Funding Drinking Water and Wastewater Improvements with the State Revolving Fund

Water Quality Control Division - Grants and Loans Unit

Department of Local Affairs - Division of Local Government

Colorado Water Resources and Power Development Authority







Part 1

Explanation of Colorado's State Revolving Fund and involved agencies

Overview of eligible projects

Benefits of funding through the State Revolving Fund

Review of commonly used co-funding programs

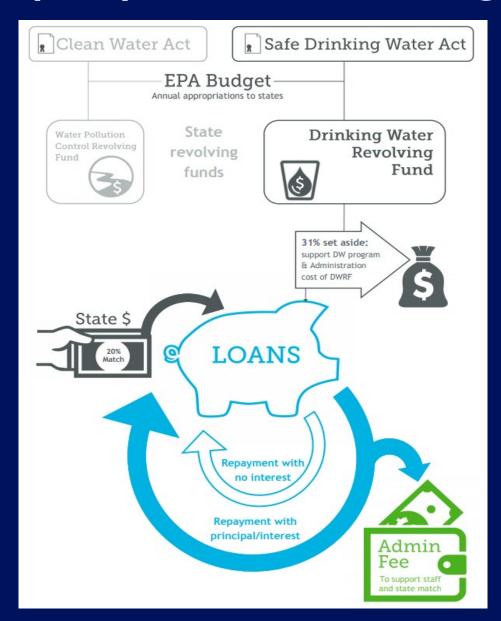






SRF: A perpetual funding source

Water Pollution Control Revolving Fund (WPCRF)



Drinking Water Revolving Fund (DWRF)







SRF Partner Agencies and Roles

Water Quality Control Division of the Colorado Department of Public Health & Environment (WQCD)

- Primacy agency.
- Program administration (including managing set asides and technical assistance programs).
- Technical review and advisory role.
- Federal reporting.

Colorado Water Resources & Power Development Authority (CWRPDA or "the Authority")

- Financial structure.
- Manages budgets and investments.
- Disburses funds.
- Federal reporting.
- Provides state match.
- Loan portfolio monitoring.

Colorado Department of Local Affairs (DOLA)

- Conducts financial capacity assessments.
- Financial and managerial assistance to systems.
- Coordinates funding collaboration.
- SRF outreach.







State Revolving Fund Summary Over 75 active projects Total in excess of \$195,000,000

Colorado program totals since inception:

- DWRF Cap Grants received ~\$426M.
- WPCRF Cap Grants received ~\$399M.



Town of Breckenridge Treatment Plant Project

Larger loan examples:

- Town of Breckenridge, DW ~\$57M
- Boxelder SD, WW ~\$28MSmaller loan examples:
- East Alamosa WSD, DW ~\$1.6M
- Town of Genoa, WW ~\$50KProgram capacities:
- ~\$40M-\$70M annually for each program







Eligible Projects

- Drinking Water- Drinking Water Revolving Fund (DWRF)
- > Wastewater- Water Pollution Control Revolving Fund (WPCRF)
 - Stormwater







Drinking Water Eligibility

Eligible Borrowers:

- Public Water System: Is a system for the provision of water for human consumption to the
 public through pipes or other constructed conveyances, if such system has at least fifteen
 service connections or regularly serves at least twenty-five individuals.
- Colorado local governments or private non-profits



- 1. Treatment
- Transmission and Distribution
- 3. Source
- 4. Storage
- 5. Consolidation
- 6. Creation of a new system







Eligible & Ineligible Drinking Water Projects

Eligible Projects

- Replaces aging infrastructure
- Replacement of lead service lines
- Meters (flow, customer and master)
- Acquisition of Water Rights for public health protection or resiliency/redundancy that applies to existing populations and not for growth.
- Development of new sources to replace a contaminated drinking water source or to increase drought resilience
- Land acquisition
- Finished water reservoirs that are used for treatment processes which are located on the same property as treatment facility
- Restructure or consolidate water supplies
- Planning

Ineligible Projects

- Dams or rehabilitation of dams.
- Reservoirs, except as mentioned in eligible example
- Drinking water monitoring costs
- Operations & maintenance costs
- Projects primarily for fire protection
- Projects for systems that lack adequate technical, managerial and financial capacity, unless assistance will ensure compliance.
- Projects for systems in significant noncompliance under the Safe Drinking Water Act, unless funding will ensure compliance.
- Projects primarily intended to serve future growth.







Wastewater Eligibility

Eligible Borrowers:

Eligible Borrowers: Colorado local governments

Eligible Project Categories



- 1. Construction of a publicly owned treatment works (section 212)
- 2. Implementation of a management plan (section 319)
- 3. Development of implementation of a conservation and management plan (section 320)
- 4. Construction, repair, or replacement of decentralized wastewater treatment systems that treat municipal wastewater or domestic sewage
- 5. For measures that manage, reduce, treat, or recapture stormwater of subsurface drainage water
- 6. Measures to reduce the demand for publicly owned treatment works capacity through water conservation, efficiency, or reuse
- 7. Development or implementation of watershed projects (section 122)
- 8. Reduction of energy consumption needs of the publicly owned treatment works
- 9. Reuse or recycling of wastewater, stormwater, or subsurface drainage water
- 10. Security measures for a publicly owned treatment works







Eligible & Ineligible Wastewater Projects

Eligible

- Centralized Wastewater Treatment
- Energy Conservation
- Stormwater
- Water Conservation
- Agricultural BMPs
- Decentralized Wastewater Treatment
- Resource Extraction
- Contaminated Sites
- Landfills
- Habitat Protection and Restoration
- Silviculture
- Desalination
- Groundwater Protection Restoration
- Surface Water Protection and Restoration
- Planning/Assessment
- Land acquisition (some exceptions)
- Forestry activities

Ineligible

- Operations and maintenance including:
 - Computers or software not related to process controls (general office use, timekeeping, billing)
 - Fines and penalties from compliance violations
- Projects primarily for growth







Stormwater Projects

- Same process as a waste water project starting with the annual eligibility survey, environmental & design review.
- Recent project:
 - City of Evans
 - \$8,600,000 leveraged loan repaid with stormwater fees
 - 2 major projects for new storm sewer structures and improvements to the stormwater control system









Resources for more information about eligible projects

WQCD Project Manager Map:

https://drive.google.com/file/d/1sgMNyANCinFoRZc7aI2NT5YhW-IN0tDq/view

Overview of Clean Water State Revolving Fund Eligibilities:

https://www.epa.gov/sites/production/files/2016-

07/documents/overview_of_cwsrf_eligibilities_may_2016.pdf

Drinking Water State Revolving Fund Eligibility Handbook:

https://www.epa.gov/sites/production/files/2017-

06/documents/dwsrf_eligibility_handbook_june_13_2017_updated_508_version.pdf







State Revolving Fund Program

- Low interest loan program to finance the design and construction of public drinking water, wastewater and stormwater infrastructure projects.
- Direct loans: Projects up to \$3 million.
- Leveraged loans: Projects greater than \$3 million.
- Loan terms: Up to 30 years.
- 7 Loan application deadlines: Jan. 15(Spring Issue), Feb. 15, April 15, June 15(Fall Issue), Aug. 15, Oct. 15, and Nov. 15.







SRF Direct Loan Benefits

Interest rate accrual date and minimal first payment

No Prepayment Penalty

 Project came under budget? Reduce loan by remaining amount at no fee (Principal Reduction)

Loan repayment schedule flexibility

Flexible Application Dates







SRF Leveraged Loan Benefits

- Significant interest rate savings (70-80% of the AAA market rate)
- No Continuing Disclosure or EMMA filings we take care of those requirements
- We handle all Arbitrage Rebate calculations
- Loan repayment schedule flexibility and one simple loan on books
- Access to Bank Trustees and no Trustee Fees







Additional Ways to Access Reduced Interest Rates

Green Project Reserve

Disadvantaged Communities







Green Project Reserve (GPR)

- Currently available for clean water projects only (Water Pollution Control Revolving Fund)
- Green Project Reserve Categories:
 - Green infrastructure, Water Efficiency, Energy Efficiency and Environmentally Innovative Activities.
 - Categorically Green Projects Clearly fall into and fill the GPR categorical definition
 - Business case may be required to demonstrate effectiveness proposed improvements

Green Components costs:



Greater than 15% but less than 20% of project cost.

Interest rates are:

- 1.5% loan interest rate on loans up to \$3 million
- Loans more than \$3 million, reduced rate on first \$3 million



Equal to or greater than 20% of project cost

- 0.5% loan interest rate on loans up to \$3 million
- Loans more than \$3 million, reduced rate on first \$3 million







Case Study #1:WPCRF Leveraged Loan with a GPR component - City of Gunnison

- Project Description The project includes improvements at the existing wastewater treatment facility for the influent pumping, screening, oxidation ditch, secondary clarifiers, UV disinfection, dewatering, composting, SCADA, collection line repair and associated appurtenances.
- Funding Package WPCRF \$9,541,520 @ 1.69% GPR - \$3M @ 0.5%; Planning - \$10k; D&E - \$300k (\$9,843,890 in project funds)
 Total funding of \$12,851,520
- Estimated Savings Over Life of Loan ~ \$800,000

Interest rate

1.69% (2.42% AAA Market Rate)

• Notable Recent Subsidized Interest Rates (2020A)- 1.28%, 1.29%, 1.59%, 1.60%







Disadvantaged Communities

- Population of 10,000 or less
- Meeting certain primary and secondary factors including:
 - Primary
 - Median Household Income (MHI)
 - Median Home Value (MHV)
 - County 24 month unemployment rate or job loss
 - Secondary
 - County Median Household Income (MHI)
 - County 10-year population change
 - Household assessed value
 - Current & projected system debt per tap to MHV
 - System full-cost per tap to MHI







SRF Grant Assistance

Planning Grants

- Up to \$10,000 per project
- Eligible projects: DW/WW/SW governmental entities; DW private, non-profit
- Meet Planning Grant criteria = DAC criteria for 2020
- On Eligibility List
- 20% match requirement
- Requires completed pre-qualification form and pre-qualification meeting

Design and Engineering Grants (D&E)

- Disadvantaged Community
- Eligible projects: DW/WW/SW governmental entities
- Grant size based on project type and expense. Maximum amount: \$300,000
- Requires approved Project Needs Assessment for a feasible project







Principal Forgiveness

- Availability varies, at times may be unavailable. Currently only available for drinking water projects.
- Eligibility for and amount of principal forgiveness determined at loan application
- Must be a Category 2 Disadvantaged Community
- Amount of forgiveness ranges from 20%-80% of loan request, current maximum of \$1,000,000



Principal Forgiveness

Upcoming change in 2022

- Starting January 1, 2022, Category 1 Disadvantaged Communities will also be eligible for Principal Forgiveness
- Amount of forgiveness ranges from 20%-80% of loan request, current maximum of \$400,000







Co-Funding

Challenges

Timing/order of applications/execution

Program requirements

Savings not guaranteed

Potential need for interim/bridge funding

Effort

Additional administrative duties for the entity

Keys to Success

Early planning: Get all potential funders to the table early in the planning

process

Communication: Regular communication between applicant and funders







Additional Funding Resources

DOLA

- Community Development Block Grants
- Energy/Mineral Impact Assistance Fund Grants (Administrative, Tier 1 and Tier 2)
- Energy/Mineral Impact Loan Fund
- Small Communities Technical Services Program
- Contact Regional Manager with questions or to apply

WQCD

- Water Quality Improvement Fund Grant
- Small Communities Grant
- Stay informed: https://colorado.us3.list-manage.com/subscribe?u=cacd027356b7c70aacd2a6529&id=a288b4a596







Additional Funding Resources

CWRPDA

- Water Revenue Bond Program
- Small Hydropower Loan Program

CWCB

Loan program and numerous grant programs for projects relating to water supply

USDA

- Grants and loans for drinking water and wastewater projects
- Emergency Community Water Assistance Grant







Additional Federal Funding

- American Rescue Plan
- Future Infrastructure Bill

Sign up to stay informed:

https://colorado.us3.listmanage.com/subscribe?u=cacd027356b7c70aacd2a6529&id =a288b4a596









Additional Funding Resources

Available Financial Assistance document: https://drive.google.com/file/d/1mi4VNQhxjcDdRU5jUpgSwVinx5a7X6R1/view?,authuser=0

DOLA

Regional Manager map and contact information: cdola.colorado.gov/regional-managers

Energy and Mineral Impact Assistance Fund program website: https://cdola.colorado.gov/funding-programs/energy/mineral-impact-assistance-fund-grant-eiaf

Community Development Block Grant program website: https://cdola.colorado.gov/community-development-block-grant

WQCD

PM map: https://drive.google.com/file/d/1sgMNyANCinFoRZc7al2NT5YhW-IN0tDq/view

SRF: https://cdphe.colorado.gov/state-revolving-fund-information

Grants: https://cdphe.colorado.gov/water-quality/drinking-water-resources-for-water-systems/grants-and-loans/water-quality-grants

Stay informed: https://colorado.us3.list-manage.com/subscribe?u=cacd027356b7c70aacd2a6529&id=a288b4a596

CWRPDA

https://www.cwrpda.com/

CWCB

Loans: https://cwcb.colorado.gov/loans-grants/water-project-loan-program

Grants: https://cwcb.colorado.gov/grants

USDA

Programs and CO office contact information: https://www.rd.usda.gov/co







Case Study #2: DWRF Direct Loan - Town of Hot Sulphur Springs

Project Description - The project consists of increasing the treatment capacity at the existing water treatment plant by adding a second skid.

Funding Package:

DWRF Direct Loan: \$200,000 (0.5%; 30 years)

DWRF Principal Forgiveness: \$300,000

Town Reserves: \$30,000

DWRF D&E Grant: \$70,000

2020 EIAF Grant: \$200,000

Total Project Cost: \$800,000









Case Study #3: WPCRF Direct Loan with Co-Funding - Town of Peetz

Project Description: Wastewater treatment upgrades (lined lagoons), pump station, & piping.

Total Project Cost: \$3.57M

47% Grant Funding

Funding Package:

WPCRF Loan:

EIAF Grant:

Planning/ D&E grant:

USDA Loan:

USDA Grant:

CoBank provided interim financing

\$1M

\$1M

\$260K

\$900K

\$413K



https://success.ada.org/en/dental-benefits/member-support-on-third-party-issues







Questions?







BREAK







Part 2

Discussion of major project milestones, including how to get started in the State Revolving Fund Process

Overview of State Revolving Fund requirements



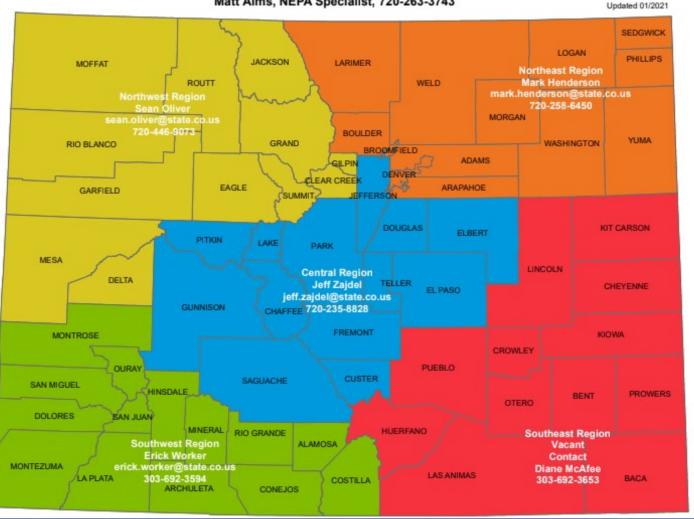






WQCD Grants and Loans Unit

Project Managers Map Mark Henderson, Unit Manager, 720-258-6450 Diane McAfee, Program Assistant, 303-692-3653 Matt Alms, NEPA Specialist, 720-263-3743



Water Quality Control
Division Grants & Loans
Unit Project Managers
Map

For most up-to-date map:

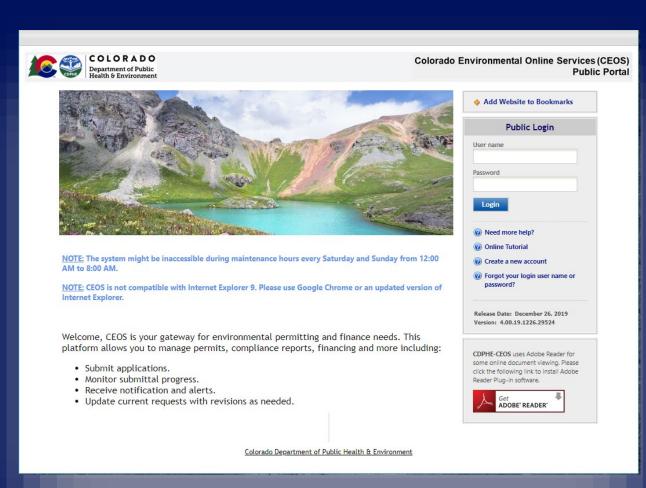
https://www.colorado.gov/pacific/cdp
he/wq-grants-and-loans-contacts







Colorado Environment Online System (CEOS)



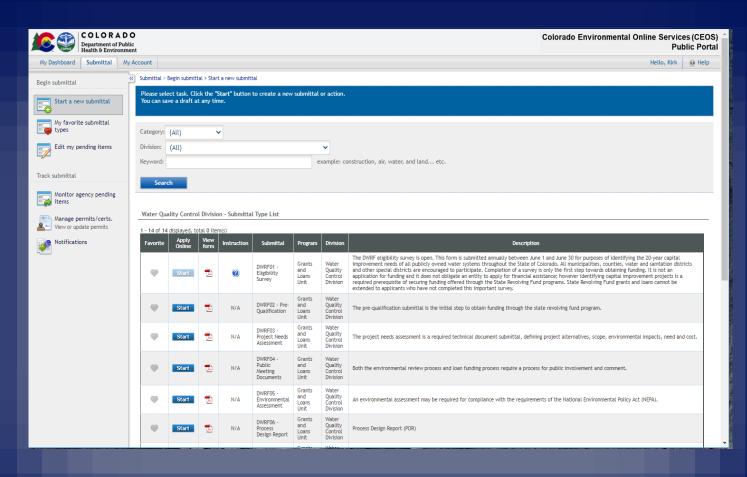
- Web based system designed to facilitate the SRF submittals to the SRF agencies using common browsers such as IE, Chrome, Firefox, Safari.
- Developed by WQCD
- Create and manage user accounts







Colorado Environment Online System (CEOS)



- Submit SRF pre-qualification applications, project needs assessments, loan applications, pay requisitions, change orders, etc.
- Eliminate paper submittals
- Expedited review turn-around times







Major Program Milestones

Eligibility Survey



Pre-Qualification



Project Needs

Assessment (PNA)



Loan Application



Loan Execution



Construction

Environmental Review

- Preliminary Environmental Determination
- Final Environmental Determination
- Environmental Clearance

Design Review

- Design Submittal
- Design Review/ RFI
- Design Approval







Eligibility Survey



Pre-Qualification



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Assessment (PNA)



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Annual Eligibility Survey

Who: Municipalities, counties, special districts -

All publicly owned water and sewer systems, private nonprofit water systems, publicly owned stormwater systems.

• What: Identify all 20-year capital improvement needs.

When: Survey submittal deadline: <u>JUNE 30 to be on list for next year</u>

• Where: https://www.colorado.gov/pacific/cdphe/wq-eligibility-survey

Why: Required annually

- First step to securing SRF funding.
- Not an application for funding; just the first step.
- Does not obligate an entity to apply.







Eligibility Survey



Pre-Qualification



Project Needs

Assessment (PNA)



Loan Application



Loan Execution



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SRF Requirements - Environmental Review

- At Pre-Qual Preliminary Env. Determination
- At Project Needs Assessment Final Env. Determination
 - Categorical Exclusion (CatEx)
 - Environmental Assessment (EA)
 - Finding of No Significant Impact (FONSI)
 - Environmental Impact Statement (EIS)
- Public Participation and Comment Periods
 - All projects Public meeting with public notification 30 days prior
 - EA/FONSI State publishes FONSI with 30 day comment period.
- NO CONSTRUCTION CAN BEGIN UNTIL ENVIRONMENTAL CLEARANCE IS COMPLETE.







SRF Requirements - Design Review



- Pre-Qual: Preliminary Design Review (eligibility review)
 - Prior or during development of PNA
 - Submit for PELS / Water Quality Planning Targets / Permit considerations
 - Site Application
- Project Needs Assessment:
 - TMF approval for Drinking Water Projects
 - Identify if eligible for Streamline Review and/or Self-Certification <u>https://cdphe.colorado.gov/design</u>
 - GPR Review and Approval
 - PDR Review & Approval
- Loan Application: Submit Final Plans and Specs.
- Loan Execution: Final Design Approval required.







Eligibility Survey



Pre-Qualification



Project Needs

Assessment (PNA)



Loan Application



Loan Execution



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SRF Requirements- Financial Requirements & Covenants

For most borrowers:

- Rate covenant (1.10)
- Additional Bonds Test (1.10)
- Operations & maintenance reserve (3 months of OE)
- General and Bond counsel opinion
- TABOR enterprise status or authorization by election

For some borrowers, as needed:

- Debt Service Reserve Fund (PNPs)
- Rate Stabilization Account (Tap fee reliant entities)









SRF Requirements- Financial Requirements & Covenants

- Annual Compliance Review
 - Submit audited financials by end of July, <u>audits@cwrpda.com</u>
 - Out of compliance cooperation and communication
 - Compare to DLG's annual Direct Loan Portfolio Monitoring



 $https://www.clipartkey.com/view/hbRbJx_transparent-accountant-clipart-audit-clipart/lipart-accountant-clipart-audit-clipart/lipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-clipart-accountant-accountant-clipart-accountant-clipart-accountant-clipart-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accountant-accou$







Different Types of Pledges/Enterprise Revenue

Water



Sewer



Stormwater



- Combined (Water & Sewer; Water, Sewer, & Stormwater; etc.)
- All readily available revenue of the enterprise (HOAs/PNPs)
- General Obligation / Property Tax (Generally strongest pledge)
- Sales Tax (cannot pledge only sales tax, must combine with other, not a preferred pledge due to volatility)
- Any combination of the above







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SRF Construction Requirements

- Davis Bacon (Prevailing Wages)
- American Iron & Steel
- Archeological & Historic Preservation Act
- Civil Rights & Equal Employment Opportunity, Neutrality in Contracts, OSHA
- Disadvantaged Business Enterprise subcontracting
- Architectural & Engineering Services Procurement (WPCRF Only)
- Signage







Davis Bacon

Borrower's Responsibility

- Lock in the wage decision at bid opening/CMAR construction contract execution.
 - A project can have more than one wage determination, but the primary will be Heavy.
- Certified payrolls checked against wage decision/1444s.
- Payroll must be done weekly.
- Interviews (sample of workers from GC and subs).
- Davis Bacon poster posted at the job site (with EEO poster).
- If any apprentices, check they are in certified program and paid accordingly.

Link to poster: https://www.dol.gov/whd/regs/compliance/posters/fedprojc.pdf







American Iron and Steel

All iron and steel products that are 50% or greater by cost must be produced in the U.S.A.

This includes pipes, fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps, restraints, valves, structural steel, reinforced precast concrete, construction materials (roofing, ductwork, doors, fasteners, etc).

It is NOT Buy America, Buy American, Recovery Act, ARRA, etc.







American Iron and Steel

And then of course there are exceptions:

Mechanical
Electrical
Non-construction materials

Examples: pumps, motors, VFDs, valve actuators, flow meters, sensors, SCADA, disinfection systems, membrane filtration, aerators, blowers, etc.







American Iron and Steel

Borrower Responsibility

- Ensure the SRF specs with AIS is included in the contractor's agreement.
- Ensure all iron and steel products provided by the contractor has a certification.

Link to EPA guidance: https://www.epa.gov/cwsrf/state-revolving-fund-american-iron-and-steel-ais-requirement







Construction Process

- 1. Project Bidding
- 2. Pre-Construction

3. Construction

4. Project Completion









Major Program Milestones Questions?

1. Eligibility Survey



2. Pre-Qualification



3. Project Needs Assessment



4. Loan Application



5. Loan Execution



6. Construction

Environmental Review

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- Final Environmental Determination
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DOLA - https://cdola.colorado.gov/

CWRPDA - https://www.cwrpda.com/

WQCD GLU - https://www.colorado.gov/pacific/cdphe/wq-grants-and-loans

Colorado Environmental Online Services System (CEOS) -

http://ceos.colorado.gov/CO/CEOS/Public





