

# **VDH's Financial and Construction Assistance Application Funding Workshop**

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## **Office of Drinking Water**

### **Mission**

**We are committed to protecting public health by ensuring that all people in Virginia have access to an adequate supply of affordable, safe drinking water that meets federal and state drinking water standards.**



# Ensuring Adequate Capacity

Affordable, Abundant, Reliable, Safe  
Drinking Water



Source



Treatment



Distribution

Technical, Managerial, & Financial Capacity of Systems

Strong, Effective State Programs



ODW's role and structure



**FCAP**

Financial and Construction Assistance Program

**PWSS**

Public Water System Supervision  
(Regulatory)



## Financial and Construction Assistance Program (FCAP)

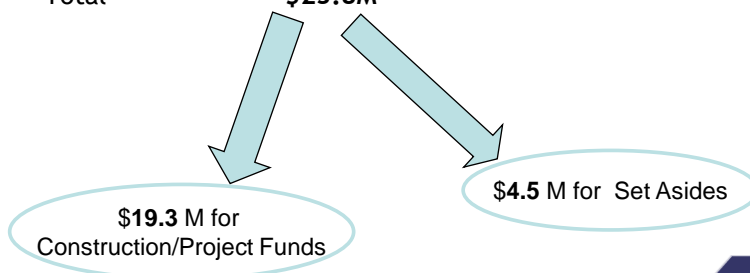
### Goal:

Provide a comprehensive and integrated technical and financial assistance program to waterworks through a balanced approach of using set-asides and construction funds

## Drinking Water State Revolving Loan Fund (DWSRF)

DWSRF simplified - Follow the Money - Ex. for 2015:

EPA grant =	\$14.6M	(Determined by Feds, VDH applies annually)
State Match =	\$2.9M	(20% required by each state)
Repayments =	<u>\$6.3M</u>	(repayments on past loans)
Total =	<b>\$23.8M</b>	



# Drinking Water State Revolving Loan Fund (DWSRF)

**Construction/Project Funds:**

- Construction funds for correcting public health problems and to ensure compliance with the SDWA and state regulations
- Other types of projects

**Set-asides (non-project funds):**

- Enhance the long term capacity to produce safe drinking water
- Program admin, courses, scholarships, planning and design grants, direct technical assistance, and more!



## Construction Funding History

<u>SFY</u>	<u>Closed Loans/Grants</u>	<u>Projects</u>
Pre-2003	\$ 85,352,875	69
2003	\$ 22,218,265	19
2004	\$ 11,667,041	16
2005	\$ 10,654,508	17
2006	\$ 16,833,000	17
2007	\$ 9,955,237	15
2008	\$ 6,193,126	12
2009	\$ 13,707,176	18
ARRA	\$ 23,580,837	21
2010	\$ 10,060,423	13
2011	\$ 15,496,322	16
2012	\$ 18,330,972	16
2013	\$ 26,077,006	15
2014	\$ 28,752,603	20
2015	\$ 16,262,052	20
2016 (Expected)	\$ 20,000,000	18
2017	??????	??
<b>Total =</b>	<b>\$335,141,443</b>	<b>322</b>



## Construction Loan Eligibility Criteria

### Applicants:

- Current or Future waterworks owners.
- Community type waterworks.
- Non-Profit Non-Community type waterworks.
- Political Subdivisions (towns, cities, counties) & Public Service Authorities.
- Private/investor owned waterworks.
- **Any sized waterworks that meets the above criteria is eligible to apply**
- No state or federally-owned waterworks.

## Construction Loan Eligibility Criteria

### Project Purpose - Focus:

- Must be on correcting or preventing public health/compliance problems
- Improving the TMF Capacity of the waterworks
- Improving reliability, sustainability, and resiliency
- *Not meant for growth or economic development*
- *Not meant for fire protection*
- *Not meant for emergency projects*
- *Not meant for reservoirs*

## Construction Loan Eligibility Criteria

### Project Types: (Any type of drinking water project)

- New Construction or the repair, replacement, or improvement of:
  - Water lines,
  - Storage tanks (ground, elevated, hydro),
  - Treatment works,
  - Pumping facilities,
  - Service meters (service lines excluded),
  - Standby emergency power,
  - Fencing and security enhancements, etc

## Construction Loan Eligible Activities

### Projects Can Include:

- Development of Plans and Specs
- Preparation of PERs
- Leak Detection Studies and Water Audits
- Asset Management Plans
- Well Drilling and Development
- Land Acquisition/Conservation Easements for Source Water Protection/Development

***These eligible activities can be included as part of the overall Construction Project!***

# Refinance Loan Eligibility Criteria

## Water Debt Refinancing:

- Refinancing of Existing Drinking Water Debt Obligations if the drinking water construction was started and such debt was incurred after July 1, 1993
- Davis-Bacon wage requirements apply if construction was initiated after October 30, 2009.
- American Iron and Steel requirements apply if plans and specifications were approved after January 16, 2014.

# Financial Assistance Packages

## Construction/Refinance Loans

- Funding about 20 projects annually
- Average project size is about \$1-2 M. Largest was \$12 M.
- Core program & Refinance Loans:
  - 20 year loan term
  - Interest rate is 1% below the 20 year AA municipal bond market. (Currently 1.5% to 2.5%)
- VDH disadvantaged designation:
  - Interest rate 0% - 3%
  - 30 years term
- No prepayment penalty

# Financial Assistance Packages

## Small Construction Grants

- Must be designated by VDH as disadvantaged
- Typically less than \$150,000

## Construction Grant/Loan blend

- Must be designated by VDH as disadvantaged

## Planning and Design Grants

- Designed for small, rural, financially stressed, community waterworks.
- Grants for planning and design
- Up to \$50,000 each. Local match is 20% of funds above first \$25,000
- Limited to less than 10,000 persons served.
- ODW awards 12-15 per year.
- Priority given to documented Acute, Chronic and Public Health Risks.

## All Expenditure Reimbursement



# Disadvantaged

## Must Meet All Five Criteria

- Project resolves a public health or compliance problem
- Project serves/will serve less than 10,000 persons
- Residential MHI is 80% or less than the State Average
- Be experiencing financial stress. One indicator may be a negative cash flow
- User Rates that Exceed the Target Rate:
  - <\$44,200 1.00% of the MHI
  - \$44,200 and above 1.25% of the MHI

Example: For an MHI of \$44,000 the target rate equals \$36.67 per month!





# Priority Ranking

## As a condition of each grant ODW must develop a Project Priority List (PPL)

- Evaluate projects based on an EPA-approved criteria
- Rank projects in priority order
- Offer funding in strict priority order
- Make the PPL available to the public
- Establish a public comment period/meeting
- Address public comments
- Allow for EPA review/approval
- Allowed to by-pass projects
- Unfunded projects should continue to seek funding in subsequent years

# Priority Ranking

## Priority is based on:

- **Acute Health issues** (e.g. enforcement, BWN, SWTR/TCR violations, GUDI)
- **Chronic Health issues** (e.g. PMCL violations, lead/copper, ETT>10)
- **Public Health** (e.g. imp. pressure, reduce leakage, inadequate individual home water supplies, SMCLs, ETT 5 to10)
  - Compliance with Regulations
- **Other Factors:**
  - Rates as related to Median Household Income
  - Regionalization
  - Readiness
  - Availability of other funds
  - Projected cost per connection
  - Sustainability/reliability/GPR

## Other Items to Note

### SRF Funding:

- Typical timeline is 3.5 yrs from application to completion.
- Last cycle - offered funding to all eligible/ready projects!
- Many repeat applicants
- Larger projects - we have partnered with other sources
- Other:
  - Credit review by VRA required on all loans
  - Expenditure reimbursement - 5 business days
  - Payments start 6 months after project completion
  - No prepayment penalty - only borrow what's needed.
  - Bond Counsel is required for Public Entities
  - Letter of Credit is required for Private Entities

## Applications

### Annual cycle:

- January - CDs/application materials mailed  
March - 6 regional application workshops held  
April 1, 2016 - Round 1 application deadline (construction apps.  
and planning grants)  
July - Round 1 funding offers made  
September 1 - Round 2 application deadline (planning grants only)  
December - Round 2 funding offers made

**\*No Application Fee! \*No Local Match for Most Applications!**

**\*Preliminary Engineering Conference must be scheduled as soon as possible**

On line at:

<http://www.vdh.virginia.gov/odw/financial/dwfundingprogramdetails.htm>

## Drinking Water Funding Program Details 2017 Funding Solicitation Package Contents

**NEW or CONTINUED for 2017** – All owners with applicable projects should consider applying

### **Funding Offers to be made Twice per Year:**

1. April 1, 2016 for Round One (Construction, Refinance and Planning Grants)
2. September 1, 2016 Round Two (Planning Grants only)

Applications received after the deadline(s) may be considered for funding in the following round or if additional funds become available. Eligible applications may be retained in an applicant pool.

Refinance Project now has a separate application.



## Drinking Water Funding Program Details

### **Planning and Design Grants (SRF & WSAG):**

VDH will now accept Planning and Design grant applications for review and award on a year-round basis. Priority will be given to Acute and Chronic health needs. Additional projects will be considered based on the availability of funds. 25% Local contribution required for project funds over \$25,000.

### **Capitalization Grant Amount –**

VDH expects approximately \$15 million will be available to Virginia under the 2017 DWSRF Capitalization Grant. As a result, VDH intends to award approximately \$25 million in DWSRF construction projects.



## **Drinking Water Funding Program Details**

**All eligible construction projects recently funded –**  
VDH's Program was able to offer funding to all eligible construction projects with completed applications in 2016, 2015, 2014 and 90% in 2013. Based on that all waterworks owners with eligible projects are encouraged to apply.

**EPA Site Signage Requirement –**  
Construction Loan projects may be required to have standard signage at all Construction Projects.

**PER Requirement Revised –**  
Schedule Preliminary Engineering Conference as soon as possible. PER can be funded as part of the construction application



## **Drinking Water Funding Program Details**

**Davis-Bacon Wage Requirement –**  
Davis-Bacon Act minimum wage rates will apply for SRF construction projects. The Davis-Bacon Act has been added to the list of Federal cross-cutter requirements.

**American Iron and Steel Requirements -**  
This applies to SRF construction loan projects with plans and specifications approved after January 17, 2014. Funding recipients and contractors certify they are compliant.



## Drinking Water Funding Program Details

### Refinance of Debt –

VDH's Program allows for refinancing local public debt obligations related to drinking water infrastructure. Program regulations require that all projects where public debt was incurred must have a construction initiation date after July 1, 1993. The typical terms have been an interest rate between 1.5% to 2.5% for a term of 20 years.

A 30 year term may be available for a disadvantaged waterworks.

Privately-owned systems are not eligible for refinancing.



## Drinking Water Funding Program Details

### Waterline Extension Projects –

VDH has revised the category from Acute to Public Health for these types of projects. VDH will limit grant funding to a maximum of \$12,500 per residential connection.

### Disadvantaged Criteria –

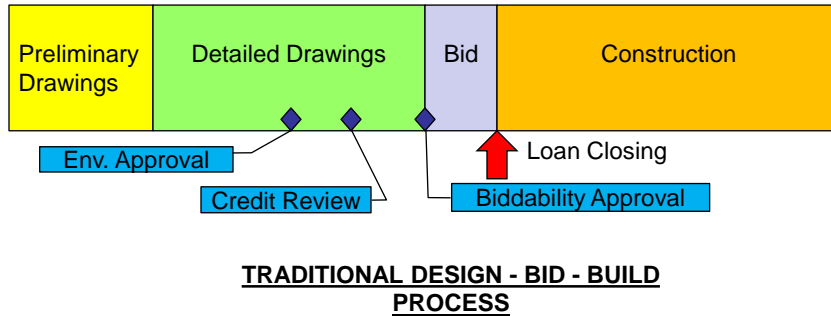
VDH has revised the target user rate criteria to 1.0% to 1.25% of Median Household Income (MHI).

### Design Build –

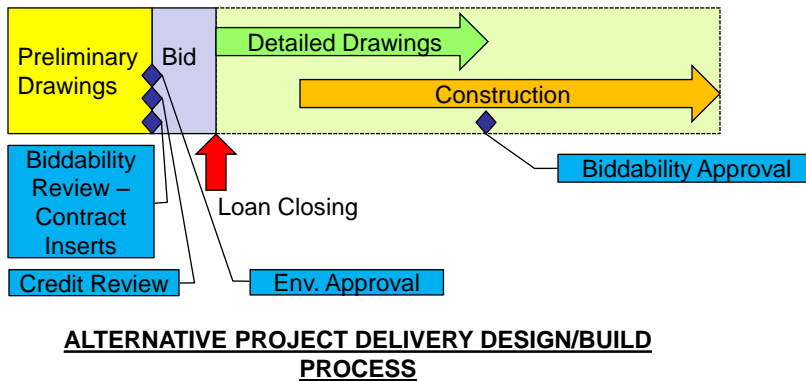
VDH has made revisions to accommodate Design Build and other alternative project delivery methods.



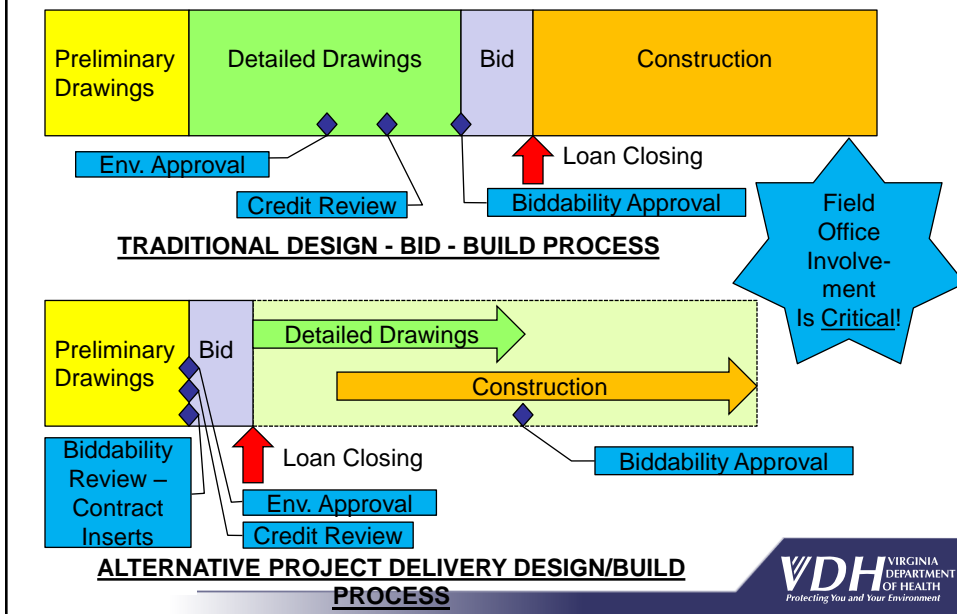
## TRADITIONAL Project Phases, FCAP



## ALTERNATIVE Project Phases, FCAP



## SIDE BY SIDE Project Phases, FCAP



## Drinking Water Funding Program Details

### Administration Fee –

VDH has revised the terms of its administration fee to 0.5 - 1.5% of the interest applied and adding an origination fee of \$6,000 on eligible loan projects, that can be added to the principal of the loan.

### Capacity Development contacts updates -

3 Sustainability Coordinators in Capacity Development:

- Julie Floyd – [Julie.Floyd@vdh.virginia.gov](mailto:Julie.Floyd@vdh.virginia.gov)
- Anthony Hess – [Anthony.Hess@vdh.virginia.gov](mailto:Anthony.Hess@vdh.virginia.gov)
- Misty Johnson – [Misty.Johnson@vdh.virginia.gov](mailto:Misty.Johnson@vdh.virginia.gov)

# Questions?

Information can be found at:

<http://www.vdh.virginia.gov/odw/financial/dwfundingprogramdetails.htm>

or

<http://www.vdh.virginia.gov/odw/financialandconstruction.htm>