

GUIDELINES FOR APPLICANTS
SEEKING FINANCIAL ASSISTANCE FROM
THE BOARD OF WATER RESOURCES
REVOLVING LOAN PROGRAMS

I. PURPOSE

Utah Code Section 73-10-1 provides revolving funds to give technical and financial assistance to water users to achieve the highest beneficial use of water resources within the state.

Utah Code Section 73-10g provides funding for the development of the state's undeveloped share of the Colorado and Bear rivers, and for the repair, replacement, or improvement of federal water infrastructure projects when federal funds are not available.

II. DESCRIPTION OF REVOLVING LOAN PROGRAMS

The Board of Water Resources (Board) administers three revolving construction funds: the Revolving Construction Fund, the Cities Water Loan Fund, and the Conservation and Development Fund. Funding is available for projects that conserve, protect, or more efficiently use present water supplies, develop new water, or provide flood control. Project facilities may be constructed in another state if project water is to be used within the State of Utah.

A. The Board will fund projects based on the following prioritization system:

1. Projects which involve public health problems, safety problems, or emergencies.
2. Municipal water projects that are required to meet an existing or impending need.
3. Agricultural water projects that provide a significant economic benefit for the local area.
4. Projects that will receive a large portion of their funding from other sources.
5. Projects not included in items 1-4, but that have been authorized by the Board, are funded on a first come-first served basis.

B. The Board will not fund the following types of projects:

1. Projects that are, in the opinion of the Board, routine or regularly occurring system operation and maintenance.
2. Domestic water systems where less than 50% of the residents live in the project area year-round.
3. Projects sponsored by developers.
4. Projects sponsored by individuals or families.

- C. General guidelines of each of the Board's funding programs are:
1. Revolving Construction Fund (RCF)
 - a. In the RCF, the Board will accept applications from incorporated groups such as mutual irrigation and water companies.
 - b. The RCF advances financial assistance to the following types of projects:
 - (1) Irrigation projects costing less than \$1,000,000.
 - (2) Culinary projects costing less than \$1,000,000 that involve mutual irrigation and water companies.
 - (3) Dam safety studies
 - c. Staff will prepare a feasibility report, in which it will recommend repayment terms. Interest will not be charged.
 2. Cities Water Loan Fund (CWLF)
 - a. Through the CWLF the Board may finance the construction of municipal water facilities for political subdivisions of the state, such as cities, towns, and districts.
 - b. Staff will prepare a feasibility report, in which it will recommend repayment terms and interest rates.
 3. Conservation and Development Fund (CDF)
 - a. Through the CDF the Board may finance the construction of water projects sponsored by incorporated groups, political subdivisions of the state, the federal government, or Indian tribes.
 - b. Staff will prepare a feasibility report, in which it will recommend repayment terms and interest rates.

III. APPLICATION PROCEDURE

- A. Applicants shall submit a completed application form directly to the member of the Board who resides in the river district in which the project is located. If the Board member determines the application meets general Board guidelines, the Board member will sign the application and forward it to the Division of Water Resources (Division) for action.
- B. Additional information not specifically requested on the application form should also be furnished when such information would be helpful in appraising the merits of the project.
- C. An application form can be obtained from the Division, a Board member, or the Division's website.

IV. PROJECT FUNDING PROCESS

- A. After the application for assistance has been completed by the sponsor/applicant, signed by the Board member, and forwarded to the Division, a three-step process will be followed to determine those projects that will be funded by the Board.
- B. The three steps of the funding process are:
 - 1. Approval for Staff Investigation
 - a. The Board member considers the proposed project to fall within the Board's general statutory authority.
 - b. Division staff will prepare a feasibility report covering the general scope of the proposed project and focusing on technical, financial, legal, and environmental aspects, water needs and rights, and water users' support.
 - 2. Authorization
 - a. The feasibility report will be presented to the Board, which will consider the project for authorization on the basis of its merits and overall feasibility and the contribution the project will make to the general economy of the area and the state.
 - b. As part of its decision-making process, the Board considers it important to discuss the merits of the project with the sponsor; therefore, the project sponsor must attend the Board meeting when the project is considered for authorization.
 - c. If the project is AUTHORIZED by the Board, a letter outlining the engineering and legal requirements for the project and other conditions for financial assistance will be sent to the sponsor. Several such conditions common to projects are:
 - (1). Preparation of a Water Management and Conservation Plan for the sponsor's service area.
 - (2). Adoption of an ordinance prohibiting municipal irrigation of landscapes between the hours of 10:00 a.m. and 6:00 p.m.; the Division has prepared a Model Ordinance that is available for sponsors of municipal projects.
 - (3). Adoption of a progressive water rate schedule for municipal projects. Staff will assist sponsors in establishing such schedules to fit local conditions and circumstances.
 - (4). Submittal of a letter to the Division noting completion and acceptance of a Water Conveyance Facilities Safety Management Plan as described and within the time frame required by Utah Code 73-10-33. Also, compliance with Utah Code 17-7a-211 and Utah Code 10-9a-211 is required.

- d. The Board's authorization will not exceed six years. When the Board authorizes a project to be constructed in phases over several years, those phases not funded within six years of the committal of funds for the first phase will not be eligible for funding unless they are reauthorized by the Board.
3. Committal of Funds
 - a. After the sponsor has complied with Board requirements and conditions, the project will be presented for final review. If the Board finds the project to be in order and ready for construction, and IF FUNDS ARE AVAILABLE, the Board will commit funds and direct its officers to enter into the necessary agreements to secure project financing.
 - b. The project sponsor will not normally be required to attend the Board meeting at which funds are to be committed for the project. If the project scope or cost estimate has changed substantially, the sponsor may be asked to attend the meeting to discuss the changes with the Board.

V. FINANCIAL ARRANGEMENTS

A. Project Cost Sharing

1. The Board desires to optimize available funding for the overall water development programs of the state and therefore requires sponsors to share in the cost of projects.
2. The sponsor's financial ability to cost share will be determined in the project investigation. On the basis of the investigation, the Division will recommend to the Board the portion of the project cost to be furnished by the sponsoring organization. The sponsor will generally be expected to provide 15%-25% of the project cost.
3. If additional funds become available to the sponsor after the project is authorized, and if project costs do not increase, the additional funds will be used to reduce the Board's financial participation.

B. Alternate Financing

The Board will consider alternative project funding methods such as letters of credit, bond insurance, and various methods of interest buydown, instead of directly funding construction of project features.

The Board may provide financial assistance grants to applicants that apply only for bond insurance. Careful use of bond insurance grants can significantly reduce demands on the Board's financial resources, while at the same time promoting water development policies and encouraging use of private bond markets. When a project sponsor is approved for both a loan and bond insurance assistance on a project, the bond insurance premiums will be provided only as a loan. Only projects that meet the Board's general funding requirements will be considered for bond insurance.

C. Repayment of Financial Assistance

1. The repayment period will generally be less than 25 years.
2. The minimum annual cost of water for municipal projects will be 1.17% of the region or project area's annual Median Adjusted Gross Income (MAGI).
3. When annual payments are to be made with revenues from the sale or use of project water, the Board may allow the sponsor one year's use of the project before the first payment is due.

D. Security Arrangements

1. Depending upon the type of organization sponsoring the project and the Board fund involved, financial assistance may be secured either by a purchase agreement or bond issue.
 - a. Projects financed through the Revolving Construction Fund must be secured by a purchase agreement.
 - b. Projects financed through the Cities Water Loan Fund or the Conservation and Development Fund will be secured either by a purchase agreement or by the sale of a bond.
2. If project financing is secured by a purchase agreement, the following conditions apply:
 - a. The Board must take title to the project including water rights, easements, deeded land for project facilities, and other assets subject to security interest.
 - b. An opinion from the sponsor's attorney must be submitted stating the sponsor has complied with its articles and bylaws, state law, and the Board's contractual requirements.
 - c. Title to the project shall be returned to the sponsor upon successful completion of the purchase agreement.
3. If project financing is secured by the sale of a bond, the following conditions apply:
 - a. The procedures for bond approval will be substantially the same as required by the Utah Municipal Bond Act.
 - b. If the sponsor desires to issue a non-voted revenue bond, the sponsor will be required to:
 - (1) Hold a public meeting to describe the project and its need, cost, and effect on water rates.
 - (2) Give written notice describing the proposed project to all water users in the sponsor's service area. The notice shall include a solicitation of response to the proposed project. A copy of all written responses received by the sponsor shall be forwarded to the Division. If the area Board member determines there is substantial opposition to the project, the Board may require the

sponsor to hold a bond election before funds will be made available.

VI. PROJECT ENGINEERING AND CONSTRUCTION

A. Engineering

To expedite projects and facilitate the coordination of project development, sponsors are encouraged to select a design engineer prior to making application to the Board.

B. Staff and Legal Costs

1. Costs incurred by the Division for investigation, administration, engineering, and construction inspection will be paid to the Board according to the terms set by the Board.
2. Costs incurred by the Division during project investigation will not become a charge to the sponsor if the project is found infeasible, denied by the Board, or if the sponsor withdraws the application.
3. Legal fees incurred in the review of a sponsor's bonding documents will be billed directly to the sponsor by the legal firm doing the review for the Board.

C. Design Standards and Approval

1. All projects funded by the Board shall be designed according to appropriate technical standards and shall be stamped and signed by a Utah Registered Professional Engineer responsible for the work.
2. Prior to soliciting construction bids, plans and specifications must be approved by the Division and all other state and federal agencies that have regulatory or funding involvement in the project.

D. Project Bidding and Construction

1. The Board desires that all project construction be awarded to qualified contractors based on competitive bids. The Board may waive this requirement and allow a sponsor to act as its own contractor on small projects. However, in all cases the sponsor must comply with the laws governing its operation as well as the statutory requirements placed on the Board and Division.
2. The design engineer shall coordinate the project bidding process.
3. Construction inspection will be performed under the direction of the registered professional engineer having responsible charge of project construction.

VII. QUALIFICATIONS TO GUIDELINES

The foregoing guideline statements are meant as a guide for the Board, staff, and sponsor to provide an orderly and effective procedure for preparing projects for construction. The Board reserves the right to consider each project on its own merits and may consider and authorize a project that does not meet all requirements of the guidelines.