



Welcome to the 2016 issue of SRFs Up. EPA’s Clean Water State Revolving Fund (CWSRF) program is the nation’s largest federally supported water infrastructure program, providing over \$118 billion in assistance since 1988. The nation needs CWSRF funding now more than ever. Small and disadvantaged communities represent one of the program’s largest stakeholders. Furthermore, the majority of CWSRF assistance agreements have gone to communities with populations under 10,000.

This issue will explore CWSRF assistance to small and disadvantaged communities – what we’re doing to serve them now and what we hope to accomplish in the future. We’ll examine data collected by our state partners and share a one-on-one conversation with CWSRF staff in the State of Nebraska to explore their program’s successes and discuss the challenges they face in serving disadvantaged communities. Along the way we will learn more about the activities of EPA’s new Water Infrastructure Resiliency and Finance Center (WIRFC), highlight successful CWSRF projects from around the country, and provide an overview of news and events at EPA.

Communities across the country face serious technical, financial, and managerial challenges when it comes to financing water infrastructure. Successfully navigating these challenges is absolutely critical to the protection of public health and water quality. Our state partners are leading the charge, providing financing and crucial subsidies where they are needed most. For that, they deserve EPA’s sincere thanks.



**Andrew Sawyers, Ph.D., Director
Office of Wastewater Management**

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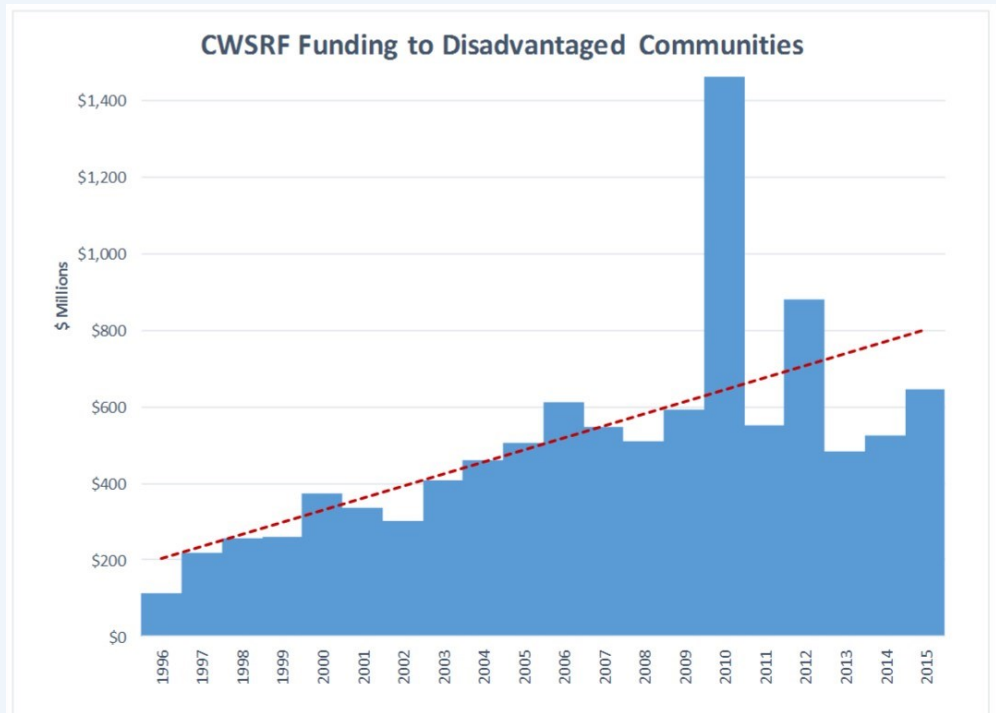


Clean Water
State Revolving Fund



CWSRF Assistance to Disadvantaged Communities

Equipped with a wide range of flexibilities in setting financing terms and project priorities, CWSRF programs across the country are ideally positioned to be an effective source of funding for small and disadvantaged communities. These communities can face significant challenges in addressing infrastructure needs, and CWSRF programs are facing that challenge head on. Since EPA began collecting data in its National Information Management System, assistance to disadvantaged communities is trending upwards.



*Note: This graph represents the states that reported borrowers in disadvantaged communities. Not all states are included in this graph.

How are CWSRF programs providing relief to these communities? One of the most powerful tools at states' disposal is the ability to set interest rates as low as zero percent, passing significant cost savings on to loan recipients. In recent years, the capability to target interest rates has been coupled with the ability to provide communities with forms of additional subsidization, such as principal forgiveness. The ability to provide additional subsidization enhanced the states' ability to reach communities that can't afford a loan, even at a low interest rate. Additionally, the recent Water Resources Reform and Development Act (WRRDA) amendments enabled the CWSRFs to lend beyond 20-year loans, allowing for up to 30 years or the useful life of the project, whichever is less. This flexibility provides the CWSRFs with the tools needed to tailor financing terms that best mirror a borrower's ability to pay.

While CWSRF programs have a proven track record of providing funding to small and disadvantaged communities, there is significant work left to be done. The question of how these communities pay for infrastructure remains relevant and urgent. CWSRF programs continue to face old challenges and new, including negative perceptions of the CWSRF application process, federal requirements, lack of technical capacity at the community level, lack of predevelopment assistance, and communities that are not familiar with the opportunities and benefits available through the CWSRF. These issues cannot be allowed to act as roadblocks between disadvantaged communities and the need to protect public health and water quality. EPA and its state partners must work to ensure that CWSRF programs remain the robust and creative force they are today.

Marketing and Outreach

Over their 27-year history, CWSRF programs have demonstrated that effective communication with stakeholders at the local and state levels is vital to not only building and maintaining a successful program, but overcoming obstacles that impede the mission to protect public health and water quality. A marketing strategy that communicates financing options, eligibilities, and success stories to a national audience can complement state efforts.

In pursuing this objective, EPA places high value on the feedback received from the State-EPA Marketing and Communications Sub-workgroup. The mission of the Sub-workgroup is to identify measures EPA can take to assist states in building sustained demand and take full advantage of the assistance opportunities that are available. The workgroup includes staff from thirteen states and six EPA regions and their participation is sincerely appreciated.

Beginning in June of 2016, five members of the State-EPA CWSRF Marketing and Outreach Sub-Workgroup—Florida, New Hampshire, North Carolina, Oklahoma, and Oregon—used contract resources made available from EPA to survey potential assistance recipients. Through these activities, EPA and its state partners hope to learn about existing perceptions of the CWSRF, improve communication with key stakeholders, increase awareness of funding eligibilities, and identify borrower challenges. Once the surveys are completed, states will have the opportunity to host an on-site focus group for stakeholders. The contractor will use information gained during marketing and outreach surveys to conduct facilitated discussions between CWSRF staff. This will identify action items states can undertake to implement new marketing and outreach initiatives.

EPA Headquarters is planning to expand these technical assistance efforts and will make a limited amount of contract resources available each year to assist states interested in standing up new marketing and outreach initiatives or augmenting an existing program. Opportunities to implement pilot initiatives using contract resources are also being explored. A formal solicitation for this assistance will take place in the months following the Council of Infrastructure Financing Authorities 2016 SRF National Workshop.





CWSRF Program Spotlight: Nebraska

Nebraska's CWSRF program, managed by the Nebraska Department of Environmental Quality (NDEQ), provides low interest loans and small community matching grants for a variety of wastewater treatment facilities and sanitary sewer infrastructure projects. The program serves communities of all sizes, but is committed to meeting the needs of small and disadvantaged communities. Approximately 75 percent of Nebraska's communities have populations below 800, and over 300 communities in the State have populations less than 400. NDEQ must protect public health and water quality in these communities while simultaneously ensuring that they are able to comply with the terms and conditions of their assistance agreements. Lindsey Phillips is the Financial Assistance Supervisor at NDEQ. Here she discusses how NDEQ works to help communities across the state solve technical, financial, and managerial challenges and bring low cost financing to the people that need it the most.

What financial assistance programs does the water division at NDEQ oversee?

In addition to low-interest loans, the CWSRF also offers several grants for communities. All grants are geared for smaller communities with a population less than 10,000 and that demonstrate serious financial hardship. These grants include the Project Planning Activities and Report Grant, Small Town Grant, and Loan Forgiveness. A new program called the Link Deposit Program is being implemented to address nonpoint source pollution projects on an individual basis. NDEQ will partner with local banks to help encourage residents to construct nonpoint source water quality projects by offering loans at below market interest rates.

How would you describe the spectrum of communities that seek assistance from NDEQ? What proportion of your borrowers comes from small or disadvantaged communities and how are these communities identified as such?

NDEQ SRF funding is available to all communities in the State. Our most recent Intended Use Plan lists SRF projects for our largest communities such as Omaha (population 412,570) and Lincoln (population 265,404), as well as some of our smallest such as Verdel (population 30) and Gilead (population 38). Over 70 percent of the communities across Nebraska are considered small, having a population of 10,000 or less, and disadvantaged, defined as having a Median Household Income (MHI) below the State's MHI. However, there are other factors that play into a disadvantaged community designation. To properly evaluate the needs of our communities, we had to do more than assess the population size and MHI alone. That's why our Assessing Wastewater Infrastructure Needs (AWIN) was developed. AWIN examines various factors affecting communities, including population change, per capita income, average age of residents, and infrastructure needs to develop a "sustainability risk" analysis.

What are the critical infrastructure challenges faced by small and disadvantaged communities? What challenges do you and your staff face in assisting these communities?

A community of less than 300 people can easily have a project that costs \$500,000 or greater. These communities may not have raised rates for years and barely charge enough to cover current needs. The community facing a new \$500,000 project may need to raise rates 100–200 percent in extreme cases, which is very difficult for the small, often fixed-income, population to manage.

In the past, projects were automatically sized for community growth. AWIN helps communities accept the realization of a stable or shrinking population and can lead to building a smaller and less expensive treatment facility. It is our hope that with the information AWIN provides, communities can better plan for the future and that NDEQ can assist them in designing projects that address both current and future needs.

At its core the CWSRF is a subsidy program, but states do far more than offer reduced interest rates. What other tools and strategies does NDEQ use to provide relief to small and disadvantaged communities?

We try to utilize as many tools as possible to help our communities throughout the State. AWIN is a very important tool for both Nebraska communities and NDEQ to use. For the CWSRF, it helps us prioritize the communities that need the additional subsidies most. It also helps our engineers in reviewing plans and specification designs for projects and assessing different options for a community. AWIN scores and assessments are utilized for much more than CWSRF and wastewater project loans. Nebraska's National Pollutant Discharge Elimination System (NPDES) program uses it to help establish timetables for communities in addressing NPDES violations and administrative orders. In addition, AWIN information can be used by the community for budget and future planning. However, the information in AWIN can only be beneficial if village/city officials know about it and apply it to their community. Over the past year and half, we have started an outreach program where the SRF team meets with community officials to discuss the AWIN program, their community's AWIN score and what that tells us about the community. We feel this outreach has been very successful.

Communication with funding partners is also key to making the most of the funding available for Nebraska infrastructure improvements. A multi-agency group called the Water Wastewater Advisory Committee (WWAC) meets monthly to discuss potential drinking water and wastewater projects. The best funding option for each community and their particular situation is discussed by the cooperating agencies, including NDEQ, Nebraska Health and Human Services – Drinking Water SRF, US Department of Agriculture, and Nebraska Department of Economic Development.

The work you and other states do to protect public health and water quality is critically important. What actions can EPA take to support your efforts?

NDEQ appreciates the support and financial assistance that EPA provides. However, one way EPA could support our efforts is by redefining small communities. Currently, small communities are typically defined as those with a population serving 10,000 or less. In densely populated areas on the east coast this definition may be appropriate. However, in Nebraska 514 out of 530 communities serve a population less than 10,000. 97 percent of the communities in Nebraska are considered a small community. As mentioned previously, 75 percent of Nebraska's communities have populations below 800. The 10,000 threshold is not suitable for Nebraska and many other states. One possible solution is to create sub-tiers below the 10,000 population threshold. Creating sub-tiers with smaller populations would help ensure that the smallest communities are taken into consideration when making policy decisions.



CWSRF Success Stories

Financing the planning, design, and construction of water infrastructure assets requires more than simply executing an assistance agreement: CWSRF programs take the technical, financial, and managerial capacity of assistance recipients under careful consideration. Assisting communities that lack capacity can pose strategic challenges for funding agencies. Many disadvantaged communities have critical infrastructure needs with profound implications for public health and water quality. Communities must also be able to operate and maintain assets throughout their useful life. The following examples demonstrate how CWSRF programs are taking advantage of funding partnerships, working directly with assistance recipients, and innovating solutions to infrastructure challenges, one community at a time.

Idaho: Maximizing Subsidy Through Funding Partnerships

In 2014 the City of Hagerman submitted a Letter of Interest to the Idaho Department of Environmental Quality (DEQ) indicating the desire to finance upgrades to their wastewater treatment infrastructure, as well as purchase 100 acres for the beneficial reuse of wastewater effluent. At a projected cost of \$10 million, the citizens of Hagerman were looking at a \$115 monthly user fee, even with low CWSRF interest rates. DEQ worked with other funding sources including the United States Army Corps of Engineers, the United States Department of Agriculture, and the Idaho Department of Commerce to come to the city's aid. Engineering staff from all funding agencies collaborated to reduce the cost of Hagerman's needs to \$7.8 million. DEQ provided Hagerman with a \$5 million loan and \$1.2 million in principal forgiveness. The remainder of Hagerman's infrastructure costs were covered by other federal and state funding partners. This collaboration enabled Hagerman to maintain a monthly user fee of \$57.



Field used for the application of wastewater effluent

New Jersey: Triple Bottom Line Benefits with Green Infrastructure

The City of Camden is one of the most economically distressed communities in the United States. Like many cities on the east coast, Camden has an aging combined sewer system with significant need for repair and replacement. During heavy rain events, combined stormwater and wastewater flows were overloading local treatment capacity, resulting in sewage flooding into the homes, streets, and parks of the city. To mitigate these issues the Camden County Municipal Utilities Authority received a \$2 million grant and a \$3.6 million loan from the New Jersey Environmental Infrastructure Trust, New Jersey's SRF agency. These funds were used to construct 17 new rain gardens that capture 100 million gallons of stormwater per year, significantly reducing the potential for flooding and decreasing the burden on wastewater treatment facilities. The project also daylighted a stream that had been paved over since the 1920s, converted an abandoned factory into 5.5 acre riverfront park, and replaced several failing portions of the city's combined sewer system.



A Camden rain garden planted with native wildflowers

California: Helping Communities Achieve Compliance

The City of Tulelake lies alongside the Oregon border in Northeastern Siskiyou County. With a population of approximately 1,035 and a median household income of \$30,714, the city is considered a small, disadvantaged community. In 2013, the city had difficulty complying with a Cease and Desist Order for violations regarding coliform, total suspended solids, and residual chlorine present in surface water discharges. To eliminate this source of contamination and achieve compliance, Tulelake worked with the California State Water Resources Control Board to finance a solution that will entirely eliminate surface water discharges. The project includes rehabilitating the existing wastewater treatment plant and constructing a new recycled water storage and reuse system. The City is rehabilitating existing ponds, converting existing sand filters to a combined third treatment lagoon, constructing two recycled water storage ponds, and developing the adjacent field for crop irrigation. The estimated construction completion date is December 31, 2016.



Breaking ground for a new recycled water system



Water Infrastructure is Everyone's Business

Safe drinking water and effective wastewater management are basic building blocks of public health. Too often, infrastructure needs are only addressed when failure occurs. The United States must invest in its water infrastructure and we must be strategic about doing it right. Our nation's current level of investment in water and wastewater infrastructure will not be able to keep up with an estimated need of \$665 billion over the next twenty years. Those struggles are not the same everywhere; they are most acute in low-income and small communities.

EPA and its partners have the responsibility to address the ingrained, systemic challenges that threaten our country's water resources. That means taking a serious look at America's aging water infrastructure – in both urban and rural communities across the country – and asking ourselves what needs to be done to upgrade it. We must find better ways to address legacy pollutants, while striving to better understand the risks of emerging pollutants. We must also address the difficult questions of how to achieve environmental justice and how to deal with the long-term disinvestment in low income communities.

SRF programs must continue to bring their tools to the table along with utilities, investors, community advocates, and civil society. Much has been done already, from leveraging SRF dollars in the bond market, to ranking and selection criteria that direct funding to the public health, water quality, and economic priorities of highest concern. There is an incredible amount of innovation within the SRF community and states must continue to rely on each other's ideas and expertise to ensure that the program's dollars are working as hard as they can.

Created in January of 2015, EPA's Water Infrastructure and Resiliency Finance Center (WIRFC) is working to further enhance the critical role that SRF programs play in assisting disadvantaged communities. WIRFC does not directly fund projects, but is a center of financial expertise for communities that are exploring options for financing resilient drinking water, wastewater, and stormwater infrastructure. The Center is working to promote innovative financing approaches and support capacity building efforts through collaborative technical assistance. The Center also provides technical staff support to the Environmental Financial Advisory Board, a federally chartered advisory committee that provides policy advice and recommendations to EPA on reducing environmental costs, increasing public and private investment, innovative financing approaches, assessing public-private partnership, and more.

You can visit the WIRFC website at www.epa.gov/waterfinancecenter

The current roster of activities at WIRFC includes:

Regional Finance Forums

The Water Finance Center is convening forums across the country where communities discuss challenges and share their successful water and wastewater infrastructure financing strategies in an interactive peer-to-peer networking format. Attendees hear how local utilities have financed resilient water infrastructure projects and have the opportunity to meet key regional funding and technical assistance contacts.

Register for a finance forum at: <http://ow.ly/AkIK3003nsr>

WaterCARE Initiative

The Community Assistance for Resiliency and Excellence (WaterCARE) program supports communities in developing resilient and sustainable finance planning strategies for drinking water and wastewater infrastructure to meet long-term local needs. Project successes will be shared to support decision making for other communities that have similar water infrastructure financing needs. WaterCARE communities can be found at:

<http://ow.ly/T5fm3003nKI>

Water Finance Clearinghouse

The Center is developing a water infrastructure finance clearinghouse to help communities with funding and financing approaches for their local needs. The first module will show how communities can develop revenue streams to finance their stormwater and green infrastructure projects.

Utility Customer Assistance Programs

The Center collaborated with national water sector associations (NACWA, AMWA, AWWA, WEF, WRF, and NAWC) to develop a compendium of Customer Assistance Programs (CAPs) offered by drinking water and wastewater utilities to low-income customers. These programs (e.g., bill discounts, special rate structures, etc) help address affordability concerns for individual households. The compendium is available at:

<http://ow.ly/4nvSyO>

Partnerships

The Center is initiating a Water Infrastructure Public-Private Partnership and Public-Public Partnership Study and Local Government Training with the University of North Carolina Environmental Finance Center and West Coast Exchange.

National Drought Resiliency Partnership

The Center is working in partnership with the United States Department of Agriculture's Rural Opportunity Investment Initiative and the Department of the Interior's Natural Resource Investment Center to support the advancement of innovative investment models and market-based approaches to increase resilience, flexibility, and efficiency of water use and water-supply systems.

Environmental Finance Center Grant Program

The Center manages the Environmental Finance Center Grant Program which provides funding to support university and non-profit organization-based centers located across the nation. These centers provide multi-media environmental finance expertise and outreach to public and private stakeholders.



EPA Headquarters Updates

Water Infrastructure Financing and Innovation Act

Signed into law in June 2014 as part of WRRDA and amended in December 2015, Water Infrastructure Financing and Innovation Act (WIFIA) authorized a new pilot financing mechanism for water-related infrastructure of national or regional significance. The WIFIA pilot will provide direct federal assistance for water infrastructure projects with a minimum cost of \$20 million. Since the pilot can only provide 49 percent of the total project cost, WIFIA-funded projects may be eligible for CWSRF co-funding.

President Obama released his FY 2017 budget in February 2016 and included a request for appropriations for WIFIA. Specifically, \$15 million in budget authorization for the WIFIA subsidy reserve was requested, along with \$5 million for administration. EPA estimates that an appropriation of \$15 million may allow for a loan volume of approximately \$1 billion. Also of note, the House Appropriations Committee released its FY 2017 Interior and Environment Appropriations Bill, which includes \$45 million for the WIFIA loss reserve.

On May 23, 2016, EPA issued a Federal Register notice outlining its proposed information collection for the WIFIA application process and providing the public with 60 days to comment. The notice can be found at docket number EPA-HQ-OW-2016-0178 at www.regulations.gov/.

CWSRF Recognition Initiative

The national success of the CWSRF rests upon the collective hard work, ingenuity, and dedication of state programs. In recognition of state efforts to finance critical infrastructure and achieve substantial environmental benefits, The Office of Wastewater Management is pleased to announce a new recognition initiative that will debut during FFY 2017. The initiative will highlight projects that achieve outstanding water quality, public health, and economic benefits. Participation is voluntary. States will each self-nominate one project based on criteria developed by EPA. Submitted projects will be provided with a certificate of recognition and a small subset of exceptional projects will be recognized at the Council of Infrastructure Financing Authorities fall workshop.

A more detailed description of the recognition initiative, including nomination criteria and recognition process, and can be found at www.epa.gov/cwsrf.

You can send questions related to the CWSRF recognition initiative to Matt King at king.matt@epa.gov.

Overview of CWSRF Eligibilities

The CWSRF program can fund a wide variety of water quality protection efforts. The program's flexibility and broad range of project eligibilities enable states to target CWSRF funds to their specific water quality priorities. State innovation and statutory changes have resulted in an evolution of project eligibilities since the program was authorized in 1987. In May of 2016, EPA Headquarters finalized a paper that provides a current overview of CWSRF project eligibilities. You can send questions related to CWSRF eligibilities to Kelly Tucker at tucker.kelly@epa.gov.

Updates to the Clean Water Benefits Reporting System

EPA is updating the CWSRF Benefits Reporting system (CBR) to better account for the recent WRRDA amendments and to reduce the burden of data entry by the states. Additional categories related to green infrastructure, renewable energy, water reuse, land conservation, and planning and assessment are being added to allow states to more accurately classify the type of projects receiving funding. In addition, EPA is streamlining data entry by utilizing project latitude and longitude coordinates to reduce the number of fields that must be completed by the states. EPA expects to complete this work this fall.

Water Infrastructure Division Reorganization

The Water Infrastructure Division (WID) within EPA's Office of Wastewater Management, formerly known as the Municipal Support Division, recently underwent a major reorganization. WID now oversees WIRFC and the Water Infrastructure Financing and Innovations Act (WIFIA) Branch, two programs that are relatively new to EPA. WID will also include WaterSense, the Sustainable Community Infrastructure Branch, and the CWSRF Branch.

During the divisional reorganization the CWSRF Branch benefitted from the addition of staff from EPA's American Iron and Steel and Needs Survey teams. The new staff members bring with them a variety of engineering, information technology, and public policy experience. The branch would like to welcome them to the team and looks forward to using their expertise to support the CWSRF community.





Feedback

We would like to engage with stakeholders on future SRFs Up content and are always willing to feature guest articles on topics of interest to the CWSRF community. If you have ideas for articles you would like to see in future newsletters, please let us know by contacting Matt King at king.matt@epa.gov.

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