
Florence, City of	R33421	13,245,000				(1,201,803)	(1,201,803)	12,043,197
Garibaldi, City of	R35610	431,474					0	431,474
Gov't Camp S.D.	R38350	3,500,000					0	3,500,000
Grants Pass, City of	R38671	7,000,000					0	7,000,000
Gresham	R39188	832,000	(832,000)				(832,000)	0
Haines, City of	R40350	100,000					0	100,000
Hines, City of	R44630	76,000					0	76,000
Hines, City of	R44631	0		949,349			949,349	949,349
La Grande, City of	R54330	9,767,068				(4,930,631)	(4,930,631)	4,836,437
Lakeside, City of	R54435	114,716					0	114,716
Maywood Park, City of	R63960	30,000					0	30,000
Miles Crossing S.D.	R65230	80,000					0	80,000
Monument, City of	R66390	200,000					0	200,000
Myrtle Creek, City of	R67980	8,797,397					0	8,797,397
Netarts-Oceanside	R68680	0	100,000				100,000	100,000
Newport, City of	R68931	12,169,671					0	12,169,671
Powers, City of	R74350	20,000					0	20,000
Prairie City	R74420	1,045,000					0	1,045,000
Prineville, City of	R74681	7,262,847				1,637,153	1,637,153	8,900,000
Rainier, City of	R75260	171,685					0	171,685
Redmond, City of	R76071	12,060,000					0	12,060,000
Salem, City of	R80210	0		6,300,000			6,300,000	6,300,000
Sweet Home, City of	R89750	0		2,000,000			2,000,000	2,000,000

Tillamook, City of	R91562	1,929,808				0	1,929,808	
Tillamook, City of	R91563	0			500,000	500,000	500,000	
Tillamook, City of	R91564	0			304,499	304,499	304,499	
Vale, City of	R93221	1,300,000			(217,443)	(217,443)	1,082,557	
Veneta, City of	R93621	1,283,420		(250,000)		(250,000)	1,033,420	
Waldport, City of	R94341	717,209				0	717,209	
Waldport, City of	R94344	0			1,221,700	1,221,700	1,221,700	
Warrenton, City of	R94940	250,000				0	250,000	
Warrenton, City of	R94941	100,000		(17)		(17)	99,983	
Wedderburn S.D.	R95510	85,924	17,500			17,500	103,424	
All Other Loans		252,217,890					252,217,890	
TOTAL LOANS		372,675,177	(214,500)	12,312,332	(250,000)	22,663,475	34,511,307	407,186,484
Administration Expense		7,357,763	194,160.23	203,936.32	184,485.38	210,129.62	792,711.55	8,150,475
Total Binding Commitments		380,032,940	(20,340)	12,516,268	(65,515)	22,873,605	35,304,019	415,336,959
Cumulative		380,032,940	380,012,600	392,528,869	392,463,354	415,336,959		
Federal Payments (Prior Year)			0	0	7,529,990	7,529,989	15,059,979	
Cumulative		206,323,547	206,323,547	206,323,547	213,853,537	221,383,526		221,383,526
Binding Commitments/ Federal Payments		184%	184%	190%	184%	188%		188%

This table demonstrates compliance with 40 CFR §35.3135 (c).

The chart below illustrates the amount of loans signed in each fiscal year, since the beginning of the CWSRF loan program.



The table below shows the availability of federal funds according to the grant payment schedule, the actual transfer of state matching funds, and compliance with the requirement that the cumulative state match transfers equal at least 20% of the cumulative federal payments available.

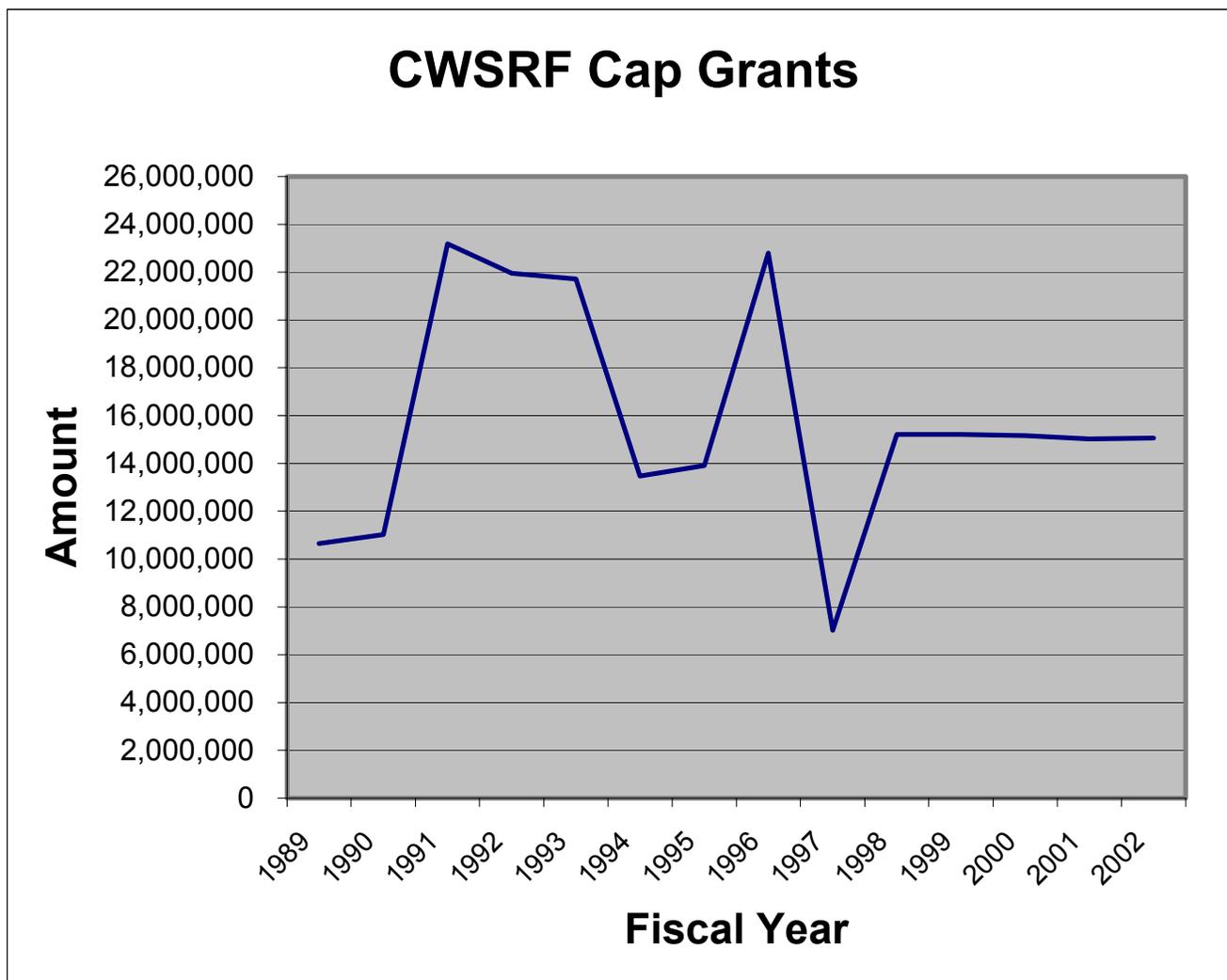
Sources of Funds	Total at 6/30/2002	Qtr. 1 7/02-9/02	Qtr. 2 10/02-12/02	Qtr. 3 1/03-3/03	Qtr. 4 4/03-6/03	FY 2003 Totals	Total at 6/30/2003
Federal Grant Payments:							
89 Grant	10,655,073					0	10,655,073
90 Grant	11,021,373					0	11,021,373
91 Grant	23,183,622					0	23,183,622
92 Grant	21,949,191					0	21,949,191
93 Grant	21,712,581					0	21,712,581
94 Grant	13,472,415					0	13,472,415
95 Grant	13,914,054					0	13,914,054
96 Grant	22,791,123					0	22,791,123
97 Grant	7,011,959					0	7,011,959
98 Grant	15,211,548					0	15,211,548
99 Grant	15,212,835					0	15,212,835
00 Grant	15,161,256					0	15,161,256
01 Grant	15,026,517					0	15,026,517
02 Grant	15,059,979					0	15,059,979
03 Grant	0					0	0
Total	221,383,526	0	0	0	0	0	221,383,526
Cumulative:	221,383,526	221,383,526	221,383,526	221,383,526	221,383,526		
State Match:							
89 Grant	2,131,015					0	2,131,015
90 Grant	2,204,275					0	2,204,275
91 Grant	4,636,724					0	4,636,724
92 Grant	4,389,838					0	4,389,838
93 Grant	4,342,516					0	4,342,516
94 Grant	2,694,483					0	2,694,483
95 Grant	2,782,811					0	2,782,811
96 Grant	4,558,224					0	4,558,224
97 Grant	1,402,392					0	1,402,392
98 Grant	3,042,310					0	3,042,310
99 Grant	3,042,568					0	3,042,568
00 Grant	3,032,251					0	3,032,251
01 Grant	3,005,303					0	3,005,303
02 Grant	3,011,996					0	3,011,996
03 Grant	0					0	0
Total	44,276,706	0	0	0	0	0	44,276,706
Cumulative	44,276,706	44,276,706	44,276,706	44,276,706	44,276,706		

State Match/Federal Payments:

20.0% 20.0% 20.0% 20.0% 20.0% 20.0%

This table demonstrates compliance with 40 CFR §35.3135 (b).

This graph illustrates the federal capitalization grants awarded to the CWSRF loan program since its inception:



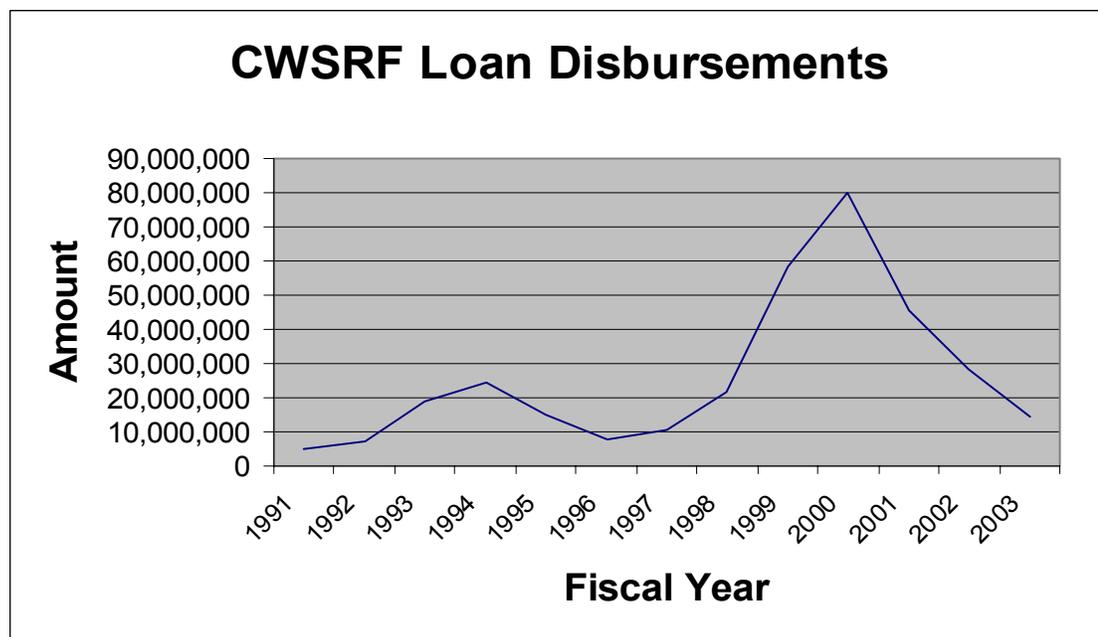
The table below shows all loan disbursements, administration expense, and federal draws made during the fiscal year. It also documents the pace of Oregon's CWSRF program, by indicating the ratio of federal funds utilized to total funds utilized over the life of the program.

Borrower	Loan No.	Total at 6/30/2002	Qtr.1 7/02-9/02	Qtr.2 10/02-12/02	Qtr 3 1/03-3/03	Qtr 4 4/03-6/03	FY 2003 Total	Total at 6/30/2003
Arch Cape	R11432	0		224,701			224,701	224,701
Ashland	R11750	22,363,389	1,056,679	500,000			1,556,679	23,920,068
Astoria	R11790	0				7,980	7,980	7,980
BCVSA	R14003	0				522,044	522,044	522,044
Burns	R19400	287,362	37,371	20,806	13,659	4,882	76,718	364,080
Coburg	R23040	0		115,548	13,187		128,735	128,735
Coburg	R23041	0		123,005	181,907	19,059	323,971	323,971
Dufur	R29521	0				41,280	41,280	41,280
Garibaldi	R35610	404,831					0	404,831
Gov't Camp	R38350	3,067,539					0	3,067,539
Grants Pass	R38671	0			893,139	2,285,482	3,178,621	3,178,621
Haines	R40350	58,681					0	58,681
Hines	R44630	54,786	1,050	3,858			4,908	59,694
Hines	R44631	0			195,605	27,528	223,133	223,133
Lakeside	R54435	77,600					0	77,600
Miles Crossing	R65230	10,125	57,800		12,075		69,875	80,000
Myrtle Creek	R67980	787,831	1,414,437	1,880,501	1,650,585	972,847	5,918,370	6,706,201
Netarts	R68680	0		29,801	27,273		57,074	57,074
Prairie City	R74420	498,599	348,986		54,751		403,737	902,336
Prineville	R74681	2,149,668	186,666	741,119			927,785	3,077,453
Rainier	R75260	140,928	997				997	141,925
Redmond	R76071	10,764,018					0	10,764,018
Stanfield	R87160	117,934			7,010		7,010	124,944
Tillamook	R91562	1,755,286		76,378	39,916	38,793	155,087	1,910,373
Tillamook	R91563	0				215,007	215,007	215,007
Tillamook	R91564	0				126,241	126,241	126,241
Unity	R93091	145,700					0	145,700
Warrenton	R94940	216,266					0	216,266
Warrenton	R94941	92,037	7,946				7,946	99,983
Wedderburn S.D.	R95510	65,677	23,246				23,246	88,923
Fully Disbursed Loans		280,130,641						280,130,641
Total Loan Disbursements		323,188,898	3,135,178	3,715,717	3,089,107	4,261,143	14,201,145	337,390,043
Administration Expense		7,357,763	194,160.23	203,936.32	184,485.38	210,129.62	792,711.55	8,150,475
Total Disbursements		330,546,661	3,329,338	3,919,653	3,273,592	4,471,273	14,993,857	345,540,518
Cumulative		330,546,661	333,875,999	337,795,653	341,069,245	345,540,518		
Federal Draws		207,789,197	2,285,739	2,423,661	2,355,234	2,136,381	9,201,015	216,990,212
Cumulative		207,789,197	210,074,936	212,498,597	214,853,831	216,990,212		
Federal Draws/Disbursements:		62.86%	62.92%	62.91%	62.99%	62.80%		62.80%

Proportionality between federal draws and total fund disbursements continued to decline during FY 2003, however the decline was slight during this fiscal year. This is because, even though the demand for disbursements is greater than the supply of available federal funds,

overall demand declined during FY 2003. We anticipate an increase in demand for loan proceeds, which will reduce the federal funds percentage more in future years.

The graph below illustrates the amount of loan disbursements processed during each fiscal year.

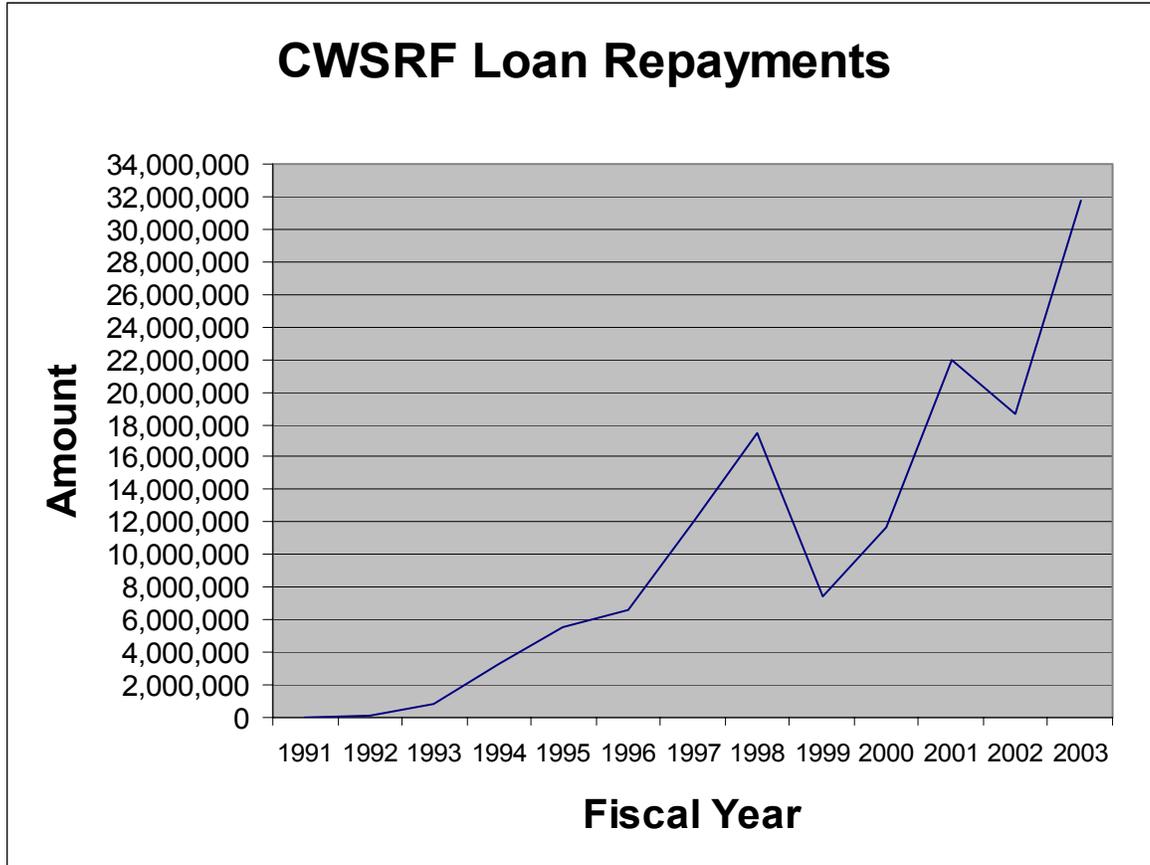


REFINANCING RULE EXCLUSION AND COMPLIANCE

The EPA rules define "refinancing" to include construction costs which have been incurred prior to the signing of the loan agreements. A cumulative exclusion amount of \$2,000,000 per year is available to offset these situations. When the cumulative exclusion is exceeded, payment of the "refinanced" costs will be made ratably over eight quarters. No loans were signed during fiscal year 2003 that financed construction costs that were already incurred.

	Refinancing Rule Exclusion
Exclusion Available as of 6/30/02	\$21,669,285
Plus FY 2003 Exclusion	2,000,000
Less FY 2003 Exclusion Used	0
Exclusion Available as of 6/30/03	\$23,669,285

The graph below illustrates the loan repayments (principal and interest) that the CWSRF loan program has received since its inception.



CWSRF FINANCIAL INDICATORS – FY 2003

The following schedule presents the Oregon CWSRF loan program success by documenting the calculation of six financial indicators as developed by the EPA/States Workgroup. These indicators attempt to show Oregon's progress toward funding as many water quality beneficial projects as possible while maintaining the program's equity in perpetuity.

ACTIVITY THRU JUNE 2003:**Indicator #1: Return on Federal Investment**

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

(A) Total Loan Disbursements:	337,390,043
(B) Federal draws for loans:	209,500,474
(C) Federal draws for Admin:	7,489,738
(A)/(B+C)	155.49%

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

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

(A) Amount of signed loan agreements:	407,186,484
(B) Cumulative Cap Grants:	221,383,526
(C) Cumulative State Match:	44,276,706
(D) Loan Principal Repaid:	96,855,897
(E) Operating Profit	
(1) Interest from loans:	40,490,340
(2) Interest from investments:	18,483,081
(3) Administrative Expense:	8,142,294
(A)/(B+C+D+E1+E2-E3)	98.51%

Indicator #3: Percentage of Funds Disbursed to Closed Loans

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

(A) Total Loan Disbursements:	337,390,043
(B) Total Signed Loan Agreements:	407,186,484
A/B	82.86%

Indicator #4: Benefits of Leveraging

DOES NOT APPLY TO OREGON PROGRAM

Indicator #5: Perpetuity of Fund

Demonstrates whether the program is maintaining its contributed capital

(A) Interest on Loans	40,490,340
(B) Interest on Investments	18,483,081
(C) Fed. Admin. Allowance	8,855,341
(D) Actual Admin. Costs	8,142,294
A+B+C-D	59,686,468

A positive result indicates the Program is maintaining its capital base

Indicator #6: Estimated Subsidy - Current Fiscal Year

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

(A) Estimated Market Int. Rate:	4.78%
(B) Average CWSRF Loan Rate:	3.19%
A-B	1.59%
(A-B)/A	33.3%

LOANS COMPARED TO AVAILABLE FUNDS

This table documents the amount of loans made by the CWSRF compared to the amount of funds available for each fiscal year. It can be seen at the bottom of the table that Oregon has loaned 99% of its cumulative funds available.

Fiscal Year	New Loans		Funds Available	Cumulative Totals		Loans as a % of Available Funds
	#	Amount		New Loans	Available Funds	
1989-1991	4	7,421,676	52,246,294	7,421,676	52,246,294	14%
1992	22	22,004,798	25,781,101	29,426,474	78,027,395	38%
1993	25	39,393,294	26,255,473	68,819,768	104,282,869	66%
1994	5	10,214,683	19,160,284	79,034,451	123,443,152	64%
1995	7	3,925,367	22,317,074	82,959,818	145,760,226	57%
1996	12	40,017,705	34,169,862	122,977,523	179,930,088	68%
1997	20	60,289,058	22,020,640	183,266,581	201,950,728	91%
1998	22	89,961,162	37,942,014	273,227,743	239,892,742	114%
1999	9	35,445,740	28,336,453	308,673,483	268,229,195	115%
2000	4	18,141,807	32,588,864	326,815,290	300,818,058	109%
2001	6	15,707,776	41,845,768	342,523,066	342,663,827	100%
2002	8	30,152,111	37,170,454	372,675,177	379,834,281	98%
2003	12	34,511,307	32,799,929	407,186,484	412,634,210	99%
Totals	156	\$407,186,484	\$412,634,210			

ACHIEVEMENT OF PROGRAM GOALS

The long-term and short-term goals identified in the FY 2003 Intended Use Plan are listed below with a discussion of activities related to each.

Long Term Goals

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

The Oregon Clean Water State Revolving Fund (CWSRF) continues to protect public health and Oregon's waters through its financial assistance program. During FY 2003, the CWSRF program signed new loans with ten local governments for water pollution abatement projects in the total amount of \$39,488,548. Amendments to nine existing loans actually decreased project funding by \$4,145,241, because several loans were decreased to the ultimate amount

used by the borrowers. Also, one loan was cancelled, since the borrower indicated they would not use the SRF loan (this was a loan in the amount of \$832,000), bringing total FY 2003 project assistance to \$34,511,307 for 14 local jurisdictions.

The following table shows the amount of new loans and total net loan funding provided in each year of the program (including loan decreases).

Fiscal Year	# of New Loans		\$ in New Loans and Amendments	
	This Year	Cumulative	This Year	Cumulative
1989-1991	4	4	\$7,421,676	\$7,421,676
1992	22	26	22,004,798	29,426,474
1993	25	51	39,393,294	68,819,768
1994	5	56	10,214,683	79,034,451
1995	7	63	3,925,367	82,959,818
1996	12	75	40,017,705	122,977,523
1997	20	95	60,289,058	183,266,581
1998	22	117	89,961,162	273,227,743
1999	9	126	35,445,740	308,673,483
2000	4	130	18,141,807	326,815,290
2001	6	136	15,707,776	342,523,066
2002	8	144	30,152,111	372,675,177
2003	10	154	34,511,307	407,186,484

With the addition of \$111,473,142 in new Preliminary Applications during the FY 2003 solicitation period, the CWSRF Priority List now includes 160 projects totaling \$346,496,312 to assist with the abatement of water pollution in Oregon.

Goal #2: To provide financial assistance for the cost of complying with federal and state water quality mandates.

All preliminary project applications for financial assistance are prioritized using four criteria and ranked in the Priority List. The criteria favor projects addressing water quality problems that are the focus of enforcement action by the department. The highest preference is given to projects affecting water bodies unable to handle increased pollution loads without violating water quality standards. See the table on pages 31-32 for the complete list of project ranking criteria.

Of the \$39,488,548 in new loans during FY 2003, 89.4% went to projects that received either 40 or 50 of a maximum 50 points for sensitivity of the receiving water body. These projects also received the maximum 30 possible points for Problem Severity. The remaining projects received high scores for either the sensitivity or enforcement criteria, but not both. These criteria indicate the Oregon CWSRF provided financial assistance during FY 2003 for projects with demonstrated water quality problems.

It should be noted that projects beginning in FY 2004 will be scored based on a new set of criteria, with an emphasis on water quality benefit more than on the severity of an existing problem. These new criteria can be seen beginning on page 38.

Goal #3: To administer the clean water State Revolving Fund to ensure its financial integrity, viability and perpetuity as a source of financial assistance.

The CWSRF Program continues to take a conservative approach to its calculation of funds available for assistance and in its approach to credit risk. Through FY 2003 the Program has not experienced default on any of its loans. This helps to ensure the long term viability of the CWSRF fund. Loan interest rates remain below the market rate to meet the program goal of providing low cost financing.

Investment earnings are at the market rate of interest and are managed by the State Treasurer, as required by Statute. Earnings on cash balances contribute significantly to program growth, adding over \$18 million to capital through FY 2003. Although the goal of the program is to keep all available funds working for communities in loans, these earnings on undistributed loan proceeds and contingency reserves help offset the "losses" of below market loan interest rates. During FY 2003 investment rates averaged only 1.64%, however the Fund was still credited with over \$1.0 million in investment interest earnings.

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

The program also continues to receive federal capitalization grants on an annual basis, and the State must provide matching amounts for those grants. Consequently, the Fund continues to grow as a result of the infusion of this new capital each year.

Short Term Program Goals

Goal #1: To continue to maintain the revolving nature of the Fund and to maintain an adequate pace of disbursements compared to receipt of new funds and loan repayments.

Even though the amount of outstanding loans in the CWSRF portfolio decreased during FY 2003, the amount of cash held in the State Treasury increased during the fiscal year, to \$78 million. During FY 2003 the demand for loan funds was not as great as the available supply of funds, which contributed to the increase in cash. Also, early loan repayments increased the amount of available cash. Disbursements during FY 2003 totaled \$14,201,145, compared with \$55 million in available funds for the year. We will continue to use our cash flow model to assist in maximizing future financial assistance while maintaining the financial stability of the Fund.

Goal #2: To provide funding to local communities to the maximum extent possible within the constraints of sound financial management.

The CWSRF Loan Program provided approximately \$34 million in financial assistance to Oregon communities during FY 2003. This amount includes \$7.4 million in loan reductions due to communities using less than the original loan amounts to complete their projects, and also includes one loan cancellation. Without considering the loan reductions during FY 2003, total assistance provided (through new loans and loan increases) was \$41,943,201. Total available funding was approximately \$55 Million for the year. Demand for CWSRF loan funds continues to be less than the amount of funds available, and program staff are actively marketing the program to increase that demand.

Goal #3: To promote and facilitate the implementation of both non-point source and National Estuary Program projects.

New administrative rules approved by the Environmental Quality Commission during FY 2003 will make the CWSRF loan program more accessible to those entities trying to complete nonpoint source or estuary projects. Interest rates have been reduced, fees were reduced, the project scoring criteria was modified to make it more equitable for nonpoint source and estuary projects, and a new loan type, the “sponsorship option”, was introduced, all to encourage Oregon communities to assist in reducing nonpoint source pollution. During FY 2003 there were no nonpoint source or estuary project loans executed, however there were two such loans signed early in FY 2004.

Goal #4: To make the Oregon CWSRF loan program more accessible to a wider range of water quality projects, and to ease some of the loan requirements through rule changes.

The rule changes described under Goal #3 above were designed to help accomplish this objective. Also, CWSRF staff have been actively discussing our program with public agencies around the State, to promote the use of program funds for a variety of projects.

Goal #5: To continue our participation with other state and federal programs in providing financial assistance to Oregon communities.

DEQ continues to work with other State agencies, in particular the Economic and Community Development Department (OECD), as well as the federal Rural Utilities Services (RUS) to educate local Oregon communities about the CWSRF Loan Program and its availability for finance of wastewater-related projects. A key component of this cooperation between the agencies is the One Stop Meetings, which allow local communities to meet with various State and Federal financing organizations to learn about the financing options that may be available for their projects. Another component is DEQ's Environmental Partnerships for Oregon Communities (EPOC) program that works directly with communities around the state regarding economic development and infrastructure needs. This program also educates communities about the availability of the CWSRF and its low cost financing.

LOAN PORTFOLIO AND ACTIVITIES

PROJECT SELECTION PROCEDURES

Letters of information and solicitation are sent to all cities, service districts, and sanitary districts in the state annually. Any resulting completed preliminary applications are ranked and placed on the Priority List, based upon criteria in DEQ administrative rules.

As final applications are received, they are funded in rank order if funds are available. When there are not enough funds for all of the projects that are ready to proceed, allocations of new funds are made on a competitive basis. The cash flow model is updated with the projected schedules for new loans to be sure that cash will be available when needed. During 2003 there were more funds available than were requested for projects, so all applications for funds received either new loans or increases to existing loans.

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

- (1) Small Community Reserve: 15% of available funds for communities with populations of 5,000 or less.
- (2) Facilities Planning Reserve: the lesser of 10% of available funds or the total of all preliminary applications for facilities planning loans.
- (3) Expedited Loans Reserve: \$2,000,000, although this amount may be increased at the Department's discretion.

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

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

PROJECT PRIORITY LIST CRITERIA

Projects are prioritized according to criteria set out in Oregon Administrative Rule. The citation for this portion of the rule is OAR 340-54-025(3), which is shown below. The maximum number of points that can be assigned to a project is 100.

POINT CRITERIA	POINT ASSIGNMENT	WATER QUALITY DESCRIPTION
Receiving Water Body Sensitivity: (One choice only.)	50	Facility discharges to waters of the state where the EQC has established Total Maximum Daily Loads (TMDL) and associated waste load allocations (WLA).
		Facility discharges to an EPA designated sole source aquifer.
	40	Facility discharges to waters of the state that are listed in the current <u>305(b) Report</u> under the Beneficial Uses column as "not supporting".
		Facility discharges to groundwater that has a documented increase in the concentration of a contaminant above the groundwater background level and levels in Tables 1 or 2 of OAR Chapter 340, Division 40.
		Facility discharges to groundwater located in a designated wellhead protection area.
	30	Facility discharges to waters of the state which are any of the following: (1) Designated as a Wild and Scenic River by the federal government; (2) Designated as a State Scenic Waterway by ORS 390.826; (3) Designated as Outstanding Resource Waters by the EQC; (4) Referenced in OAR 340-41-470 with special restrictions; (5) Determined to be a sensitive estuarine habitat by the DEQ; (6) Listed under Fishes in the latest <u>Endangered and Threatened Wildlife and Plants</u> (50 CFR 17.11 & 17.12) as threatened or endangered in Oregon.
		Facility discharges to groundwater that has a documented increase in the concentration of a contaminant above the groundwater background level but the contamination level is below the levels in Tables 1 and 2 of OAR Chapter 340, Division 40.
		Facility discharges to groundwater located in a designated groundwater management area.
	20	Facility discharges to waters of the state that are listed in the current <u>305(b) Report</u> under the Beneficial Uses column as "partially supporting".
		Facility discharges to groundwater where the contaminant in the discharge is listed in Tables 1 and 2 of OAR Chapter 340, Division 40 and is known to cause groundwater contamination but there is no groundwater quality data available to substantiate the problem.
		Facility discharges to groundwater that has a documented increase in the concentration of a contaminant above the groundwater background level and levels in Table 3 of OAR Chapter 340, Division 40.
		Facility discharges to waters of the state not referenced elsewhere in this criteria.
	10	Facility discharges to the ocean, the Columbia River or the Snake River.
	Facility discharges to groundwater that has a documented increase in the concentration of a contaminant above the groundwater background level but the contamination level is below the levels in Table 3 of OAR Chapter 340, Division 40.	

Enforcement Activities and Water Quality Violations (One choice only)	30	Environmental Quality Commission (EQC) Orders.
		Mutual Agreements and Orders.
		Court Orders.
		Department Orders or permit conditions mandating action.
		EQC rules requiring elimination of a specific water quality problem related to inadequate water pollution control facilities.
	20	Documented health hazards <u>with</u> associated documented water quality problem.
10	Noncompliance with the Department's statutes, rules or permit requirements resulting from inadequate water pollution control facilities.	
	Documented health hazards without documented water quality problem.	
	An enforcement order of the Oregon Health Division relating to safe drinking water.	
Affordability (10 pts. max.)	7	Existing potential water quality problem as noted by the Department but undocumented.
	10	The cost per household of the wastewater treatment system (including operation, maintenance, and debt service for prior and new wastewater projects) exceeds 1.5% of the median household income of the community.
Affordability (10 pts. max.)	10	The cost per household of the wastewater treatment system (including prior capital improvements outstanding and the proposed project) exceeds 1.75% of the median household income of the community.
	LOG(Current Population) ²	Points calculated based upon the population directly affected by the project.

During FY 2004 new scoring criteria will be used to score applications, as provided for in new administrative rule. Below are the new scoring criteria:

Category 1: Proposed Project's anticipated benefit for water quality or public health

1A--(0 or 8 points)--Project addresses water quality or public health issue within a "special status" water body

1B--(0-6 points)--Project addresses noncompliance with water quality standards, a public health issue or effluent limits related to surface waters

1C--(0-6 points)--Project addresses noncompliance with water quality standards or a public health issue related to groundwater

1D--(0-12 points)--Project ensures that a source already in compliance maintains that compliance.

1E--(0-8 points)--Project improves or sustains aquatic habitat supporting state or federally threatened or endangered species

1F--(0-12 points)--Project incorporates wastewater reuse or a water quality-related conservation process

1G--(0-7 points)--Project improves water quality by mitigating any of the following pollutants: temperature, dissolved oxygen, contaminated sediments, toxics on the EPA Priority Pollutants List, bacteria or nutrients

1H--(0-5 points)--Project supports the implementation of a Total Maximum Daily Load (TMDL) allocation or action plan for a Ground Water Management Area

1I--(0-6 points)--Project addresses a water quality or public health issue involving "Persistent Bioaccumulative Toxics" (PBT's)

Category 2: Potential water quality or public health consequences of not funding the proposed project

2A--(0-5 points)--If the proposed project is not implemented, water quality standards are likely to be exceeded or existing exceedances are likely to worsen

2B--(0-5 points)--If the proposed project is not implemented, the resulting impact is likely to cause a public health problem

2C--(0-5 points)--A unique opportunity to implement the proposed project currently exists due to timing, finances or other limitations that would not allow this project to be implemented in the future

Category 3: Other considerations

3A--(0-3 points)--Project has significant educational or outreach component

3B--(0-3 points)--Project demonstrates innovative technology which is transferable

3C--(0-3 points)--Project is a partnership with other group(s), incorporating self-help, financial or in-kind support

3D--(0-5 points)--Project incorporates monitoring, reporting or adaptive management

3E--(0 or 1 point)--Project addresses or includes risk management, safety or security measures

3F--(0-minus 5 points)--Applicant's past performance with previous Department loans or grants such as, but not limited to, failure to satisfy match requirements of a grant, failure to complete the project or failure to submit any other required deliverable in a timely manner.

PROJECT INFORMATION

During FY 2003 12 projects, totaling \$18,131,548, were started and 11 projects, totaling \$51,234,183, were completed. During the same period there were 6 projects that required either an environmental review or received a categorical exclusion from such review. Three of

those projects received categorical exclusions and three were required to complete environmental reviews.

OTHER PROGRAM REQUIREMENTS

ENVIRONMENTAL REVIEW

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

In October 1999 the State's proposed Alternative Environmental Review Process was sent out for public review. In November 1999 the Procedures Manual, which includes the environmental review process, was submitted to EPA for approval. EPA granted its approval of this document on November 17, 1999. The Procedures Manual is available on DEQ's web site, at the CWSRF Loan Program page: <http://www.deq.state.or.us/wq/wqgrant/wqgrant.htm>.

Environmental review of all projects signing loans after June 1997 has been consistent with this process. The core of the State Environmental Review Process (SERP) is the state's land use planning process. Additional requirements are addressed individually and through the facilities planning review process.

APPLICABLE FEDERAL AUTHORITIES AND LAWS

All State Revolving Fund projects receiving federal funds are required to comply with federal laws and authorities, as identified in the Initial Guidance of January 1988. Specific language agreeing to comply and a list of "cross-cutter" requirements is included in each loan agreement. Compliance is reviewed by each project officer. When all federal funds have been drawn and disbursed by the program, most of the federal "cross-cutter" requirements will be dropped from new loan agreements. In many cases, state laws provide similar requirements.

At the end of each fiscal year, all borrowers receiving disbursements during the year are sent a statement showing the funding sources of the disbursements. Compliance with the Single Audit

Act and OMB Circular A-133 in the annual audit of the Borrower's financial statements is required if "first round" federal funds are "passed through" in loan disbursements.

PUBLIC INVOLVEMENT

Public involvement is provided during development of the Intended Use Plan. Notices are sent to all Oregon jurisdictions, sanitary districts, and many engineering consultants of the opportunity to submit preliminary applications. All public agencies that submit preliminary CWSRF applications are sent excerpts of the draft Intended Use Plan, including the Priority List showing the project rankings. A public notice is published in The Oregonian and Business Journal notifying the general public of the document's availability for review. The complete draft Intended Use Plan is provided upon request. Public comments on the draft Project Priority List and Intended Use Plan are accepted and responded to during a thirty-day public review period, with revisions made as appropriate.

COMPLIANCE WITH TITLE II EQUIVALENCY REQUIREMENTS

1. Introduction

Title VI of the Clean Water Act requires the CWSRF loan program to comply with certain specific requirements of Title II of the Clean Water Act, commonly known as the "Equivalency Requirements". DEQ must disburse funds to borrowers who are required to comply with these requirements. The amount of these disbursements must be equal to or greater than the amount of CWSRF projects constructed in whole or in part prior to October 1, 1994. The Equivalency Requirements include the following specific provisions:

- Best Practicable Waste Treatment Technology. Section 201(b) requires that projects apply best practicable waste treatment technology.
- Governor's Discretionary Set-Aside. Section 201(g)(1) limits assistance to projects for secondary treatment, advanced treatment, or any cost-effective alternative; new interceptors and appurtenances; and infiltration-inflow correction. This section retains the Governor's discretionary set-aside by which a State can use up to 20 percent of its allotment for other projects within the definition of treatment works in section 212(2), and for certain nonpoint source control and groundwater protection purposes, as defined in section 319 of the Act.
- Alternative Technologies. Section 201(g)(2) requires that alternative technologies be considered in project design.
- Excessive Infiltration. Section 201(g)(3) requires the applicant to show that the related sewer collection system is not subject to excessive infiltration.

- Energy and Resource Conservation. Section 201(g)(5) requires that applicants study innovative and alternative treatment technologies and take into account opportunities to construct revenue producing facilities and to make more efficient uses of energy and resources.
- Recreation and Open Space Opportunities. Section 201(g)(6) requires that the applicant analyze the potential recreation and open space opportunities in the planning of the proposed facility.
- Combined Sewer Overflows. Section 201(n)(1) provides that funds under section 205 may be used for water quality problems due to discharges of combined sewer overflows, which are not otherwise eligible, if such discharges are a major priority in a State.
- Capital Financing Assistance. Section 201(o) calls on the Administrator to encourage and assist communities in the development of capital financing plans.
- Area-Wide and State-Wide Plans. Sections 204(a)(1) and (2) require that treatment works projects be included in plans developed under sections 208 and 303(e).
- User Charge Systems. Section 204(b)(1) requires communities to develop user charge systems and to have the legal, institutional, managerial, and financial capability to construct, operate, and maintain the treatment works.
- Project Certification. Section 204(d)(2) requires that, one year after the date of completion of construction and initiation of operation, the owner/operator of the treatment works must certify that the facility meets design specifications and effluent limitations included in its permit.
- Collector Sewers. Section 211 provides that major rehabilitation or replacement of collectors is not eligible, under the Governor's 20 percent discretionary authority of 201(g)(1), unless the collector is needed to assure the total integrity of the treatment works or that for a new collector, adequate capacity exists at the facility.
- Cost-Effective Systems. Section 218 assures that treatment systems are cost-effective and requires that projects of over \$10 million include a value-engineering review.
- National Environmental Policy Act. Section 511(c)(1) applies the Environmental Impact Statement requirement of the National Environmental Policy Act to projects receiving Title II grants.
- Prevailing Wage Rates. Section 513 applies Davis-Bacon labor wage provisions to treatment works construction. Wages paid for the construction of treatment works must conform to the prevailing wage rates established for the locality by the U.S. Department of Labor under the Davis-Bacon Act.

2. General Information

To meet the equivalency requirements, the state must disburse a certain amount of the State Revolving Fund for projects that qualify as Title II Equivalency Projects. Any project can qualify as an "equivalency project" by meeting the sixteen specific statutory requirements provided in Section 602(b)(6) of the Clean Water Act (listed above) if they are Section 201(g)(1) projects. These include secondary treatment, advanced treatment, or any cost-effective alternative, new

interceptors and appurtenances, and infiltration-inflow correction. Projects meeting this Section 201(g)(1) requirement are listed as "standard" equivalency projects in this report.

In addition, up to 20% of the equivalency requirement may be met with construction projects as defined by Sections 212(2), including collector sewer systems and sewer separation projects to correct Combined Sewer Overflows. Projects qualifying under this 20% Governor's Discretionary Fund are identified as "Collector/CSO" Projects in this Report. An exception was granted to the 20% limitation on collector sewer systems and sewer separation projects for the 1990 and 1991 capitalization grants. Oregon has had a significant need for funding of collector systems in areas of threatened drinking water and has allocated funds at the maximum amount in most years.

3. Calculation of Oregon Equivalency Requirement

The table below shows the cumulative parameters and the resulting weighted average of Collector/CSO projects that may be used to meet the equivalency requirements based upon the capitalization grant awards. This table is used solely for the purpose of calculating the parameters, and not the total amount of the equivalency requirement.

Table 1: Parameters based on Cap Grant Awards as of 9/30/94

	Minimum Standard Projects	Maximum Collector/CSO Projects	Total Equivalency Requirement
1989	8,524,058	2,131,015	10,655,073
1990	0	11,021,373	11,021,373
1991	0	23,183,622	23,183,622
1992	17,559,353	4,389,838	21,949,191
1993	17,370,065	4,342,516	21,712,581
1994	10,777,932	2,694,483	13,472,415
Total	\$ 54,231,408	\$ 47,762,847	\$ 101,994,255
Parameters	> 53.17%	< 46.83%	

The actual amount of the equivalency requirement is calculated by adding the loan amounts for those loans for which construction was started prior to 10/01/1994, or the loan was signed prior to 10/01/1994, including facilities planning loans executed prior to that date for which the resulting construction used CWSRF funds. Below is a list of all CWSRF loans that are included in the base for calculating the equivalency requirement. These can only be projects that actually received federal capitalization grant assistance to complete their projects, however these projects did not have to be funded exclusively by federal funds to be included in the base.

Table 2: Base Equivalency Projects

Borrower	Loan No.	Description	Loan Amount
Albany	R10510	Res.Cap./Collector Sewers	5,202,059
Arlington	R11490	Sludge Drying Beds	25,000
Bandon	R12910	Facilities Plan	71,607
Bandon	R12911	Reserve Capacity; Sludge	1,500,000
Bandon	R12912	Reserve Capacity; Sludge	1,500,000
Carlton	R20880	Reserve Capacity	235,900
Clackamas County	R22400	Facilities Plan	663,381
Condon	R23720	Facilities Plan	40,000
Coquille	R24290	Facilities Plan	52,647
Coquille	R24291	Inflow/Infiltration	1,384,953
Corvallis	R24480	Inflow/Infiltration	700,000
Dallas	R26110	Facilities Plan	380,000
Dufur	R29520	Interceptor Replacement	45,318
Eagle Point	R30020	Facilities Plan	65,000
Eugene	R31790	Collector Sewers	1,917,776
Eugene	R31791	Collector Sewers	2,086,526
Eugene	R31792	Collector Sewers	2,086,526
Eugene	R31793	Collector Sewers	3,154,000
Eugene	R31794	Collector Sewers	3,699,572
Eugene	R31795	Collector Sewers	3,975,340
Gold Beach	R37810	Collector Sewers	137,669
Gresham	R39180	Collector Sewers	1,383,200
Gresham	R39181	Collector Sewers	2,221,789
Gresham	R39182	Collector Sewers	1,637,795
Gresham	R39184	Collector Sewers	2,320,340
Gresham	R39185	Collector Sewers	2,492,741
Harrisburg	R41900	STP Improvements	410,000
Independence	R47600	Facilities Plan	30,000
Monroe	R66280	Chlorine Contact Chamber	28,320
Mt. Angel	R67210	Sewage Treatment Plant	583,042
Ontario	R70610	STP Improvements	9,807,366
Oregon City	R70650	Collector Sewers	3,164,162
Oregon City	R70651	Sewer Separation	914,907
Portland	R74160	Collector Sewers	4,063,700
Portland	R74161	Collector Sewers	1,917,776
Portland	R74162	Collector Sewers	8,123,906
Prineville	R74680	Sewage Treatment Plant	2,267,286
Rockaway Beach	R78280	Pump Station Rehab	55,627
St. Helens	R80160	Sewer Separation	1,200,000
Sheridan	R83810	System Improvements	390,000
Siletz	R84460	Sewage Treatment Plant	580,000
Springfield	R86770	Interceptor	1,075,000
Vale	R93220	Facilities Plan	85,000
Vernonia	R93640	STP Improvements	121,978
Waldport	R94340	Collector Sewers	276,697
Woodburn	R98410	Facilities Plan	380,000

Borrower	Loan No.	Description	Loan Amount
Total			\$ 74,453,906

Applying the percentage parameters from Table 1, “Parameters based on Cap Grant Awards as of 9/30/94,” to limit the eligible collector/CSO projects results in the following equivalency requirement parameters for the state of Oregon.

Table 3: Oregon Equivalency Requirement Parameters

Minimum “Standard” Projects	\$ 74,453,906	x 53.17% =	\$ 39,587,142
Maximum Collector/CSO Projects	\$ 74,453,906	x 46.83% =	\$ 34,866,764
Total Equivalency Requirement			\$ 74,453,906

4. Meeting the Requirement with Equivalency Compliance Projects

In order to be released from Title II requirements as soon as possible, Oregon imposed equivalency requirements on all projects (except for one “small, simple project”) from the inception of the program until about July 1996, whether funded with federal or state funds. Each CWSRF loan agreement includes language requiring the borrower to comply with the sixteen Title II requirements of the CWSRF program as well as federal "cross-cutting" requirements. The loan agreement also includes lists of each of these. Compliance with the Title II and "cross-cutting" requirements is monitored by project officers and project engineers. The table below shows the disbursements qualifying for credit toward the equivalency requirements.

Table 4: Equivalency Project Disbursements as of 6/30/2003

Borrower	Loan No.	Project Description	DISBURSEMENTS	
			Standard Projects	Collector/CSO Projects
Albany	R10510	Res.Cap./Collector Sewers	888,541	4,313,518
Arlington	R11490	Sludge Drying Beds	25,000	
Aurora	R11860	Facility Plan	84,018	
Bandon	R12910	Facility Plan	71,607	
Bandon	R12912	Reserve Capacity; Sludge	1,500,000	
Canby	R20520	Facility Plan	127,700	
Carlton	R20880	Reserve Capacity	235,900	
Cascade Locks	R21310	Facility Plan	40,000	
Clackamas Co.	R22400	Facility Plan	663,381	
Clackamas Co.	R22401	Ultra-Violet Disinfection	2,914,744	
Condon	R23720	Facility Plan	40,000	
Condon	R23721	Sewage Treatment Plant	275,000	
Coquille	R24290	Facility Plan	52,647	
Coquille	R24291	Inflow/Infiltration	1,384,953	

Borrower	Loan No.	Project Description	DISBURSEMENTS	
			Standard Projects	Collector/CSO Projects
Corvallis	R24480	Inflow/Infiltration	700,000	
Dallas	R26110	Facility Plan	380,000	
Dallas	R26111	Plant & Disposal Improvement	14,500,000	
Dayville	R26760	Facility Plan	19,502	
Dufur	R29520	Interceptor Replacement	Not equiv.	
Eagle Point	R30020	Facility Plan	65,000	
Eagle Point	R30021	Sewage Transport System	1,800,000	
Eugene	R31790	Collector Sewers		1,917,776
Eugene	R31791	Collector Sewers		2,086,526
Eugene	R31792	Collector Sewers		2,086,526
Eugene	R31793	Collector Sewers		3,154,000
Eugene	R31794	Collector Sewers		3,699,572
Eugene	R31795	Collector Sewers		3,975,340
Eugene	R31796	Collector Sewers		3,710,508
Gold Beach	R37810	Collector Sewers		137,669
Gresham	R39180	Collector Sewers		1,383,200
Gresham	R39181	Collector Sewers		2,221,789
Gresham	R39182	Collector Sewers		1,637,795
Gresham	R39183	Collector Sewers		1,218,390
Gresham	R39184	Collector Sewers		2,320,340
Gresham	R39185	Collector Sewers		2,492,741
Gresham	R39186	Collector Sewers		3,779,995
Harrisburg	R41900	STP Improvements	410,000	
Independence	R47600	Facility Plan	30,000	
Joseph	R49800	Facility Plan	60,501	
Klamath Falls	R52600	Facility Plan	128,713	
Monroe	R66280	Chlorine Contact Chamber	28,320	
Mt. Angel	R67210	Sewage Treatment Plant	583,042	
Neskowin	R68650	Treatment Plant/Collectors	967,359	
Ontario	R70610	STP Improvements	9,807,366	
Ontario	R70611	STP Improvements	1,435,937	
Oregon City	R70651	Sewer Separation	914,907	
Portland	R74160	Collector Sewers		4,063,700
Portland	R74161	Collector Sewers		1,917,776
Portland	R74162	Collector Sewers		8,123,906
Prineville	R74680	Sewage Treatment Plant	2,267,286	
Redwood S.D.	R76080	Sewage Plant Expansion	5,679,567	
Rockaway	R78280	Pump Station Rehab	55,627	
Rogue River	R78490	Facility Plan	79,300	
Sandy	R80490	Facility Plan	190,498	
Sheridan	R83810	System Improvements	390,000	
Siletz	R84460	Sewage Treatment Plant	580,000	
Springfield	R86770	Sewer Separation	1,075,000	
Tillamook Bay	R91560	Facility Plan	55,730	
Toledo	R91800	Facility Plan	49,646	

Borrower	Loan No.	Project Description	DISBURSEMENTS	
			Standard Projects	Collector/CSO Projects
Tri-City S.D.	R92261	Facility Plan	184,596	
Tri-City S.D.	R92262	Alternative Disinfection	756,352	
Vale	R93220	Facility Plan	85,000	
Waldport	R94340	Collector Sewers		276,697
Woodburn	R98410	Facility Plan	380,000	
Yamhill	R99110	Facility Plan	34,000	
Totals			51,996,740	54,517,764

5. Conclusion

Compliance with Equivalency Requirements as of 6/30/2003

		Requirement	Qualifying Disbursements
Standard Projects	>	\$ 39,587,142	\$ 51,996,740
Collector/CSO	<	\$ 34,866,764	\$ 34,866,764
Totals	>	\$ 74,453,906	\$ 86,863,504

Even though the above analysis would indicate Oregon's compliance with the equivalency requirement, review of the program by EPA staff revealed several instances of insufficient documentary evidence to support compliance with these requirements. As a result, Oregon has not yet been released from the requirements, and may have to include equivalency requirements in future loans, in an amount to be negotiated with EPA.