



Financial & Construction Assistance and Capacity Development Programs

January 2018

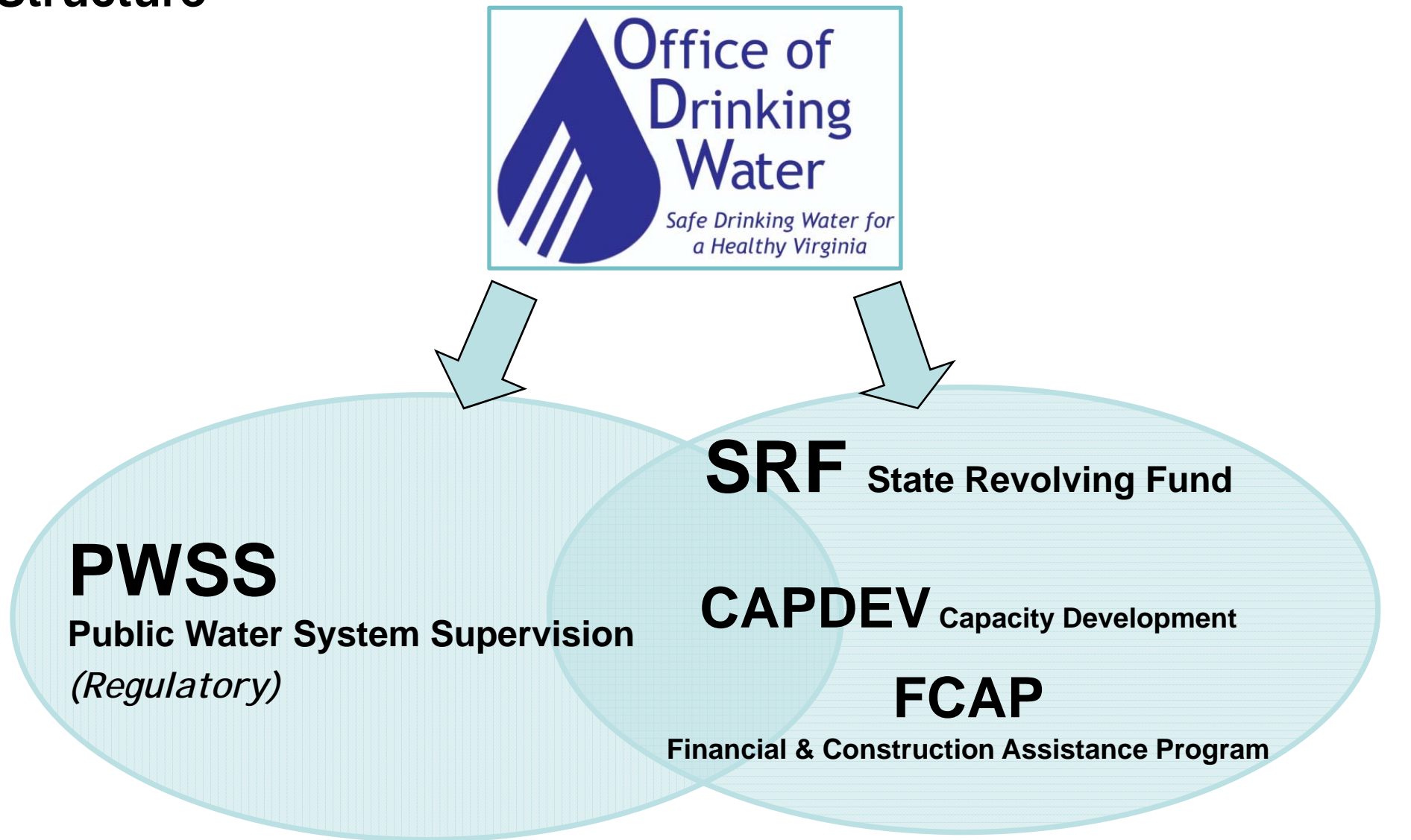
Office of Drinking Water

Mission

Protect public health by ensuring that all people in Virginia have access to an adequate supply of clean, safe drinking water that meets federal and state drinking water standards.



ODW's Role & Structure



SRF 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)

Construction/Project Funds:

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

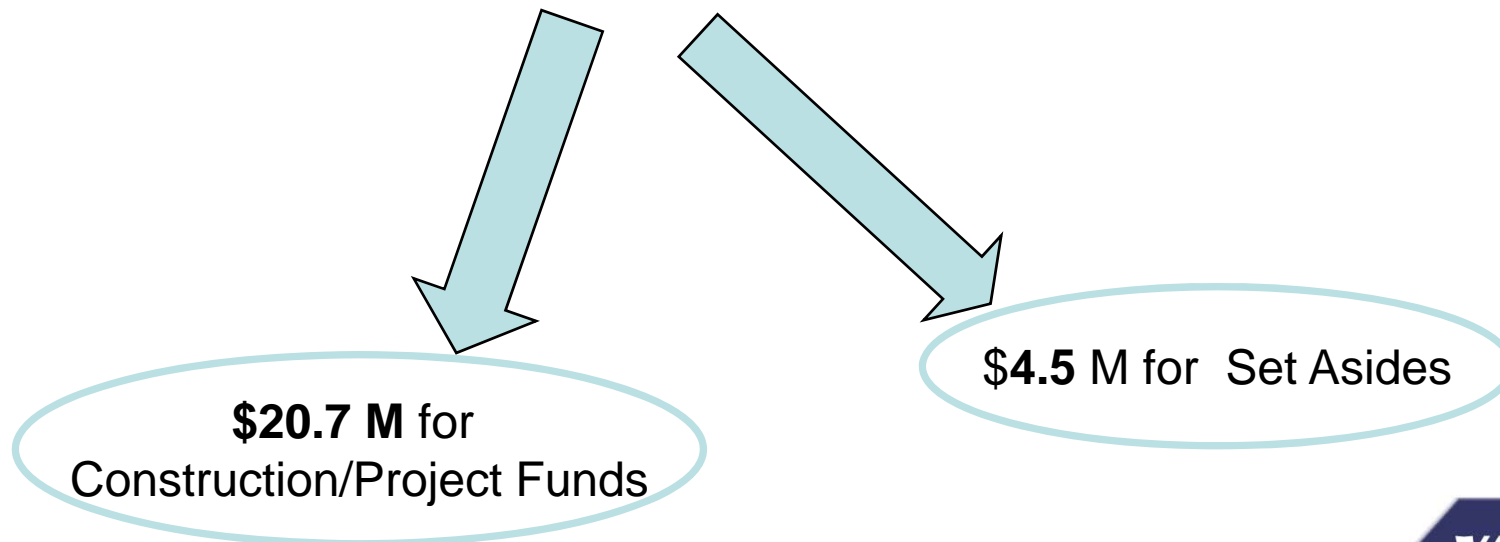
Set-asides Funds (non-construction):

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

Drinking Water State Revolving Loan Fund (DWSRF)

DWSRF simplified - Follow the Money - Ex. for 2017:

EPA grant =	\$13.7 M	(Determined by Feds, VDH applies annually)
State Match =	\$2.7 M	(20% required by each state)
Repayments =	<u>\$8.5 M</u>	(repayments on past loans)
Total =	\$24.9 M	



Construction Funding History

<u>SFY</u>	<u>Closed Loans/Grants</u>	<u>Projects</u>
Pre-2004	\$ 105,402,330	87
2004	\$ 11,667,041	16
2005	\$ 10,654,508	17
2006	\$ 16,833,000	17
2007	\$ 12,124,046	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	\$ 28,182,614	20
2015	\$ 16,262,052	20
2016	\$ 16,912,070	24
2017	\$ 17,435,147	20
2018 (Expected)	\$ 20,000,000	20
Total =	\$368,918,670	367

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.

Not for state or federally-owned waterworks.

Construction Loan Eligibility Criteria

Project priorities:

- Correct/prevent public health compliance problems,
- Improve the TMF Capacity of the waterworks, and/or
- Improve reliability, sustainability or resiliency

Not meant for:

- *Growth or economic development*
- *Fire protection*
- *Reservoirs*
- *Emergency projects*

Construction Loan Eligible Projects

New Construction, repair, replacement or improvement of:



Source, Treatment...

Construction Loan Eligible Projects



Monitoring/Control, Distribution,
Emergency Power, Security...

Construction Loan Eligible Activities

Projects Can Include:

- Preparation of Preliminary Engineering Reports
- Development of Plans and Specifications
- Leak Detection Studies and Water Audits
- Asset Management Plans
- Well Drilling and Development
- Land Acquisition/Conservation Easements for Source Water Protection/Development

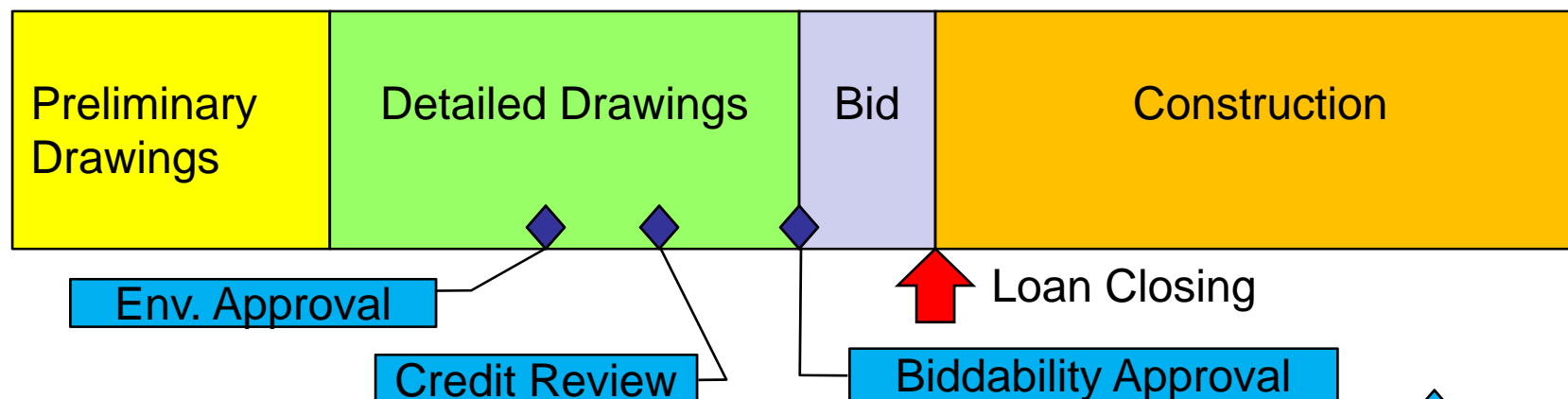
These eligible activities can be included as part of the overall Construction Project!

Drinking Water Funding Program Details

Design-Build

- VDH made revisions to accommodate Design Build and other alternative project delivery methods.
- Locality needs ordinance to authorize alternative project delivery method.
- VDH currently has its first design build project in Rockingham County (\$5.6 M in VDH FY 17 funding).

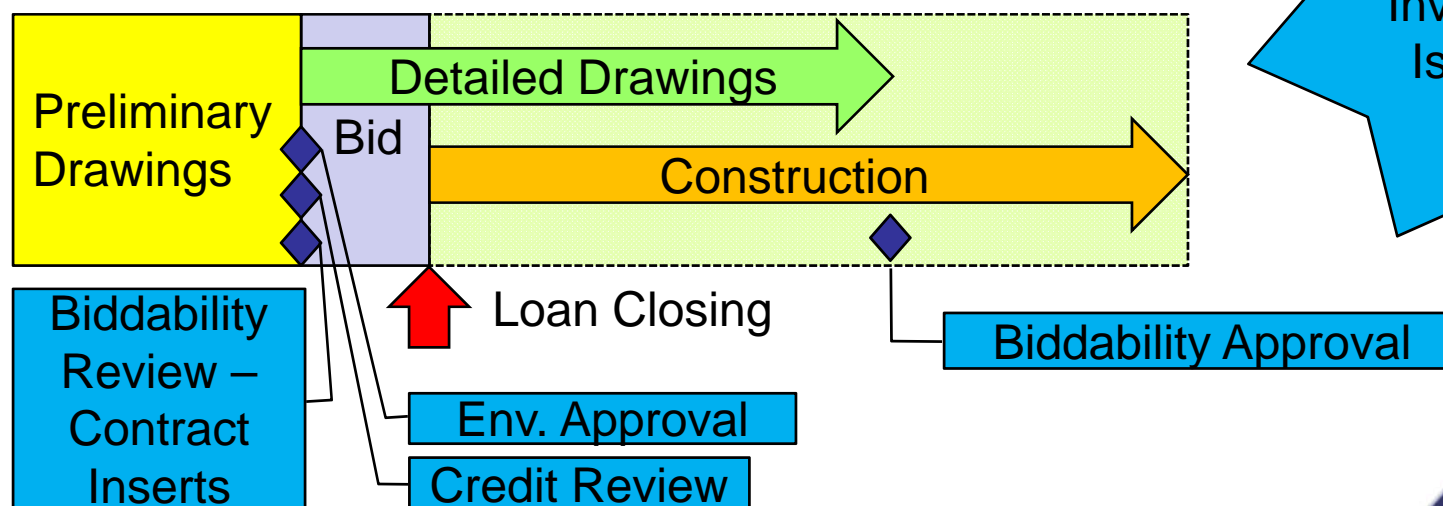
Project Delivery Comparison, FCAP



Traditional

Vs.

Alternative (Design-Build)

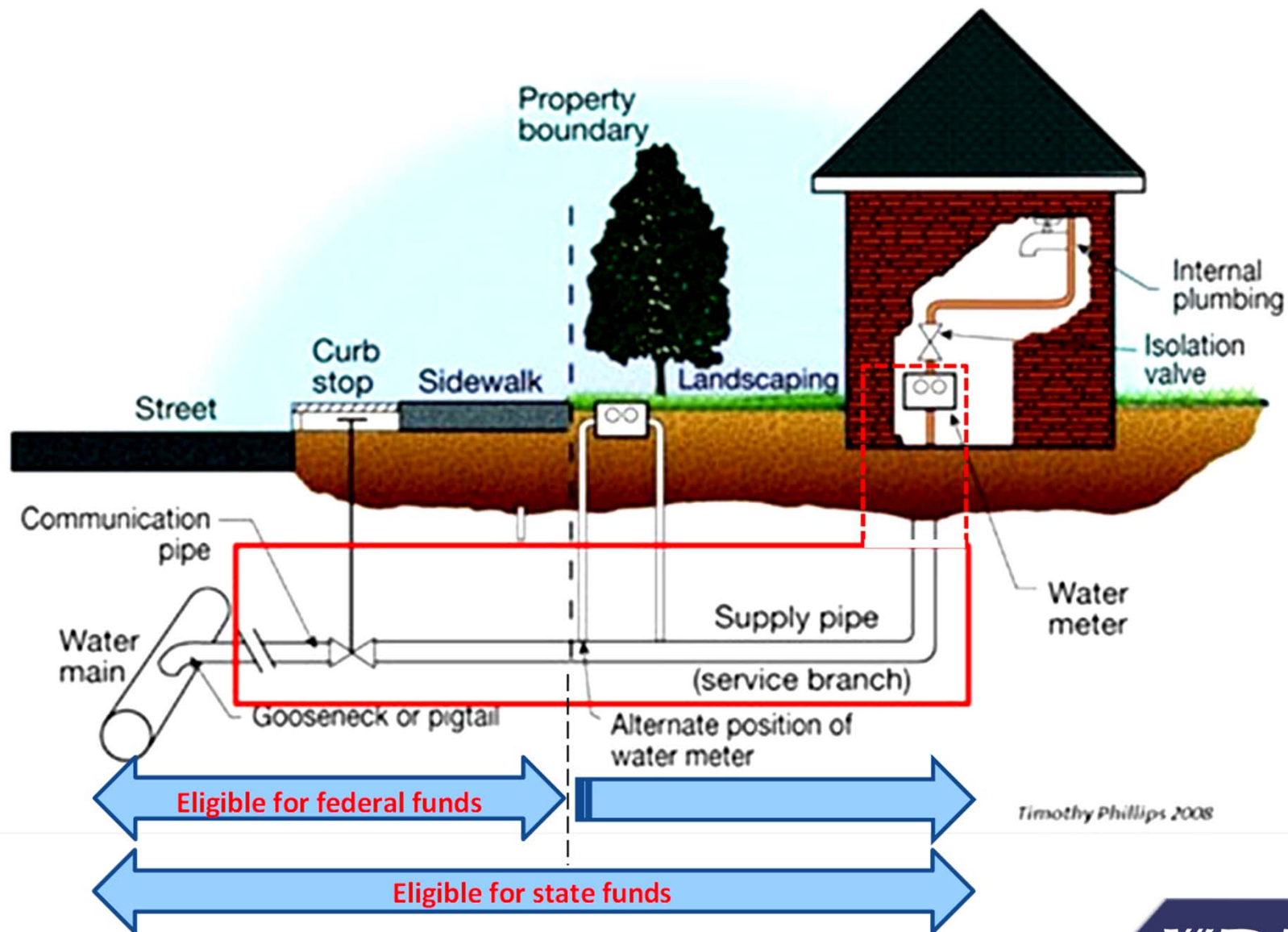


Field Office
Involvement
Is Critical!

Lead Service Line Replacement Program

- Eligibility = Community waterworks or non-profit non-transient waterworks owners who have confirmed or suspected lead service lines (includes utility and/or customer portion of the service line).
- Waterworks owners may be eligible to receive grant rebates of the lesser of the actual cost of replacement or \$5,000 per lead service line (LSL) replaced for the private portion of the lead service line replaced.
- Up to \$500 of the \$5,000 may be used for administrative/investigative work required to facilitate the LSL replacement.
- VDH reserves the right to limit the grant to a total of \$500,000 per applicant per funding year, and the administrative costs to \$25,000.

Lead Service Line Replacement Schematic



Water Debt - Refinancing

- VDH's Program allows for refinancing local public dept obligations related to drinking water infrastructure.

Criteria:

- Construction started and such debt was incurred after July 1, 1993.
- Davis-Bacon wage requirements met when construction initiated on or after October 30, 2009.
- American Iron and Steel requirements met when plans and specifications approved on or after January 17, 2014.

Privately-owned systems are not eligible for refinancing.

Priority Ranking

As a condition of each capitalization 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 are welcomed 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

Financial Assistance Packages

Construction Projects and Refinance Loans

- Funding about 20 projects annually
- Average project size is about \$1-2 M.
- Largest projects = \$13 M (complete), \$27.8 M (in design stage)
- Core program:
 - 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:
 - 30 year term, typical interest rate = 2% to 3%
 - Principal forgiveness (grant) funds available if all criteria met

Disadvantaged

Must Exceed Target Rate of 1.00 % MHI for 30 year loan;

Must Meet All Criteria for Principal Forgiveness:

- 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 which equals $1.00 \% \times \text{MHI}$

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

Financial Assistance Packages

Small Construction Grants

- Must be designated by VDH as disadvantaged
- Typically less than \$150,000
- VDH reserves the right to limit these to one per waterworks owner once every 3 years

Construction Loans

- Core term offer (20 year term)
- Loan with 30 year term - if designated by VDH as disadvantaged

Construction Grant and Loan/Grant Blends

- Must be designated by VDH as disadvantaged

All Expenditure Reimbursement

Other Items to Note

FCAP 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	ODW FCAP website updated
February	Statewide Webcast To Be Conducted (Tentative Date = February 20, 2018)
April 1 st	Application deadline (construction, refinance and lead service lines replacement)
July	Funding offers made

*No Application Fee!

*No Local Match for Most Applications!

*Preliminary Engineering Conference must be scheduled ASAP

On line at: <http://www.vdh.virginia.gov/drinking-water/financial-construction-assistance-programs/drinking-water-funding-program-details/>

Drinking Water Funding Program Details

2019 Funding Solicitation Package Contents

NEW or CONTINUED for 2019 – All owners with applicable projects should consider applying

Funding Applications

1. April 1, 2018 (Construction, Refinance and Lead Service Lines Replacement)
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 Projects have a separate application.

DWSRF Capitalization Grant Amount

- \$15M (approx.) to be available in 2019
- \$25M (approx.) intended for DWSRF construction projects awards

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 2018, 2017, 2016, 2015, and 2014. **Based on that all waterworks owners with eligible projects are encouraged to apply.**

PER Requirement Revised

Schedule preliminary engineering conference (PEC) ASAP. Preliminary Engineering Report (PER) can be funded as part of the construction application.

Drinking Water Funding Program Details

Davis-Bacon Wage Requirement

Applies for SRF construction projects. The Davis-Bacon Act has been added to the list of Federal cross-cutter requirements.

American Iron and Steel Requirements

Applies to SRF construction loan projects with plans and specifications approved on or after 1/17/2014. Funding recipients and contractors certify compliance.

VDH reviews this information during on site project evaluations.

Funding through Capacity Development

The Division of Capacity Development also provides funding through several opportunities. These include:

Planning and Design Grants

Small Project Engineering Projects

“Set-aside” Suggestions

Set-aside suggestions are ideas that interested parties may submit to ODW for state-wide programs to further the promotion of the drinking water industry. Typically this refers to operator training.

Ensuring Adequate Capacity

Clean & Safe Drinking Water



Source



Treatment



Distribution

Technical, Managerial, & Financial Capacity of Systems




Strong, Effective State Programs

Date: 1/9/2018



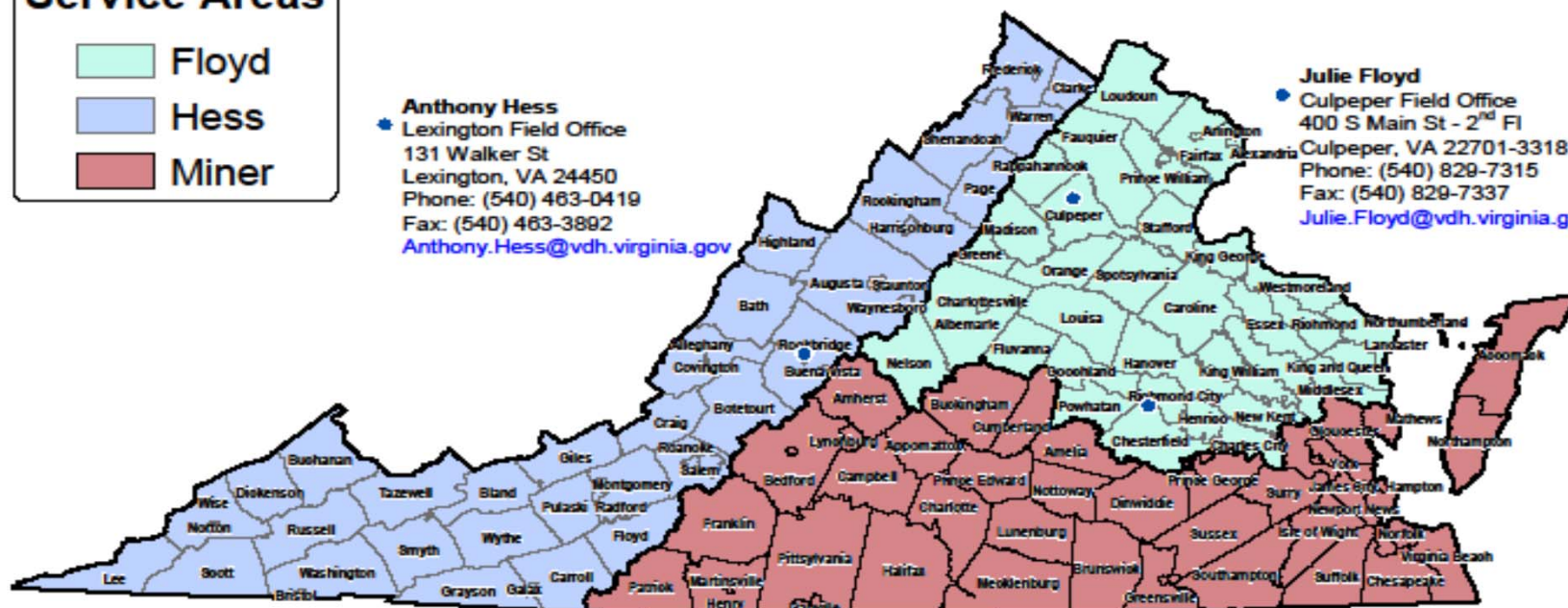
Capacity Development Program Sustainability Coordinators Service Area

Service Areas

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-  Hess
-  Miner

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Quick Look at Planning Grants

- Applications Year-round
- Only for Community and non-profit Nontransient Noncommunity waterworks (Not state or federally owned)
- Maximum grant amount of \$35,000.

Quick Look at Planning Grants

- Application Process is competitive
- Applications not funded immediately will be reviewed in September for possible funding
- Virginia Procurement Act requirements apply
- <http://www.vdh.virginia.gov/odw/financial/dwfundingprogramdetails.htm>

Eligibility

- Community Waterworks owners
 - Public or
 - Private
 - Not State or Federally owned
- Non-Profit NTNCs
- Fewer than 10,001 persons served by the waterworks
- Documented evidence of non-compliance with State and/or Federal Regulations
- Must show need based on existing rates, MHI, etc.

Eligible Projects

- Up to 3 applications/year per waterworks
 - Only 2 can be funded per waterworks per year
 - Must be discrete areas of the waterworks
 - Source
 - Treatment
 - Distribution

Example Projects

- Preliminary Engineering Reports
- Treatment System Evaluations due to MCL exceedances
- Hydraulic Evaluation - Distribution System Improvements related to excessive water loss
- Drilling, testing & sampling of test wells to determine source feasibility related to source capacity
- Source water quality/quantity studies were violations have been on-going
- Asset Management Plan (as funding allows)
- Rate Studies (as funding allows)

Funding Available

Planning on funding 6 -8 Grants for FY2018

FY 2017 Statistics:

- received 15 applications totaling approximately \$0.5M
- funded 5 applications totaling approx. \$200,000

The Application process is Competitive

Procurement

- Virginia Procurement Act procedures must be followed
- You will not be reimbursed for expenses incurred before properly procuring services
- MBE / WBE applies
- Failure to properly procure will jeopardize your funding
- We will help walk you through the procurement steps

Payment of Funds

- For Preliminary Engineering Reports (PER)
 - First half may be paid when Engineer submits PER to ODW Field Office
 - Second Half may be paid after approval
- Reimbursement for Expenses
- Turnaround reasonable (and folks in the business know what to expect)

Competitive Application Process

All Planning Grant Applications Will be Scored and Ranked:

1. Acute Health Risks
2. Chronic Health Risks
3. Public Health Risks
4. Other

Competitive Application Process

Additional points will be given for:

- Amount of documented water loss
- Size of Waterworks (Small waterworks have priority)
- Documentation of other funding
- Household MHI (Affordability)
- Consolidation / Regionalization

Refer to the Program Design Manual

<http://www.vdh.virginia.gov/odw/financial/documents/2016Funding/03-SRF%20Program%20Design%20Manual.pdf>

Summary

- Designed for small, rural, financially stressed, community waterworks.
- Funds for planning and design **(Environmental Assessment excluded)**
- **Up to \$35,000 each.** Local match of funds **is not required.**
- Limited to less than 10,001 persons served.
- ODW awards 6-8 per year depending on available funds.
- Additional projects will be considered based on availability of funds.
- Priority given to documented Acute and Chronic Health needs.
- Applications accepted on a year-round basis; with all project scored and ranked for funding in September of each year.
- **15 Month project schedule will be strictly adhered to**

Small Project Engineer Services

Designed to fund engineering services at waterworks which may not be able to otherwise afford these services. Eligible waterworks include Community and Non-profit Non-transient Noncommunity systems serving a population of 10,000 persons or less. These services are intended to supplement the Office of Drinking Water's technical assistance services.

SPES utilizes task order requests for initiating projects.

Small Project Engineer Services

The types of engineering projects are small design, or documentation of as-built, and generally include:

- Required as-built drawing and specifications
- Small chemical feed design documents for upgrades
- Design documents for sampling or injection points
- Waterworks Business Operation Plans
- Asset Management Plans

Small Project Engineer Services

Field Office staff can make waterworks referrals to the Director of Capacity Development. Referrals include:

- Waterworks name and PWSID
- Administrative contact
- Telephone number
- E-mail address
- Reason for referral

Small Project Engineer Services

Task orders from the consultants are submitted to the Director of Capacity Development and reviewed for approval. All waterworks in the Field Offices have equal access to project funding. Task orders are on a first-come first-serve basis. Field Office staff reviews task orders to insure the project scope addresses the issue initiating the referral.

Questions?

More information at:

<http://www.vdh.virginia.gov/drinking-water/>

OR

Search keywords: **VDH Financial Construction**