

Clean Water State Revolving Fund Programs *2006 Annual Report*

Reaching Communities, Achieving Success.



For the past 20 years, the Clean Water State Revolving Funds in 50 States and Puerto Rico have made a unique, lasting and significant contribution to achieving and maintaining water quality benefits in our nation's waters. The CWSRFs have grown to become a steady and reliable source of affordable financing of sustainable water infrastructure needed by communities throughout the country. I commend to you their Annual Report of 2006 that documents the performance and underscores the promising benefits of the CWSRFs.

Benjamin H. Grumbles
Assistant Administrator
Office of Water



Table of Contents

CWSRF PROGRAM: REACHING COMMUNITIES, ACHIEVING SUCCESS	2
CWSRF OUTREACH: ENHANCED COMMUNICATIONS	4
MEASURING AND COMMUNICATING ENVIRONMENTAL BENEFITS	7
FUNDING ENVIRONMENTAL BENEFITS	9
STATE AGENCIES THAT MANAGE CWSRF PROGRAMS	12
CWSRF PISCES AWARDS: PERFORMANCE AND INNOVATION IN THE SRF	13
2006 PISCES AWARD WINNERS: PERFORMANCE AND INNOVATION CREATING ENVIRONMENTAL SUCCESS	14
CWSRF 2006 PERFORMANCE HIGHLIGHTS	16
2006 FINANCIAL PERFORMANCE OVERVIEW	19
NEW CWSRF INITIATIVES FOR 2007	23
CWSRF AT-A-GLANCE	24



CWSRF Program: Reaching Communities, Achieving Success

For nearly twenty years, the Clean Water State Revolving Fund (CWSRF) program has been a model of financial integrity and environmental success. Comprised of 51 individual state programs, the CWSRF has provided over \$57 billion in assistance with almost 18,000 loans since its inception in 1988. 2006 marks an important milestone in the CWSRF: it is the first time that over \$5 billion in assistance has been provided in any one year.

Borrowers have benefited from billions of dollars in interest savings through the CWSRF program's low-interest loans. Recent efforts to develop a nation-wide environmental benefits reporting system have helped the CWSRF program quantify the environmental impact of its investments. Since reporting began in early 2005, states have entered data on over 3,500 projects totaling \$11.3 billion. The information shows that CWSRF loans are helping communities restore and protect aquatic wildlife, recreational uses, and drinking water sources. The reporting also underscores the fact that CWSRF assistance benefits millions of people throughout the United States. This 2006 Annual Report will highlight these advances in benefits reporting, as well as other accomplishments and new developments from the past year.

Going forward, many CWSRF borrowers will have the opportunity to achieve even greater benefits from their loans through lower interest payments. In 2006, the Office of Water issued a statement affirming EPA's policy on extended term financing for CWSRF assistance. The policy allows some borrowers the option to have an assistance repayment term that is greater than 20 years, which results in lower annual payments.

In the past year, the national CWSRF program increased support for state CWSRF outreach efforts to ensure that program benefits are being effectively communicated to communities and others that can gain from low-cost SRF project financing. All state CWSRF programs conduct outreach to their potential borrowers, with each program employing techniques that are customized for its state. EPA

is working with individual states to facilitate an exchange of useful communications strategies and to develop additional outreach tools to help states achieve their programmatic goals, such as attracting new borrowers and targeting priority environmental needs. Several of these tools have already been implemented by states, and EPA will track their effectiveness.

The CWSRF continued to recognize outstanding performance and innovative strategies within the program with the PISCES Awards (Performance and Innovation in the SRF Creating Environmental Success). In 2006, Awards were given to individual projects for the first time; these projects are creative and innovative models for other communities to follow.

The year 2007 will mark the 20th anniversary of the passage of the Clean Water Act amendments that authorized the CWSRF program. The CWSRF has helped thousands of communities throughout the United States achieve cleaner and healthier water. The program staff are always considering how to further expand the benefits of the CWSRF to more communities and more people. By making loans more affordable through extended term financing, promoting investment in sustainable infrastructure, and encouraging greater creativity in project planning and development, the CWSRF will remain an important financing tool for many years to come.

2006 marks an important milestone in the CWSRF: it is the first time that over \$5 billion in assistance has been provided in any one year.

Clean Water State Revolving Fund National Performance Summary Statement Statement of Fund Activity (\$ Millions)

	2006	2005
Annual Fund Activity		
Federal Capitalization Grants	928.5	1,355.6
State Matching Funds	223.9	209.4
New Funds Available for Assistance	4,648.4	4,209.1
Project Commitments (Executed Loan Agreements)	5,034.4	4,834.7
Project Disbursements	4,357.8	4,595.8
Cash Draws from Federal Capitalization Grants	1,064.1	1,305.7
Cumulative Fund Activity		
Federal Capitalization Grants	24,180.2	23,251.6
State Matching Funds	5,049.2	4,825.3
Funds Available for Assistance	60,956.1	56,307.7
Project Commitments (Executed Loan Agreements)	57,698.1	52,663.6
Project Disbursements	49,514.1	45,156.4
Cash Draws from Federal Capitalization Grants	22,194.3	21,130.2

Source: EPA's CWSRF National Information Management System (June 30, 2006).

Note: 2005 data were revised from the 2005 Annual Report to incorporate updated state information.



CWSRF Outreach: Enhanced Communications

The Clean Water State Revolving Fund program has funded important water quality projects since 1988. SRF managers have implemented innovative and successful loan assistance options to address their states' most pressing environmental and public health needs. Enhancing service and reaching out to communities with priority projects is an ongoing effort in the CWSRF program. Over the years, many states have increased the level of outreach they conduct and have implemented new approaches to providing information about the CWSRF program. Several states have recently begun new efforts to evaluate how their primary customers – local communities – perceive their state's CWSRF program so they can adjust outreach approaches or modify assistance programs to meet local needs.

All 51 CWSRF programs conduct outreach to their local communities through websites, meetings, newsletters, or other methods. Many states have developed sophisticated and comprehensive outreach strategies in order to meet various goals, such as encouraging more nonpoint source projects, maintaining or increasing the fund utilization rate, or educating decision-makers about the benefits of the CWSRF.

The states' communications efforts pay off. In 2006, the program entered into 1,858 loans or assistance agreements for eligible projects, the largest number in CWSRF history and almost 400 more than the previous

year. More than half of the loans or assistance agreements went to communities with a population below 3,500. Furthermore, 1,183 nonpoint source projects were funded in 2006.

There can be challenges in communicating the benefits of the CWSRF to communities. Staff turnover at the community level means that outreach involves a frequent reeducation process. At the same time, staffing resources available for outreach in state CWSRF programs can be limited. In addition, some communities do not have the capacity to analyze all of their financing options. They may therefore choose an option that they have used in the past, even though it may not be the most cost-effective alternative.

The greatest outreach tool is the CWSRF itself. Borrowers save millions of dollars in interest each year compared with other sources through the Fund's below-market interest rates. There is also significant flexibility in the types of projects that can be financed with the CWSRF. In 2006, the Office of Water issued a statement affirming EPA's policy on extended term financing for CWSRF assistance. The policy allows financing to extend beyond twenty years, making payments more affordable for many communities. A 2005 survey conducted by the U.S. Conference of Mayors found that almost 40 percent of the 414 cities polled used the SRF, with small and medium cities (less than 100,000 population) using the SRF for most or all of their water infrastructure projects.*

In a new effort to help states take their outreach efforts one step further, EPA has made itself available to assist states in developing outreach plans and other tools that may enhance their efforts. Some of the products that EPA is developing include:

COMMUNICATIONS PLANS

EPA is tapping experienced communications professionals with expertise in state and federal environmental programs

*Richard F. Anderson. "Major Capital Investment in Water and Wastewater Infrastructure: City Practices and Attitudes Concerning the State Revolving Fund Program." U.S. Conference of Mayors, Mayors Water Council. Washington, D.C., July 25, 2006.

*The greatest outreach
tool is the CWSRF itself.*

to assist CWSRF programs. EPA will be working with at least two states to develop and implement comprehensive CWSRF outreach plans in 2007. Each state will begin by gathering information on existing and potential borrowers. Through interviews and focus groups, the state will learn how communities perceive the CWSRF program and how they make financing decisions.

options. The Financing Alternatives Comparison Tool (FACT) will give users the flexibility to input and compare information for any number of basic financing options, including CWSRF, tax-exempt bonds, grant/loan combinations, bank loans, and more. In addition to entering their financing terms and construction and design costs, users will be able to input the other expenses associated

The newsletter will provide state and regional CWSRF staff with regular updates on policy changes, case studies, and other useful information.

Over the years, many states have increased the level of outreach they conduct and have implemented new approaches to providing information about the CWSRF program.

Armed with this information, the states will work with communications professionals to set programmatic goals and develop an outreach plan to help achieve those goals. The states, with EPA assistance, will work towards implementing the communications plan and monitoring the outcomes.

Strategies and case studies will be shared with other state CWSRF programs, along with suggestions on how they may be implemented elsewhere.

FINANCING ALTERNATIVES COMPARISON TOOL

EPA recently developed a financing calculation tool that will allow communities to compare the cost of SRF financing with other financing

with each financing option, including legal fees, financial advisory fees, and reporting costs. This tool allows communities to compare their various financing options in a more comprehensive way than has been possible to date.

LEARNING FROM CWSRF PROGRAMS' EXPERIENCES

EPA is also seeking to improve communications across CWSRF programs by encouraging all staff to share ideas and case studies. EPA has launched an online message board (<http://cwsrf.invisionzone.com>) where users can ask questions, share ideas and discuss issues. The message board is available to all CWSRF staff in states and EPA. In addition, in 2007, the CWSRF will be re-launching the SRF's Up newsletter.

AWARDS

States and communities can use the PISCES Awards (Performance and Innovation in the SRF Creating Environmental Success) to publicize local successes and case studies, informing potential borrowers of the types of innovative projects that can be funded with CWSRF dollars. Media reports on PISCES Award winners also bring new attention to the program and its successes. In 2006, awards were given for individual projects. More information on the 2006 PISCES Awards and the winners can be found on page 13.



Outstanding Examples of State Outreach Activities

Florida: Florida's SRF program holds an annual two-day workshop for consultants, water and wastewater facilities managers, and financial managers. The workshop covers SRF program requirements and updates, and provides some information on other financing options. Over 200 people attended the event in 2006, a substantial portion of whom had no prior knowledge of the SRF. It has proven to be an effective way to inform community leaders and consultants in Florida about the benefits of the SRF.

New Jersey: The New Jersey Environmental Infrastructure Trust runs a 30-second television spot on the state public television station, which is the main source for state government news. The Trust also sends all community decision-makers information about their programs three times per year.

Arizona: The Water Infrastructure Finance Authority staff members spend a large part of their time traveling to communities to discuss the SRF program. They also organize "large check" ceremonies with the state governor in borrower communities whenever possible.

Indiana: Indiana implemented a nonpoint source sponsorship program in 2005 which provides borrowers with a 0.5 percent interest rate reduction if they do a nonpoint source project in conjunction with a public treatment works project. By spreading the word through fact sheets, newsletters, and meetings with communities and consultants, the state was able to make \$74 million in nonpoint source loans in only two years.

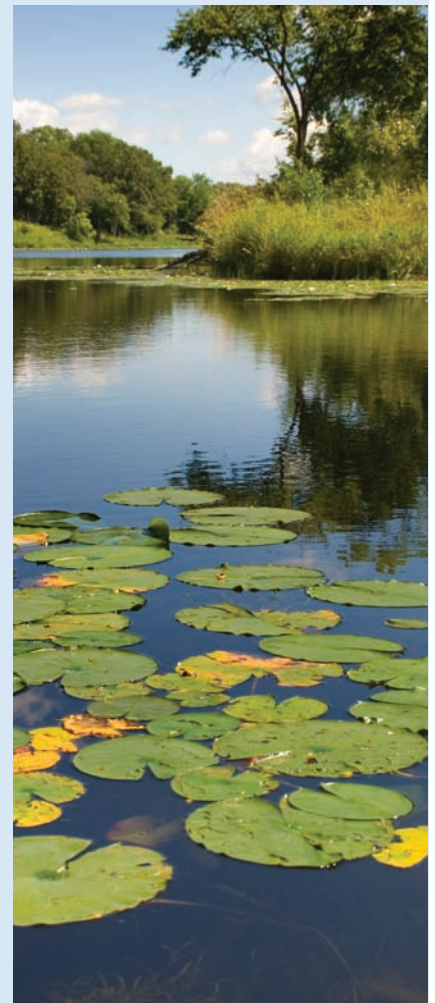
Montana: In 2005, Montana's SRF program produced a short informative and amusing video on the process involved in obtaining SRF financing. It is sent to any community that applies for a state planning grant. In the year since it was released, over 100 copies of the videos have been distributed throughout the state. In addition, the program conducts three SRF workshops around the state each year, which draw 100 to 150 attendees. Events are publicized through mailings to all public works directors and mayors. As a result of the video and workshops, the SRF program has found that its applications and projects are of higher quality.

Iowa: Iowa's SRF program recently made the decision to assist communities with the environmental review. To inform them of this change and other services, the Department of Natural Resources hosted five workshops around the state in the fall of 2006. The workshops were primarily aimed at consulting engineers and councils of governments. The Iowa Finance Authority also runs ads in magazines aimed at local governments and utility managers.

Michigan, Alaska: Michigan's and Alaska's SRF programs conducted surveys in 2006 of their current and potential borrowers. The survey results help them understand how the programs are perceived and how communities make infrastructure financing decisions.

New Mexico, Texas: Both states have recently completed marketing plans, which outline programmatic goals and the activities to help achieve those goals. Some of their strategies include reaching out to non-compliant communities and marketing to consulting engineers.

Pennsylvania: PENNVEST hosts a comprehensive website that allows potential borrowers to register for the application process and enter basic information about their system. Users can take the information entered and compare PENNVEST funding with any other funding scenario. The agency also hosts approximately six workshops around the state annually to help communities learn more about how they can fund infrastructure through PENNVEST. Another important outreach tool is a requirement for each approved loan recipient to attend a training session that details the settlement, draw-down, and close-out processes.



Measuring & Communicating Environmental Benefits

In recent years, the CWSRF program has undertaken an ambitious effort to add outcome-based performance information to its strong financial record. 2005 was a productive year for this effort, featuring the debut of a CWSRF benefits reporting system and a suite of environmental indicators for measuring water quality and public health effects. With the help of these tools, states can now demonstrate the measurable contributions of the CWSRF program to supporting Clean Water Act goals.

The benefits reporting system is the product of a collaborative effort between states and EPA. Although participation is voluntary, in 2005 all 51 states began tracking indicators linking CWSRF project assistance to environmental benefits. The indicators convey four areas of achievement: providing subsidy to borrowers, providing service to the general population, addressing water quality problems, and protecting and restoring waterbody uses. In FY 2006, states reported the preliminary results of these indicator measures for their CWSRF projects. The measures are based on water quality program data that are already collected through permits, standards, and other sources, so they present the environmental value

of the CWSRF while minimizing the reporting burden to states. From these reports, states and EPA can track the CWSRF's progress in helping water systems meet and maintain compliance with Clean Water Act regulations. The information also allows CWSRF program managers to measure the effectiveness of every loan dollar used to protect and restore fisheries, recreational areas, and drinking water sources.

The CWSRF benefits reporting system currently contains project-level data for almost 2,000 loans. Data fields connect expected water quality improvements to the waterbodies they affect. Users can choose from a customized list of designated surface water uses for the affected waterbodies and input the population served by the project. Due to its accessibility, the CWSRF benefits reporting system acts as a communication conduit between state-level program managers and EPA Regions. The system generates customizable reports at the state, regional and national level, giving program managers a strategic view of the ways the CWSRF program is addressing water quality issues. This one-screen data entry system is a straightforward way to track the environmental and public health contributions of the CWSRF program.

The projects listed on the next page were taken from the CWSRF benefits reporting system to demonstrate how loans can be tracked in conjunction with the environmental and public health needs that they serve.

The information will allow CWSRF program managers to measure the effectiveness of every loan dollar used to protect and restore fisheries, recreational areas, and drinking water sources.

- **Stamford, Connecticut** used a \$73,561,481 loan at a 2 percent interest rate for modernization of a wastewater treatment facility to accomplish denitrification. The 73,848 people* directly served by the facility are now enjoying the benefits of water quality improvement in the Stamford Harbor, a marine fish, shellfish and wildlife habitat used for commercial shellfish harvesting.
- **New York, New York** used a \$32 million CWSRF loan at 2.34 percent interest to construct a facility to eliminate combined sewer overflows into the Paerdegat Basin. As a result of the project, more than 8 million people* will benefit from improved water quality in the Jamaica Bay Wildlife Refuge.
- **Worcester County, Maryland** used a CWSRF loan for the replacement of lagoon aeration and lagoon fencing to improve water quality in the Chincoteague River, a threatened waterbody. The project will help preserve the river for recreation, aquatic life, industrial water supply, and agricultural water supply.
- In **Cary, North Carolina**, a \$5,000,000 CWSRF loan at 2.2 percent interest funded an Environmental Impact Statement and preliminary design for a project at Western Wake County Regional Water Reclamation Facility. The project will contribute to water quality improvement in the Cape Fear River, used as a Class IV and V water supply for the community.
- **Fortville, Indiana** used a \$1,630,000 loan at a 3.4 percent interest rate for sewer separation to reduce combined sewer overflows impacting the Fall Creek – Flatrock Creek tributaries. The project will serve a population of 3,000 people* and will contribute to water quality improvement in the tributaries, used for full-body contact recreation and warm water aquatic habitat.
- In **Beebe, Arkansas**, a \$750,000 CWSRF loan at 3.75 percent interest was used to construct interceptors and a new pump station to eliminate manhole overflows affecting the White River and Cypress Bayou. The project will contribute to water quality maintenance in the waterbodies, used for recreation and domestic water supply.
- **Clinton, Missouri** used a CWSRF loan to fund a collection system extension and rehabilitation, as well as manhole rehabilitation. The project contributes to water quality improvement in the South Grand River, allowing the 10,050 people* served by the project to continue to use the waterbody as a warm water fishery and drinking water supply.
- In **Kalispell, Montana**, a \$3.9 million CWSRF loan was used to construct a wastewater treatment plant. The project will improve water quality in Ashley Creek and Flathead Lake, benefiting the 18,400 people* who rely on the waterbodies for drinking water supply.
- **Reno, Nevada** used an \$11 million CWSRF loan to replace and rehabilitate sewers, benefiting 150,000 people.* The project will maintain water quality in the Truckee River for recreation and aquatic life.
- In **Anchorage, Alaska**, a \$2 million dollar CWSRF loan at 1.5 percent interest was used to make process improvements at the John Asplund Water Pollution Control Facility. The project will protect the Cook Inlet from wastewater discharge, benefiting 260,000 people.*

*Total users of utility systems where reported CWSRF projects occur.

The benefits reporting system is the product of a collaborative effort between states and EPA.

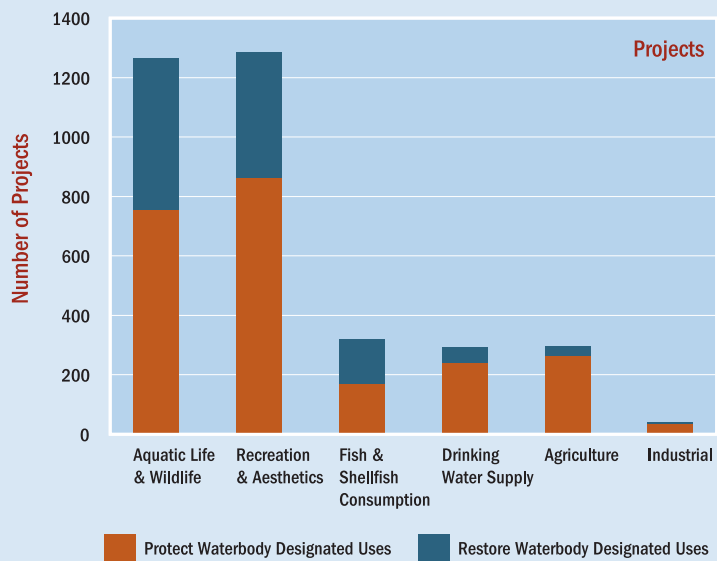
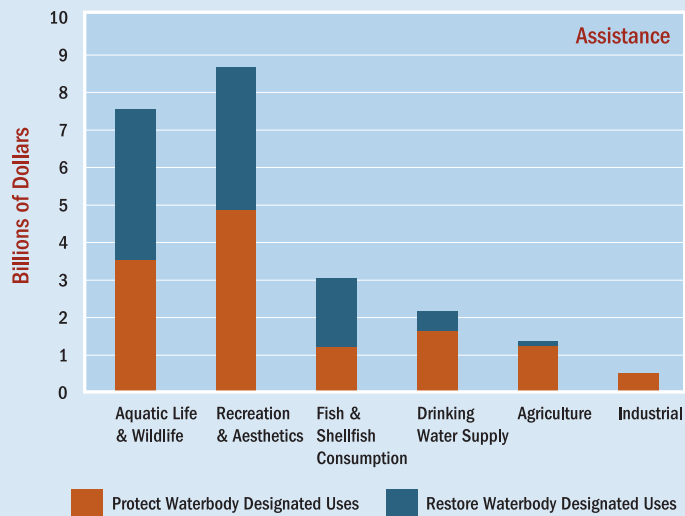
Funding Environmental Benefits

The \$11.3 billion in CWSRF loans reported in the environmental benefits effort have financed over 3,500 projects that serve more than 75 million people. Over 1,300 borrowers have used CWSRF loans to clean up rivers, lakes, and streams for swimming and fishing. In 2006 alone, \$3.7 billion in loans served 36 million people and provided low-interest financing to 500 borrowers. The following graphs show how the CWSRF targets a variety of impaired water sources in support of Clean Water Act goals.

ADVANCING CLEAN WATER ACT GOALS

The measures show that the CWSRF directly supports the goals of the Clean Water Act by restoring or protecting the beneficial uses of a river, lake, or stream. Over 75 percent of the total funding reported goes to projects that aim to preserve water quality for aquatic life, provide for water recreation, and protect drinking water. The CWSRF assistance used to protect and restore these priority uses – \$7.6 billion for aquatic wildlife, \$8.7 billion for recreational and aesthetic uses, and \$2.2 billion for drinking water sources – directly benefits the millions of people who rely on clean waterbodies for health and enjoyment. In addition to preserving surface waterbody uses, the CWSRF provides financial support for Clean Water Act goals by passing on interest rate savings to municipalities and utility customers.

CWSRF Assistance Supports Surface Waterbody Designated Uses



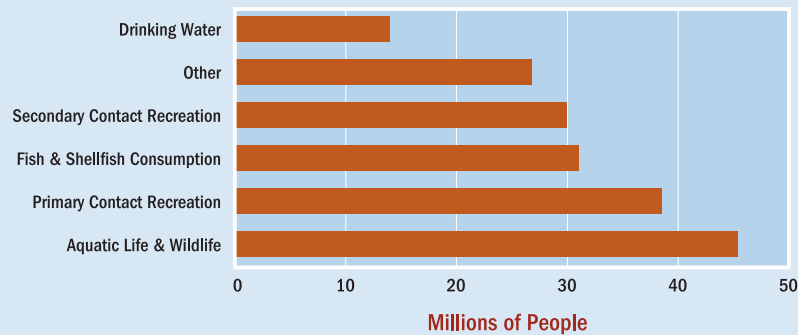
Note: Graphs represent the cumulative data submitted by states in the CWSRF benefits reporting system to date.

SERVING THE PUBLIC

In addition to serving the public through lower utility bills and improved wastewater services, the CWSRF also improves local water quality. Projects that clean up polluted streams, rivers, lakes, and estuaries will improve drinking water supplies for 14 million people, preserve recreational waters for over 68 million, and provide for

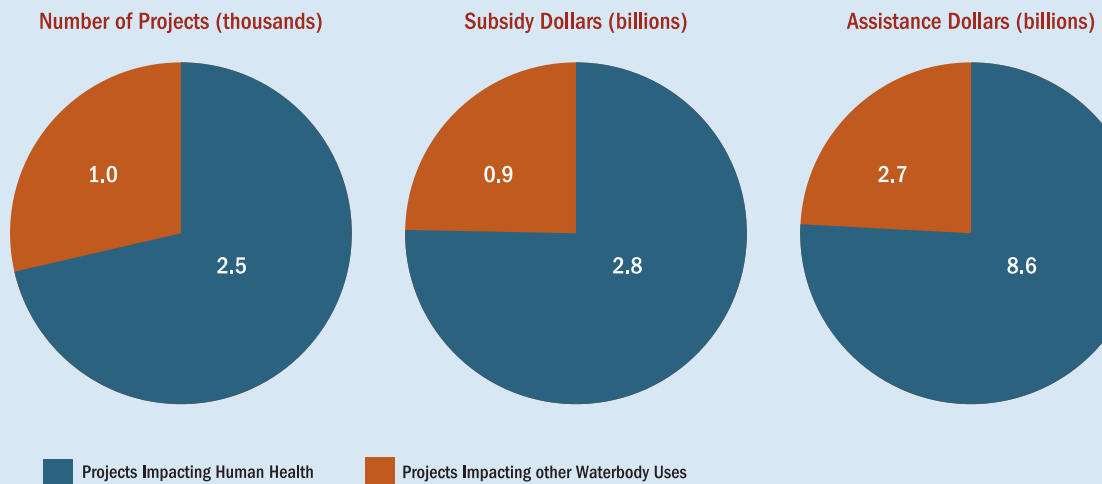
safer fish and shellfish consumption for 31 million.* In addition, more than 45 million people will enjoy protected and restored fish and wildlife habitats as a result of CWSRF projects.* Because water quality improvements also benefit downstream water supplies, the total population served by CWSRF projects is even greater than the numbers shown here.

Impaired Waterbody Protection and Restoration: Population Served



Note: Graph represents the cumulative data submitted by states in the CWSRF benefits reporting system to date.

CWSRF Projects Address Public Health



Note: Graph represents the cumulative data submitted by states in the CWSRF benefits reporting system to date.

*Total users of the utility systems where reported CWSRF projects occur.

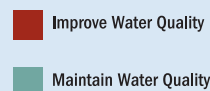
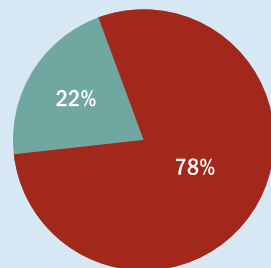
FUNDING PRIORITY WATER PROJECTS

CWSRF programs rank all project applications for funding according to public health and compliance criteria. The ranking systems, developed by the states, ensure that CWSRF funding goes first and foremost to projects with the greatest impact on human health and the environment.

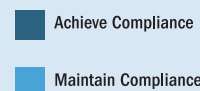
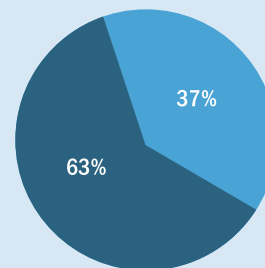
The benefits data indicate that the majority of funding is used to help impaired or threatened waterbodies achieve compliance with Clean Water Act regulations. Projects to improve water quality received \$8.2 billion, far exceeding the \$2.2 billion spent on projects to maintain the current water quality.

CWSRF Assistance Helps Maintain and Improve Water Quality of Receiving Waterbodies

Loan Dollars to Maintain/Improve Water Quality



Loan Dollars to Achieve/Maintain Compliance



Note: Graph represents the cumulative data submitted by states in the CWSRF benefits reporting system to date.

ECONOMIC BENEFITS

The CWSRF's investment in water quality goes beyond environmental benefits to provide significant, documented economic benefits as well. Cleaner drinking water and better wastewater treatment improves the health of the general public, resulting in fewer sick days and increased productivity. The CWSRF also provides significant economic benefits to the cities, towns, and municipalities receiving low-interest loans. Because the interest rate on CWSRF loans is lower than the market rate, the savings

to borrowers constitutes a substantial subsidy. According to the cumulative data recorded in the benefits reporting system to date, the CWSRF has saved borrowers more than \$3.7 billion in interest costs. In 2006 alone, the CWSRF provided almost \$1.3 billion in interest subsidies to help borrowers improve their water resources at an affordable cost. In addition, the CWSRF aids economically disadvantaged communities through flexible financing options such as zero percent interest rates and extended financing terms.

State Agencies that Manage CWSRF Programs

EPA REGION 1 – BOSTON, MASSACHUSETTS

Connecticut Department of Environmental Protection
Connecticut Office of the Treasurer
Maine Municipal Bond Bank
Maine Department of Environmental Protection
Massachusetts Water Pollution Abatement Trust
Massachusetts Department of Environmental Protection
New Hampshire Department of Environmental Services
Rhode Island Clean Water Finance Agency
Rhode Island Department of Environmental Management
Vermont Department of Environmental Conservation
Vermont Municipal Bond Bank

EPA REGION 2 – NEW YORK, NEW YORK

New Jersey Department of Environmental Protection
New Jersey Environmental Infrastructure Trust
New York State Environmental Facilities Corporation
New York Department of Environmental Conservation
Puerto Rico Environmental Quality Board
Puerto Rico Infrastructure Financing Authority

EPA REGION 3 – PHILADELPHIA, PENNSYLVANIA

Delaware Department of Natural Resources and Environmental Control
Maryland Department of the Environment
Pennsylvania Infrastructure Investment Authority
Pennsylvania Department of Environmental Protection
Virginia Department of Environmental Quality
Virginia Resources Authority
West Virginia Department of Environmental Protection
West Virginia Water Development Authority

EPA REGION 4 – ATLANTA, GEORGIA

Alabama Department of Environmental Management
Florida Department of Environmental Protection
Georgia Environmental Facilities Authority
Kentucky Infrastructure Authority
Kentucky Division of Water
Mississippi Department of Environmental Quality
North Carolina Department of Environment and Natural Resources
South Carolina Department of Health and Environmental Control
South Carolina Budget and Control Board
Tennessee Department of Environment and Conservation
Tennessee Comptroller of the Treasury

EPA REGION 5 – CHICAGO, ILLINOIS

Illinois Environmental Protection Agency
Indiana Department of Environmental Management
Indiana State Budget Agency
Indiana Finance Authority
Michigan Department of Environmental Quality
Michigan Municipal Bond Authority
Minnesota Public Facilities Authority

Minnesota Pollution Control Agency
Minnesota Department of Agriculture
Ohio Environmental Protection Agency
Ohio Water Development Authority
Wisconsin Department of Natural Resources
Wisconsin Department of Administration

EPA REGION 6 – DALLAS, TEXAS

Arkansas Soil and Water Conservation Commission
Arkansas Development Finance Authority
Louisiana Department of Environmental Quality
New Mexico Environment Department
Oklahoma Water Resources Board
Texas Water Development Board

EPA REGION 7 – KANSAS CITY, MISSOURI

Iowa Department of Natural Resources
Iowa Finance Authority
Kansas Department of Health and Environment
Kansas Department of Administration
Kansas Rural Water Finance Authority
Kansas Development Finance Authority
Missouri Department of Natural Resources
Missouri Environmental Improvement and Energy Resources Authority
Nebraska Department of Environmental Quality
Nebraska Investment Finance Authority

EPA REGION 8 – DENVER, COLORADO

Colorado Water Resources and Power Development Authority
Colorado Department of Public Health and Environment
Colorado Department of Local Affairs
Montana Department of Environmental Quality
Montana Department of Natural Resources and Conservation
North Dakota Department of Health
North Dakota Public Finance Authority
South Dakota Department of Environment and Natural Resources
Utah Department of Environmental Quality
Wyoming Department of Environmental Quality
Wyoming Office of State Lands and Investments

EPA REGION 9 – SAN FRANCISCO, CALIFORNIA

Arizona Water Infrastructure Finance Authority
California State Water Resources Control Board
Hawaii Department of Health
Nevada Department of Conservation and Natural Resources

EPA REGION 10 – SEATTLE, WASHINGTON

Alaska Department of Environmental Conservation
Idaho Department of Environmental Quality
Oregon Department of Environmental Quality
Washington Department of Ecology

CWSRF PISCES Awards: Performance and Innovation in the SRF

As a flexible and reliable municipal finance tool, the CWSRF program provides an opportunity for borrowers to pursue creative nonpoint source and wastewater infrastructure projects. In 2005, the inaugural PISCES Awards (Performance and Innovation in the SRF Creating Environmental Success) recognized one state in each EPA Region where project managers had best exemplified the potential of the CWSRF program through effective and innovative program management. The 2006 PISCES Awards highlight organizations and civic bodies that have used their expertise in planning, management, and financing to successfully further EPA water quality protection goals. The important work demonstrated by award winners is vital for reconciling the mounting challenges of water infrastructure funding with ever-pressing state and local needs.

In addition to recognizing the performance and ingenuity of featured borrowers, the PISCES Awards act as a showcase for innovative uses of the CWSRF program. The CWSRF has financed many projects to improve the sustainability of wastewater infrastructure and improve the environmental health, recreational resources, and economic well-being of cities, towns, and municipalities across the country. The 2006 PISCES Awards honor borrowers who have used CWSRF funds to go above and beyond what has been achieved in the past. By providing a forum for pioneering practices to be shared, the PISCES Awards encourage standard infrastructure financing practices to evolve to a new level of efficiency.

In 2006, states identified a total of 30 outstanding borrowers to receive the Second Annual PISCES Awards. Each state had the opportunity to nominate a borrower that demonstrated high-quality performance, financial integrity, and Clean Water Act compliance. Each nominee was also required to demonstrate outstanding performance in at least one of the following four areas: innovation in financing, innovative approach to project implementation, creative use of partnerships, and promotion of sustainable infrastructure.

The 30 recipients of the 2006 PISCES Awards are exemplary models of resourcefulness and vision in the CWSRF program. Winners were recognized at the national meeting of the Council of Infrastructure Financing Authorities (CIFA) in Philadelphia, Pennsylvania in November 2006.





REGION 10

- Anchorage Water and Wastewater Utility, AK: Constructed a remote supervision facility to ensure proper operation of unsupervised facilities
- Farmers Irrigation District, Hood River, OR: Implemented a multifaceted sustainability plan that improved flow in the Hood River and increased hydroelectricity generation
- LOTT Wastewater Alliance, Olympia, WA: Coordinated the cities of Lacey, Olympia, and Tumwater to create a wastewater resources treatment plan



REGION 9

- The Nature Conservancy, San Francisco, CA: Purchased and conserved three watershed properties, protecting the land from overgrazing and urban encroachment
- Bullhead City, AZ: Completed the third phase of a city-wide sewerage project, preventing contamination to the Colorado River
- Maui Department of Public Works and Environmental Management, HI: Installed new force main pumps and modified wastewater pump stations
- Washoe County, NV: Collaborated with Reno and Sparks to purchase water rights to a river and lake, and dedicate the water to instream flows



REGION 8

- Fort Collins, CO: Upgraded the city's stormwater system using innovative methods and materials while retaining much of the original system
- Missoula, MT: Converted a sludge treatment system to a biological nutrient removal process, reducing nitrogen and phosphorus loading
- Pickerel Lake Sanitary District, Grenville, SD: Constructed a septic tank effluent pump collection system and artificial wetland treatment system
- Cheyenne, WY: Renovated and upgraded water reclamation facilities, allowing the reclaimed water to be used for land applications



REGION 6

- Henderson, LA: Constructed a wastewater treatment and collection system with \$25/month set fees for this previously unsewered community
- Rio Rancho, NM: Upgraded the city's wastewater treatment plant and implemented a water resources management plan to promote conservation
- Tulsa Metropolitan Utility Authority, OK: Rehabilitated the sewage system to correct illegal discharges and eliminate excess flows
- High Island Independent School District, Galveston County, TX: Replaced inadequate septic systems with a low pressure pump station and wetlands treatment system
- The Nature Conservancy, Little Rock, AR: Purchased 4,361 acres of wetlands, then restored, reforested and sold the property to the U.S. Fish and Wildlife Service



2006 PISCES Award Winners: Performance and Innovation Creating Environmental Success

REGION 5

- Evanston, IL: Eliminated combined sewer overflows by building capacity to access an existing reclamation plant
- West Lafayette, IN: Modified a wastewater treatment plant to treat fats, oils, and grease, generating methane for electricity
- Dearborn, MI: Used a treatment shaft design to treat and divert combined sewer overflows at seventeen outfalls along the Rouge River
- Bayfield and Pike's Bay Sanitary District, WI: Built a joint wastewater treatment facility that discharges 70 percent fewer pollutants than typical plants

REGION 4

- Holloway Technology Inc., Leesburg, FL: Developed a process for large-scale plant irrigation that uses 20 percent less water than conventional methods
- Hartselle Utilities, Hartselle, AL: Initiated an inflow/outflow mitigation program that has reduced flows by over 20 percent and eliminated sanitary sewer overflows
- Jumpertown, MS: Constructed a collection system, lift station, pump station, and treatment facilities in this previously unsewered community
- Wilson, NC: Created a water reclamation system and improved the city's solids processing, reducing land application costs by 30 percent

REGION 1

- Greenville Estates Village District, NH: Replaced failing septic systems with a sewer collection and pumping system

REGION 2

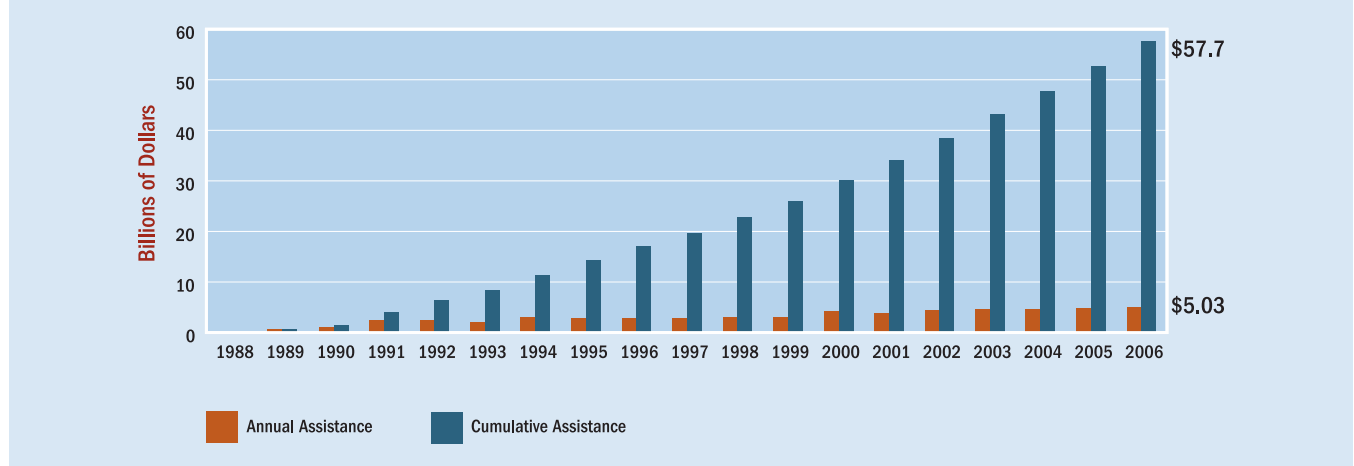
- Atlantic County Utilities Authority, NJ: Implemented a photovoltaic generation system to produce electricity at the wastewater treatment facility

REGION 3

- Rockville, MD: Enhanced and restored existing wetlands to reduce nonpoint source pollution in the Chesapeake Bay
- Lynchburg, VA: Used sewer separation, rainleader disconnection, and interceptor replacement to reduce combined sewer overflows
- AMD Reclamation, Dunkard Township, PA: Built an acid mine drainage treatment facility and outfall sewer, protecting surface water from raw mine discharge

CWSRF 2006 Performance Highlights

CWSRF Cumulative Assistance Reaches \$57.7 Billion in 2006



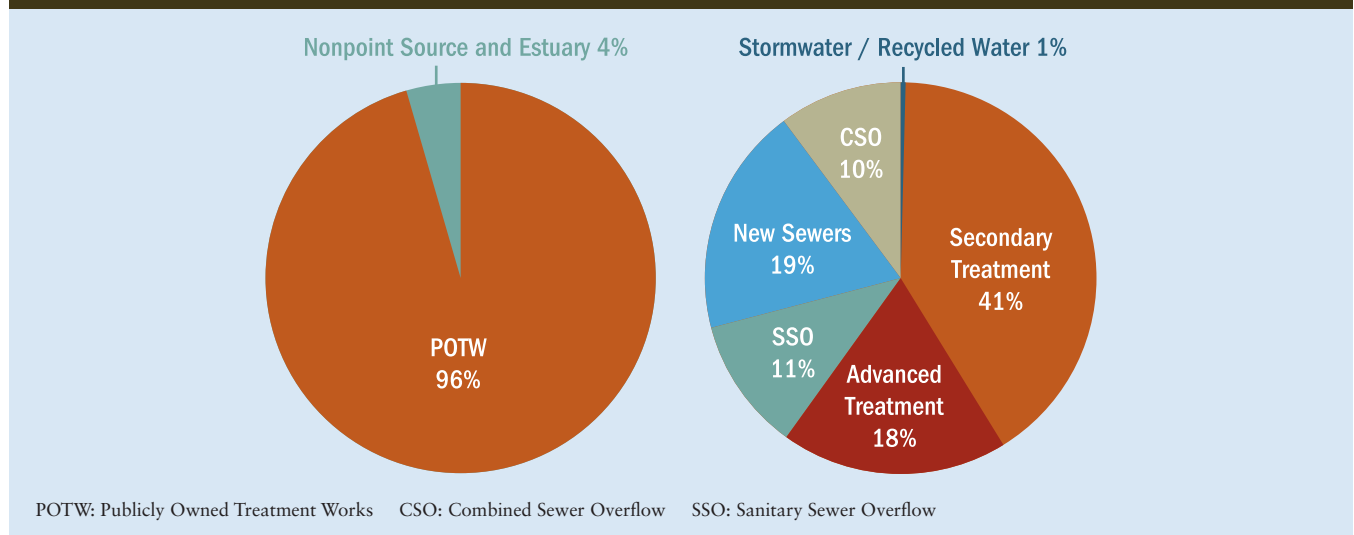
A GROWING SOURCE OF PROJECT FINANCING

In 2006, the CWSRF program funded \$5 billion in projects, raising cumulative assistance to nearly \$58 billion. The program provides financing to approximately 10 to 20 percent of the nation's annual wastewater capital projects (municipalities, states, and other federal programs provide the remaining funding).

FUNDING CRITICAL PROJECTS

In 2006, the CWSRF continued to fund a broad range of projects. Wastewater system projects accounted for 96 percent of the total funding. While nonpoint source projects accounted for just 4 percent of total funding, they received over \$370 million in 2006, an increase of almost \$138 million from 2005.

CWSRFs Fund \$57.7 Billion in Clean Water Needs through 2006



SERVING ALL COMMUNITIES

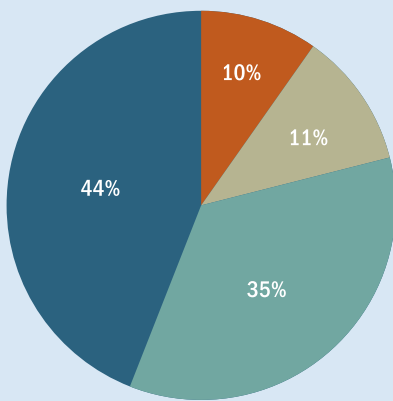
Since its inception, the CWSRF program has provided substantial funding to many small and medium-sized communities. In 2006, 56 percent of all assistance agreements went to communities with populations of 3,500 or fewer, and over \$1 billion went to communities with fewer than 10,000 people.

CWSRF LOANS SAVE COMMUNITIES 20 PERCENT ON AVERAGE

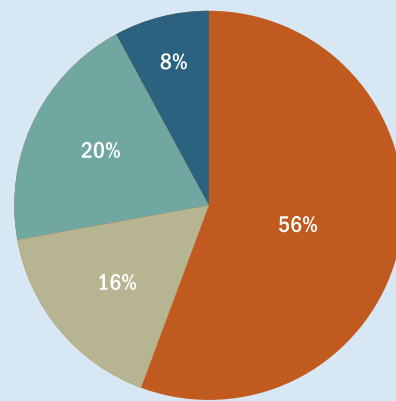
According to a popular municipal borrowing index, the average municipal borrowing rate was 4.5 percent in 2006. The average CWSRF interest rate available for eligible loans was 2.0 percent. The typical cost savings realized by CWSRF borrowers represented a 20 percent savings on financing costs.

Communities Served by CWSRFs in 2006

Dollar Amount of Assistance (\$5.0 Billion)

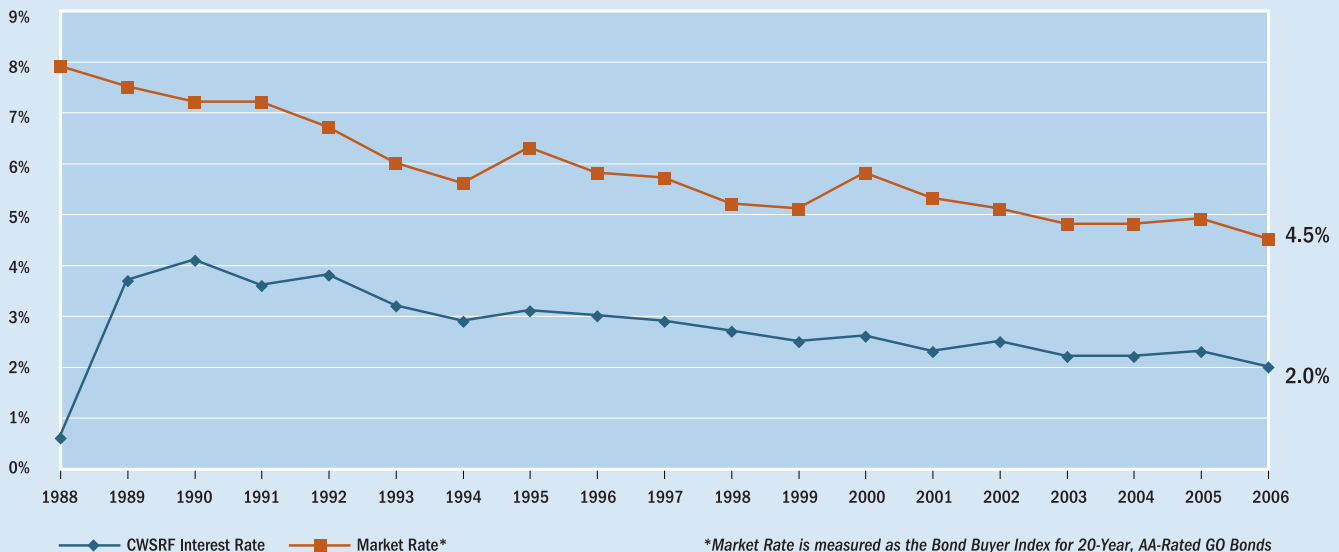


Number of Assistance Agreements (1,858)



Population: ■ Less than 3,500 ■ 3,500 to 9,999 ■ 10,000 to 99,999 ■ 100,000 and above

CWSRF Loans Save Communities 20 Percent (2006 Average)



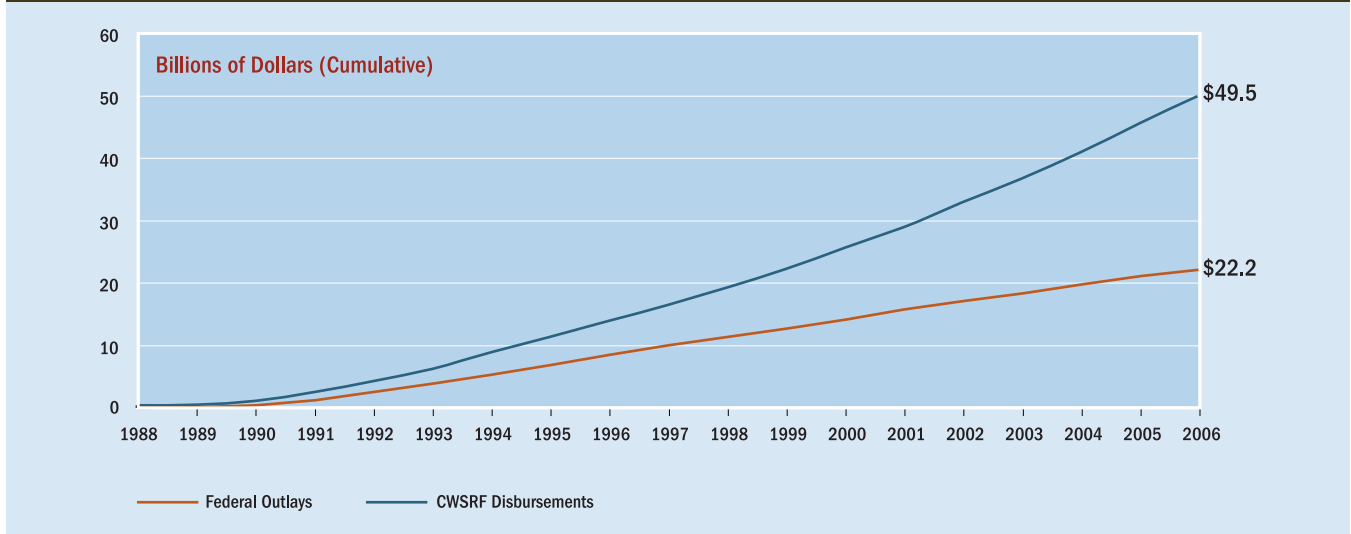
HIGH RETURN ON FEDERAL INVESTMENT

The ratio of CWSRF project disbursements (i.e., total cash out to pay invoices) compared to federal outlays for projects (cash drawn from federal funds) is a measure of return on the federal investment to date. Currently, the rate of return is 2.23, higher than the 2005 rate of 2.14 and the 2004 rate of 2.05. The return on federal investment is growing and will continue to grow due to the revolving nature of the program.

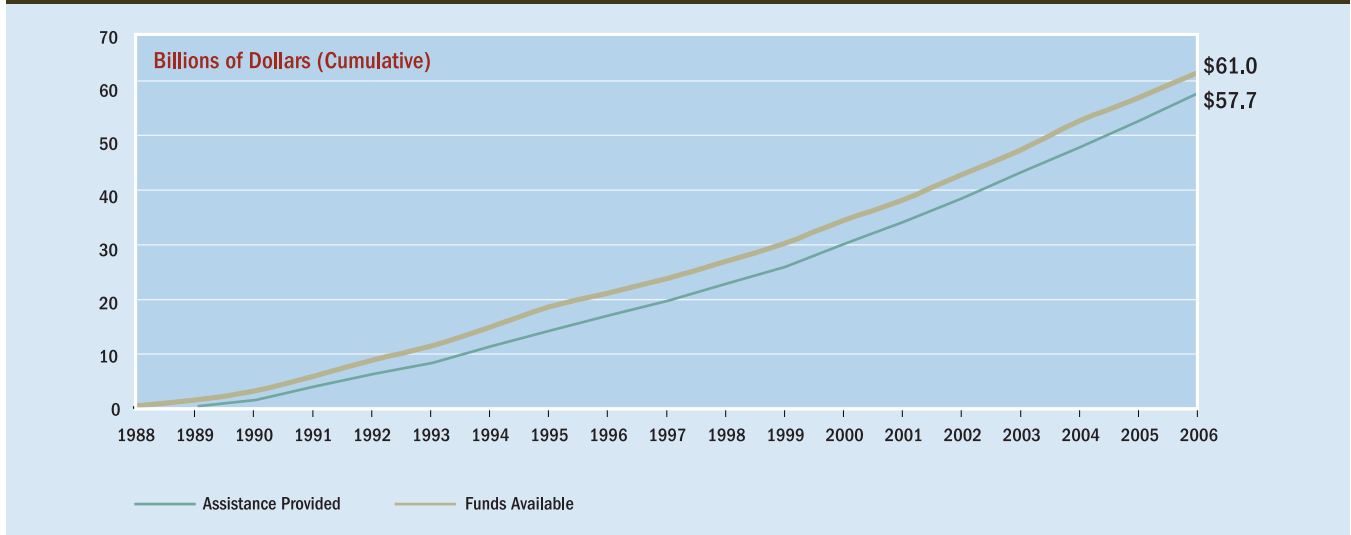
THE CWSRF MAINTAINS A STRONG RATE OF FUND UTILIZATION

Due to below-market interest rates and flexible financing options, CWSRF funding continues to be in high demand. As of 2006, 95 percent of all available funds were committed to new projects. This efficient rate of fund utilization is one reason the return on federal investment will continue to grow over time.

CWSRFs Return 2.23 Times the Federal Investment as of 2006



95 Percent of CWSRF Funds Committed to Projects as of 2006



2006 Financial Performance Overview

The Clean Water Act requires an annual financial audit of the 51 state-level CWSRF programs. Each state and Puerto Rico conducts these audits according to the generally accepted auditing standards established by the Governmental Accounting Standards Board (GASB). States often define their CWSRF programs as ongoing enterprise funds under the GASB definitions of funds. The standardized financial statements used for CWSRF programs include the following:

Statement of Net Assets

This statement describes a fund's assets and liabilities through the end of the fiscal year. Assets include financial assets and capital assets; liabilities include both current and long-term liabilities. CWSRF fund assets include grant funds that have been drawn from the federal treasury to date, but do not include total grant awards.

Statement of Revenues, Expenses, and Earnings

This statement describes the overall performance of the CWSRF fund over the reporting period.

Statement of Cash Flows

This statement provides a detailed accounting of the actual flow of cash into and out of the CWSRF fund.

Because the 51 constituent CWSRF programs are independent state-level entities, no nationally audited CWSRF program financial reports are available. However, using EPA's National Information Management System, national aggregate financial statements have been developed and are included in the following pages. The statements are best viewed as non-audited, cash flow-based financial reports.

FINANCIAL STATEMENT HIGHLIGHTS

- Total assets increased by \$3.2 billion, a 6.7 percent increase from 2005.
- CWSRF program equity (net assets) totals \$30.1 billion, a 6.4 percent increase from 2005.
- Total program revenues exceeded expenses by \$1.8 billion, with interest earnings from loans and investments totaling over \$1.6 billion.
- Loan principal repayments to the CWSRF were nearly \$2 billion.
- Leveraged bond proceeds added more than \$2.2 billion to program cash flow.

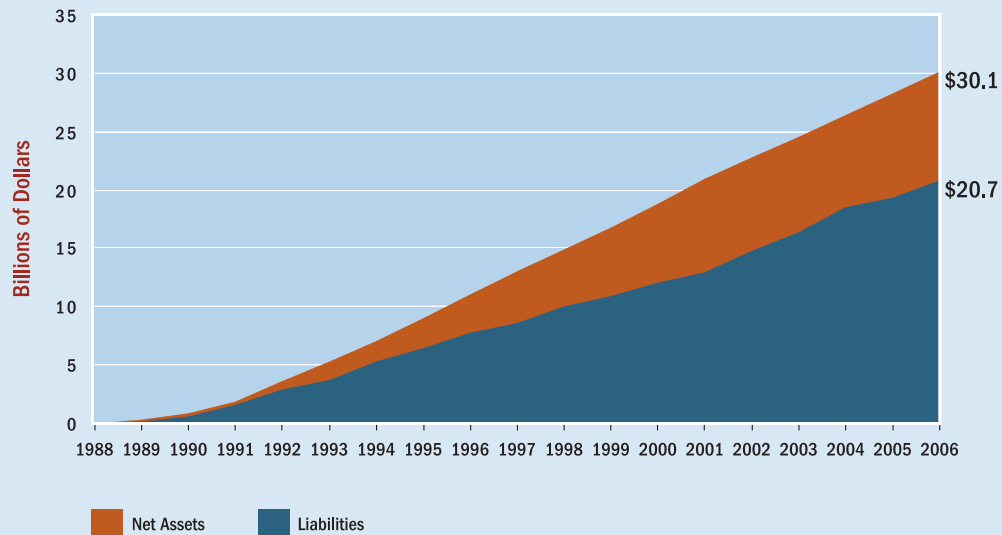


Clean Water State Revolving Fund National Performance Summary Statement Statement of Net Assets (\$ Millions)

	2006	2005
Assets		
Cash and Cash Equivalents	9,525.3	9,263.8
Debt Service Reserve - Leveraged Bonds	6,734.1	6,191.3
Loans Outstanding	34,314.3	31,939.9
Unamortized Bond Issuance Expenses	286.4	277.7
<i>Total Assets</i>	50,860.1	47,672.7
Liabilities		
Match Bonds Outstanding	624.0	668.2
Leveraged Bonds Outstanding	20,122.8	18,700.4
<i>Total Liabilities</i>	20,746.9	19,368.6
Net Assets		
Federal Contributions	22,194.3	21,130.2
State Contributions	3,811.9	3,654.8
Transfers of Non-Federal Funds from (to) DWSRF	(374.1)	(354.8)
Other Net Assets	4,481.2	3,873.8
<i>Total Net Assets</i>	30,113.2	28,304.0
Total Liabilities and Net Assets	50,860.1	47,672.7

Note: Under GASB 34 rules, "equity" is termed "net assets," and is defined as the difference between assets and liabilities. Statement presents a compilation of reporting from 51 state programs and is not audited. Sum of individual values may not exactly equal the total due to rounding error. 2005 data were revised from the 2005 Annual Report to incorporate updated state information. Source: EPA's CWSRF National Information Management System (June 30, 2006).

Net Worth of the CWSRF is Increasing as Net Assets Grow Faster than Liabilities

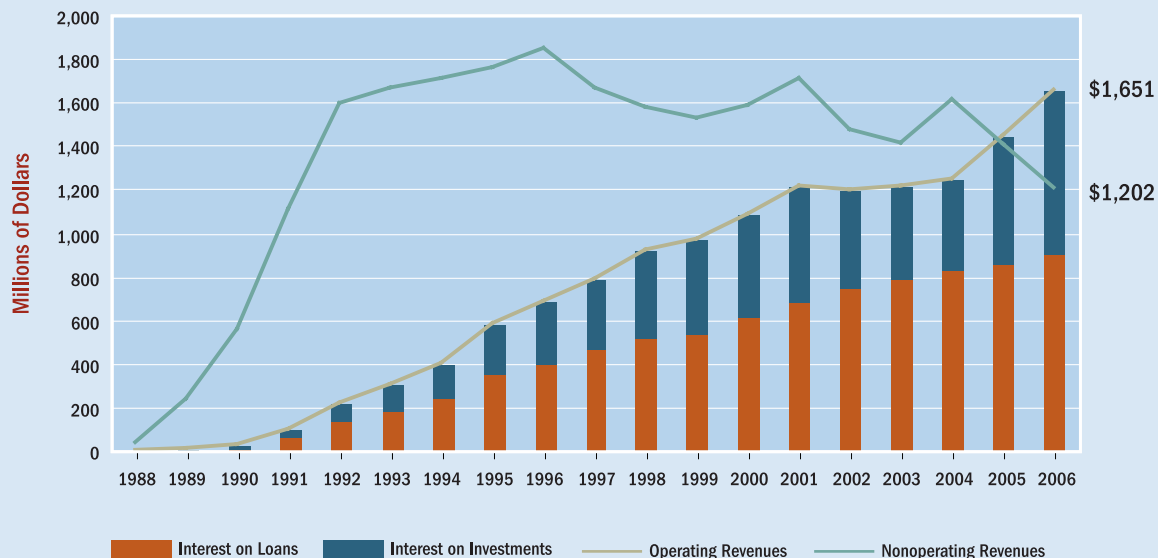


Clean Water State Revolving Fund National Performance Summary Statement Statement of Revenues, Expenses, and Earnings (\$ Millions)

	2006	2005
Operating Revenues		
Interest on Investments	749.5	585.3
Interest on Loans	901.6	858.1
<i>Total Operating Revenues</i>	<i>1,651.1</i>	<i>1,443.4</i>
Operating Expenses		
Bond Interest Expenses	935.0	911.6
CWSRF Funds Used for Refunding	54.1	2.5
Amortized Bond Issuance Expenses	13.9	13.4
Administrative Expenses	40.7	42.6
<i>Total Expenses</i>	<i>1,043.7</i>	<i>970.0</i>
Nonoperating Revenues and Expenses		
Federal Contribution	1,064.1	1,305.7
State Contributions	157.0	144.9
Transfers from (to) DWSRF	(19.3)	(44.7)
<i>Total Nonoperating Revenues (Expenses)</i>	<i>1,201.8</i>	<i>1,405.9</i>
Increase (Decrease) in Net Assets	1,809.2	1,879.3
Net Assets		
Beginning of Year	28,304.0	26,424.7
End of Year	30,113.2	28,304.0

Note: Statement presents a compilation of reporting from 51 state programs and is not audited. Sum of individual values may not exactly equal the total due to rounding error. 2005 data were revised from the 2005 Annual Report to incorporate updated state information. Source: EPA's CWSRF National Information Management System (June 30, 2006).

Interest Comprises over One Half of CWSRF Revenues



Clean Water State Revolving Fund National Performance Summary Statement
Statement of Cash Flows (\$ Millions)

	2006	2005
Cash Flows from Operating Activities		
Cash Draws from Federal Capitalization Grants	1,064.1	1,305.7
Contributions from States	157.0	144.9
Loan Disbursements Made to Borrowers	(4,357.8)	(4,595.8)
Loan Principal Repayments	1,983.4	1,824.1
Interest Received on Loans	901.6	858.1
Administrative Expenses	(40.7)	(42.6)
<i>Net Cash Provided by Operating Activities</i>	<i>(292.5)</i>	<i>(505.5)</i>
Cash Flows from Noncapital Financing Activities		
Gross Leveraged Bond Proceeds	2,235.0	1,645.1
Bond Issuance Expense	(22.5)	(23.7)
State Match Bond Proceeds	66.8	64.5
Cash Received from Transfers with DWSRF	(19.3)	(44.7)
Interest Paid on Leveraged and State Match Bonds	(935.0)	(911.6)
CWSRF Funds Used for Refunding	(54.1)	(2.5)
Principal Repayment of Leveraged Bonds	(812.5)	(807.7)
Principal Repayment of State Match Bonds	(111.0)	(74.8)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<i>347.3</i>	<i>(155.4)</i>
Cash Flows from Capital and Related Financing Activities		
	0.0	0.0
Cash Flows from Investing Activities		
Interest Received on Investments	749.5	585.3
Deposits to Debt Service Reserve for Leveraged Bonds	(542.9)	(323.2)
<i>Net Cash Provided by Investing Activities</i>	<i>206.7</i>	<i>262.2</i>
Net Increase (Decrease) in Cash and Cash Equivalents		
	261.5	(398.7)
Beginning Balance - Cash and Cash Equivalents	9,263.8	9,662.6
Ending Balance - Cash and Cash Equivalents	9,525.3	9,263.8

Note: Statement presents a compilation of reporting from 51 state programs and is not audited.
Sum of individual values may not exactly equal the total due to rounding error.
2005 data were revised from the 2005 Annual Report to incorporate updated state information.
Source: EPA's CWSRF National Information Management System (June 30, 2006).

New CWSRF Initiatives for 2007

In 2007, EPA will continue its efforts to report on environmental results, enhance state outreach techniques, recognize the most innovative and effective CWSRF programs and borrowers, and conduct training events for program staff. In addition to continuing these efforts, EPA has several new initiatives planned for the CWSRF program.

PAYING FOR SUSTAINABLE WATER INFRASTRUCTURE CONFERENCE

EPA's Paying for Sustainable Water Infrastructure Conference, scheduled to be held in Atlanta, Georgia in March 2007, will bring together stakeholders from all levels of government and the private sector to explore creative methods to pay for sustainable water infrastructure today and into the future. The Conference will address the challenge of integrating the many diverse tools and strategies to pay for sustainable water infrastructure.

Participants will discuss these issues with leaders and peers in the four tracks:

- Sustainable water infrastructure
- State and local innovations
- Federal roles in water infrastructure innovation
- International innovations in finance, technologies, and management

REPORTING ENVIRONMENTAL BENEFITS IN WATERS

WATERS is a tool on EPA's website that gathers water quality information from various EPA Office of Water programs, including nutrient criteria, water quality standards, and impaired waters. It can display this information with maps, through the EnviroMapper program, or reports, using queries in AskWATERS.

In 2007, EPA will begin uploading the data from the environmental benefits reporting database (described previously in this report) to the WATERS database. EPA will

work with the states to develop queries, graphs, and tables that would be most useful to them. Users can run these queries to generate reports in AskWATERS. These reports will showcase the environmental benefits of the CWSRF to stakeholders, and allow states and EPA to incorporate data from other EPA programs into CWSRF reports.

CWSRF FINANCIAL ACCREDITATION PROGRAM

One of the major responsibilities of SRF personnel is ensuring proper financial management oversight of the SRF programs in their states. To aid in this important task, EPA Headquarters is developing a financial accreditation program for SRF staff members.

The accreditation program will be a self-directed study program to enhance knowledge of the financial requirements of the SRF and financial management practices commonly found in the municipal finance industry. Participation will be voluntary and open to all EPA and state staff who work on SRF programs.

The program will consist of an open book comprehensive exam with topics ranging from basic SRF financial management to more advanced financial areas. A fact sheet will provide individuals with a concise list of topics that will be covered in the exam and a list of relevant resources needed for study. A reference guide will also be provided, which will catalog outside educational resources, such as professional certification programs and continuing education courses. The accreditation program will be an important resource for individuals seeking to increase their knowledge of financial analysis and management in the SRF programs.

SRF ONLINE DISCUSSION FORUM

As discussed previously, the CWSRF has launched an online message board where SRF staff around the country can post announcements, ask questions, and discuss important issues. The forum is a valuable tool to increase communication between SRF staff in different states and EPA Regions who may not have many opportunities to interact with one another on a daily basis. In 2007, the CWSRF will continue to promote the discussion forum as an important management and communication tool.

CWSRF At-A-Glance

Funds Available for Projects (Billions of Dollars)

	2006	1988-2006
Total Funds	\$4.6	\$61.0
Federal Cap Grants	0.93	24.2
State Match	0.22	5.0
Net Leveraged Bonds	1.82	19.0
Net Loan Principal Repaid	1.17	9.1
Net Interest Earnings	0.56	4.9
Net Transfers with DWSRF	(0.01)	(0.4)
Less Administration	(0.04)	(1.0)

Return on Federal Investment = 2.23 Times

SRF Assistance as Percent of Funds Available = 95 Percent

Interest Rate in 2006 = 2 Percent (Market = 4.5 Percent)

27 States Leverage; 20 Issue Match Bonds

39 States Fund Nonpoint Source Projects

30 States Use Integrated Planning and Priority Setting Systems

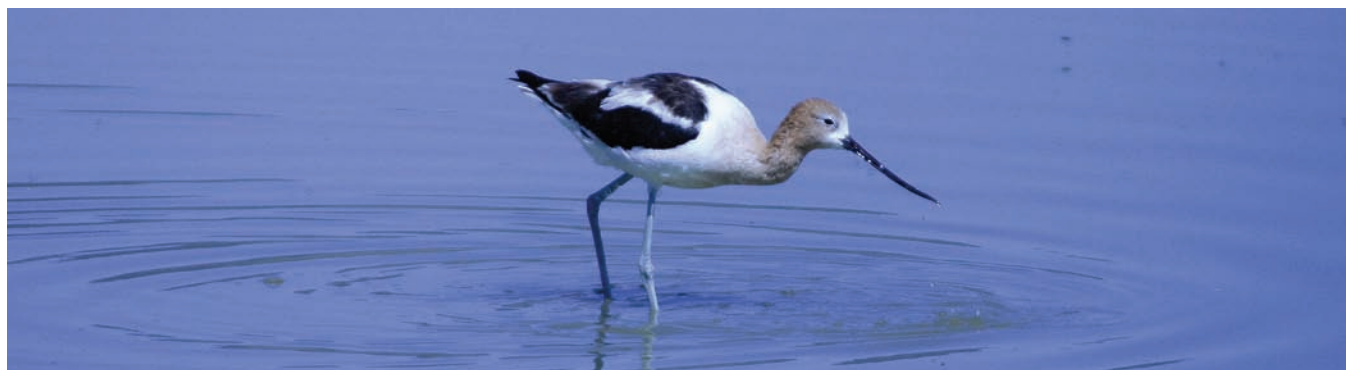
40 States Fund Separate Grant / Loan Programs

Assistance Provided to Projects

	2006	1988-2006
Total, Project Type (Billions of Dollars)	\$5.0	\$57.7
Wastewater Treatment	4.7	54.6
Nonpoint Source	0.37	2.4
Not Classified	0	0.7

Total, Population Served (Billions of Dollars)	2006	1988-2006
< 3,500	0.5	5.9
3,500 - 9,999	0.57	7.1
10,000 - 99,999	1.75	19.3
100,000 and Above	2.22	25.3

Total, Population Served (Number of Loans)	2006	1988-2006
< 3,500	1,039	8,995
3,500 - 9,999	303	2,950
10,000 - 99,999	371	4,668
100,000 and Above	145	1,998



For more information about the Clean Water State Revolving Fund, please contact:

Clean Water State Revolving Fund Branch

U.S. Environmental Protection Agency

1201 Constitution Avenue, NW

(Mailcode 4204M)

Washington, DC 20004

Phone: (202) 564-0752

Fax: (202) 501-2403

Internet: www.epa.gov/owm/cwfinance/cwsrf



ect
M
partn
ssachus
Massachus
ew Hamp
and Clean W
mental Manag
ont Municipal
w Jersey Environ
Corporation Nev
mental Quality Board
al Resources and Envir
Infrastructure Investment
ent of Environmental Qua
on West Virginia Water
ment of Environmental Prot
Division of Water Mississipp
Resources South Carolina Depa
artment of Environment and Cons
ent of Environmental Management I
uthority Minnesota Public Facilities
rotection Agency Ohio Water Developm
soil and Water Conservation Commission
Environment Department Oklahoma Water Res
uthority Kansas Department of Health and Environ
ment of Natural Resources Missouri Environm
ality Nebraska Investment Finance Authority Colorado
and Environment Colorado Department of Local Affairs Monta
and Conservation North Dakota Department of Health North Dal
atural Resources Utah Department of Environmental Quality Wyoming De
and Investments Arizona Water Infrastructure Finance Authority California State Wa
alth Nevada Department of Conservation and Natural Resources Alaska Department of Environm
Environmental Quality Oregon Department of Environmental Quality Washington Department of Ecology Co
ection Connecticut Office of the Treasurer Maine Municipal Bond Bank Maine Department of Environmental
ement Trust Massachusetts Department of Environmental Protection New Hampshire Department of Envi
nce Agency Rhode Island Department of Environmental Management Vermont Department of Environ
k New Jersey Department of Environmental Protection New Jersey Environmental Infrastructure Trust Ne
y York Department of Environmental Conservation Puerto Rico Environmental Quality Board Puert
artment of Natural Resources and Environmental Control Maryland Department of the Environm
sylvania Department of Environmental Protection Virginia Department of Environmental Quality
Environmental Protection West Virginia Water Development Authority Alabama Department
Environmental Protection Georgia Environmental Facilities Authority Kentucky Infrastructure A
Environmental Quality North Carolina Department of Environment and Natural Resou
ontrol South Carolina Budget and Control Board Tennessee Department of Environment
Environmental Protection Agency Indiana Department of Environmental Management I
ality Michigan Municipal Bond Authority Minnesota Public Facilities Authority Mi

