R653. Natural Resources, Water Resources.
R653-2. Financial Assistance from the Board of Water Resources.
R653-2-1. Purpose.
(1) The purpose of this rule is to provide the standards and procedures for providing technical and financial assistance to water users to achieve the highest beneficial use of water resources within the state. Title 73, Chapter 10g, Utah Code Annotated.

R653-2-2. Description of Revolving Loan Programs.
(1) 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:
(i) Projects which involve public health problems, safety problems, or emergencies.
(ii) Municipal water projects that are required to meet an existing or impending need.
(iii) Agricultural water projects that provide a significant economic benefit for the local area.
(iv) Projects which will receive a large portion of their funding from other sources.
(v) Projects not included in items 1-4, but which 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:
(i) Projects that are, in the opinion of the Board, routine or regularly occurring system operation and maintenance.
(ii) Domestic water systems where fewer than 50% of the residents live in the project area year-round.
(iii) Projects sponsored by developers.
(iv) Projects sponsored by individuals or families.

(c) General guidelines of each of the Board's funding programs are:
(i) 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 where the Board's share of the cost is less than $1,000,000.
(2) Rural culinary projects where the Board's share of the cost is less than $1,000,000 that involve mutual irrigation and water companies.
(3) Dam Safety Studies and Upgrades
(C) Staff will prepare a feasibility report, in which they will recommend repayment terms and interest rates.

(ii) 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 they will recommend repayment terms and interest.

(iii) 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 they will recommend repayment terms and interest rates.

(1) Applicants shall submit a completed application form directly to the Division. Staff may then determine whether or not it meets the Board's general guidelines and will request additional information as necessary before forwarding it on to the Board member residing in the river district in which the project is located for his or her signature.

(2) 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.

(3) An application form can be obtained from the Division's website (www.water.utah.gov).

R653-2-4. Project Funding Process.
(1) After the application for assistance has been completed by the applicant, forwarded to the Division, and signed by the Board member, a three-step process will be followed to determine those projects which will be funded by the Board.

(2) The three steps of the funding process are:
(a) APPROVAL for Staff Investigation:
(i) The Board member considers the proposed project to fall within the Board's general statutory authority.
(ii) Division staff will prepare a feasibility report covering the general scope of the proposed project but focusing on technical, financial, legal, and environmental aspects, water needs and rights, and water users' support.

(b) AUTHORIZATION:
(i) 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.
(ii) As part of its decision-making process, the Board considers it important to discuss the merits of the project with the applicant. Therefore, representatives of the project applicant must attend the Board meeting when the project is considered for authorization.
(iii) If the project is authorized by the Board, a letter outlining the engineering and legal requirements for the project and other conditions of the financial assistance will be sent to the applicant. For example, some of the more common conditions of these projects are:
(A) Obtain all easements, rights-of-way, and permits required to construct, operate, and maintain the project.
(B) Pass a company resolution to assign properties, easements, and water rights required for the project to the Board.
(C) Enter into a contract with the Board for construction of the project and subsequent purchase from the Board.
(D) Obtain approval of final plans and specifications from the Division.
(E) Prepare a Water Conservation Plan.
(F) Adopt an ordinance prohibiting irrigation of landscapes between the hours of 10:00 a.m. and 6:00 p.m.
(G) Adopt a progressive water rate schedule (municipal projects).
(I) The Board's authorization is valid for two years.

(A) If the project does not proceed to committal of funds within this time, the applicant may request to the Board to extend the authorization one additional year.

(B) The Board may grant an extension if the applicant has shown due diligence in completing its requirements.

(C) If the Board authorizes a phased project that will extend beyond two years, the Board's authorization will be valid for up to six years. A phased project will only be considered if the applicant needs to spread out the capital investments required over several years, or the nature and cost of each phase is unlikely to change significantly over the six-year period.

(c) COMMITTAL OF FUNDS:

(i) After the applicant has complied with the 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 staff to enter into the necessary agreements with the applicant to secure project financing.

(ii) The project applicant 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 applicant will be asked to attend the meeting to discuss the changes with the Board.


(1) After the application for assistance has been completed and signed by the Board member, Division staff will review the application for compliance with the Dam Safety Act and requirements, if any, placed on the applicant by the State Engineer.

(2) A report will be prepared by the Division presenting its findings and recommending the amount of the grant and repayment terms for loans.

(3) Grants will be considered when money is appropriated by the Utah State Legislature (legislature) and will be restricted by limitations placed on the funding by the legislature and Board.

(4) The amount of each grant will be based on conditions determined by the legislature on the money appropriated, degree of hazard assigned to the project dam, and/or by analysis of such items as the number of acres irrigated, the number of water users, the size of the reservoir, the use of the waters, and cost of the proposed improvements.


(1) Project Cost Sharing:

(a) The Board desires to optimize available funding through the overall water development programs of the state and therefore requires sponsors to share in the cost of projects.

(b) The applicants 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 applicant. A minimum cost share of 15% will be required.

(c) If additional funds become available to the applicant 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.

(2) Alternate Financing:

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

(b) When a project is approved for bond insurance only, the Board may provide the financial assistance as a grant.

(c) When a project is approved for both a loan and bond insurance, the bond insurance portion will be added to the loan amount.

(3) Repayment of Financial Assistance:

(a) The repayment period will be at least 15 years (unless the applicant requests a shorter period) and generally be less than 25 years.

(b) The affordability guideline for municipal projects will be 1.40% of the region or project area's annual median adjusted gross income (MAGI). If the average cost of water per resident in the area (including average culinary water bill, average secondary water bill, or any property tax paid for water) is below this guideline, the repayment amount will be set to bring this cost up to the guideline. If the average cost (including the proposed repayment amount per resident) exceeds the guideline, adjustments to interest rate and repayment terms will be made accordingly.

(c) As a guideline, the interest rate for agricultural projects funded from the CDF will be 1.0%.

(d) The starting interest rate for municipal projects funded through CWLF of the CDF will be 75% of the Revenue Bond Index (RBI). This rate will be updated quarterly on the first day of January, April, July, and October.

(i) The interest rate to be used for a particular project will be the rate in place at the time that feasibility report is completed.

(ii) The interest rate authorized by the Board for a project will be valid through committal of funds, as long as this committal takes place within 18 months of authorization. If not, staff will reevaluate the repayment terms using the updated interest rate. The Board also reserves the right to withdraw funds or reconsider the authorization with different terms.

(c) The board will apply further interest rate reductions for municipal projects as follows:

(i) Communities with a MAGI less than 80% of the current state MAGI will receive an interest rate reduction of 0.5 percentage points.

(ii) Communities with a MAGI less than 60% of the current state MAGI will receive an interest rate reduction of 1.0 percentage points.

(iii) In either case above, the interest rate will not be less than 1.0% from the CDF and 0% from the CWLF.

(f) As a guideline, the interest rate for industrial projects will be 7.0%.

(g) When annual payments are to be made from revenues from the sale or use of project water, the Board may allow the applicant one year's use of the project before the first payment is due.

(4) Security Arrangements:

(a) 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.

(i) Projects financed through the RCF must be secured by a purchase agreement.

(ii) Projects financed through the CWLF or the CDF will be secured either by a purchase agreement or by the sale of a bond.

(b) If project financing is secured by a purchase agreement, the following conditions apply:

(i) The Board must take title to the project including water rights, easements, deeded land for project facilities, and other assets subject to security interest.
(ii) An opinion from the applicant's attorney must be submitted stating the applicant has complied with its articles and bylaws, state law, and the Board's contractual requirements.

(iii) Title to the project shall be returned to the applicant upon successful completion of the purchase agreement.

(c) If project financing is secured by the sale of a bond, the following conditions apply:

(i) The procedures for bond approval will be substantially the same as required by the Utah Municipal Bond Act.

(ii) If the sponsor desires to issue a non-voted revenue bond, the sponsor will be required to:

(A) Hold a public meeting to describe the project and its need, cost, and effect on water rates.

(B) Give written notice describing the proposed project to all water users in the applicant's service area. The notice shall include a solicitation of response to the proposed project. A copy of all written responses received by the applicant shall be forwarded to the Division. If the area Board member determines there is substantial opposition to the project, the Board may require the applicant to hold a bond election before funds will be made available.

(5) Secondary Water Metering Program:

(a) The Board will allocate up to $10 million in loans annually at an interest rate of 1.0% to entities to fund the installation of secondary meters.

(b) Only entities that manage pressurized secondary systems, which provide service to commercial, industrial, institutional, or residential users will be eligible for funding.

(c) Funds will be made available for the meter itself, installation and equipment costs, meter-reading technology, and the cost of databases and billing or reporting software. It will not include costs tied to ongoing reading of the meters, additional staffing, etc.

(d) Funds will be allocated only for the installation of new secondary water meters, not the repair and replacement of such meters.

(e) The repayment term will be five years less than the warranty of the meters, not to exceed 30 years.

(f) In circumstances where secondary water metering is only a component of an overall project, only that component will qualify for the 1.0% interest rate.

(g) The applicant will be required to mandate that all new developments within their service area install secondary water meters.

(h) The applicant will be required to either provide an educational component on the billing statement and/or charge based on usage with a tiered conservation rate.

(i) The applicant will be required to report water usage data gathered through the new metered secondary water systems annually to the Utah Division of Water Rights.

R653-2.7. Project Engineering and Construction for projects funded through the RCF, CWLF, and CDF.

(1) Engineering.

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

(2) Staff and Legal Costs:

(a) 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.

(b) 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.

(c) Legal fees incurred in the review of an applicant's bonding documents will be billed directly to the applicant by the legal firm doing the review for the Board.

(3) Design Standards and Approval:

(a) 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.

(b) 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.

(4) Project Bidding and Construction:

(a) The Board desires that all project construction be awarded to qualified contractors based on competitive bids. The Board may waive this requirement and allow an applicant to act as its own contractor on small projects. However, in all cases the applicant must comply with the laws governing its operation as well as the statutory requirements placed on the Board and Division.

(b) The design engineer shall coordinate the project bidding process.

(c) Construction inspection will be performed under the direction of the Utah Registered Professional Engineer having responsible charge of project construction.

R653-2.8. Description of Water Infrastructure Restricted Account (WIRA).

(1) The Board administers the Water Infrastructure Restricted Account (WIRA) for development of the state's undeveloped share of the Colorado and Bear rivers, pursuant to existing interstate compacts governing both rivers as described in Title 73, Chapter 28, Lake Powell Pipeline Development Act and Chapter 26, Bear River Development Act.

(a) The Board will determine the need for funding investigation and construction aspects of developing the Colorado and Bear rivers.

(b) The Board will authorize expenditures from the WIRA.

(c) Any money utilized to construct water infrastructure to develop the state's share of the Colorado and Bear rivers is subject to the repayment provisions of the Lake Powell Pipeline Development Act and the Bear River Development Act.

(ii) Funding for the Lake Powell Pipeline and Bear River Development will be secured by a water sales agreement as described in the Lake Powell Pipeline Development Act and the Bear River Development Act.

(2) The Board administers the WIRA for the repair, replacement, or improvement of federal water infrastructure projects developed for local entities in the State of Utah when federal funds are not available. These entities may apply for this funding whether the project is owned or operated by the U.S. government or the local entity.

(a) Any money utilized for the repair, replacement, or improvement of federal water infrastructure projects when federal funds are not available shall be repaid pursuant to the terms and conditions established by the Board and Division by rule, as specified under Section 73-10g-105, Utah Code Annotated.
(b) Applicants shall apply for WIRA funds for federal water infrastructure projects through the same procedure as stated in R653-2-3, Application Procedure.

(c) Federal water infrastructure projects will be funded through the same process as stated in R653-2-4, Project Funding Process.

(d) Federal water infrastructure projects or phases of such projects will be prioritized based on the same criteria as stated in R653-2-2.1(a).

(e) Projects financed through WIRA for the replacement and improvement of federal water infrastructure projects will be secured by the sale of a bond by the local applicant to the Board.


1. For State projects to develop the Colorado and Bear rivers, the Board and contracting entity shall, by contractual agreement, establish when water developed by the project will be delivered, the quantity of water delivered, the cost sharing between the Board and the contractor, and the terms for repaying the Board's share of the project cost including the purchase term, interest rate, and cost per acre-foot of water purchased.

2. For Federal water infrastructure projects, the applicant's financial ability to cost share will be determined in the project investigation. On the basis of the information received by the Division, the Board will recommend to the Board the portion of the project cost to be reimbursed by the Board.

3. 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.

4. Prior to soliciting construction bids, plans and specifications must be approved by the Division and all other state, neighboring state, and federal agencies which have regulatory or funding involvement in the project. Additionally, all required records of decision, permits, authorizations, and agreements must be obtained from these agencies.

5. The owners/operators of eligible federal water infrastructure projects will submit a list of anticipated repairs, replacements, or improvements of their federal water infrastructure projects, including the expected construction dates, project costs, and WIRA fund requests. These lists will be incorporated into a master list of potential projects, which will be prioritized according to R653-2-8, Subsection 2(d) and subject to the availability of funds.

6. A master list of potential projects will be prioritized by the Division of Water Resources by July 1, 2017 and every two years thereafter, and will be maintained for all potential applicants.

(c) Funding of projects will be prioritized by the Board.

**R653-2-10. Project Engineering and Construction for projects funded through the Water Infrastructure Restricted Account (WIRA).**

1. For State projects to develop the Colorado and Bear rivers:

   a. Costs incurred by the Division for planning and development will be paid to the Board according to the terms set by the Board.

   i. Costs incurred by the Division for engineering, environmental and cultural resource studies, permitting, design and construction engineering, and construction inspection will be paid to the Board according to the terms set by Title 73, Chapter 26 and Chapter 28.

   ii. Costs for Division staff time during project planning will not become a charge to the applicant.

   b. Design Standards and Approval for State projects:

      i. State projects for the development of the Colorado and Bear rivers, shall be designed according to appropriate technical standards and shall be stamped and signed by a Utah Registered Professional Engineer responsible for the work.

      ii. Prior to soliciting construction bids, plans and specifications must be approved by the Board. Additionally, all required records of decision, permits, authorizations, and agreements must be obtained from these agencies.

   2. For Federal water infrastructure projects:

      a. Costs incurred by the Division for planning and development will be paid to the Board pursuant to the terms and conditions established by the Board and Division under Section 73-10g-105.

      b. Design Standards and Approval for Federal projects:

         i. All Federal water infrastructure projects shall be designed according to appropriate technical standards and shall be stamped and signed by a Utah Registered Professional Engineer responsible for the work.

         ii. Prior to soliciting construction bids for any phase of a project, plans and specifications for that phase must be approved by the Division and all other state and federal agencies which have regulatory or funding involvement in the project. Additionally, all required local, state, and federal licenses and permits for that phase of the project must be obtained before construction of that phase begins.

   3. Project Bidding and Construction:

      a. The Board will require that all project construction be awarded to qualified contractors based on competitive bids. Alternative project delivery methods may be considered instead of traditional 'design-bid-build' methods; however, these must be done in compliance with industry-approved standards and must be first approved by the Board.

      b. The design engineer or project manager shall coordinate the project bidding process.

      c. Construction inspection will be performed under the direction of the project manager who shall be a Registered Professional Engineer licensed in Utah, and any other applicable state.

   4. Staff and Legal Costs:

      a. Costs incurred by the Division for investigation and administration will be paid to the Board according to the terms set by the Board.
(b) Costs incurred by the Division during project investigation will not become a charge to the applicant if the project is found infeasible, denied by the Board, or if the applicant withdraws the application.

(c) Legal fees incurred in the review of an applicant's bonding documents will be billed directly to the applicant by the legal firm doing the review for the Board.


(1) The foregoing guideline statements are meant as a guide for the Board, staff, and applicant 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.

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