Funding Drinking Water and Wastewater Improvements with the State Revolving Fund Webinar

Tuesday, August 3, 2021
1:00 pm - 2:45 pm Mountain

Q&A

Question: What types of projects are eligible for the Colorado State Revolving Fund (SRF)? Are projects relating to drilling a new well, well maintenance, etc., qualify for the SRF?

Answer: There are broad eligibility categories for drinking water, wastewater, and stormwater projects. Slides 6-12 cover project eligibility. For more detail or questions about a specific project, please contact the Grants & Loans Unit Project Manager for your region.

Question: Does expansion of a wastewater treatment facility count as a project for growth and is therefore ineligible for SRF?

Answer: This is an eligible use of SRF, especially if the facility is reaching design capacity. The key word in regards to projects that deal with growth is “primarily”. If a project is primarily for accommodating growth it is ineligible. However, we expect that projects will happen for many reasons, including growth, and we expect a community to account for future growth in the project design.

Question: How long does the SRF process take? Does the streamline process for distribution system projects allow for a shorter timeframe to complete the loan application and review process?

Answer: For many applicants it can take about 12-18 months to move from pre-qualification to loan application. It is possible to move through the process more quickly for some projects. After loan approval, it typically takes 4-8 weeks for loan execution, though that can move faster or slower if needed.

Question: Can loan proceeds be used for legal expenses or the required operations & maintenance reserve?

Answer: Legal expenses (general and bond counsel opinions) can be reimbursed through the direct or leveraged loan (construction loan). Upon execution, the 3-month operations & maintenance reserve fund must be met within 24 months. The operations & maintenance reserve funds cannot come from, or be reimbursed by, the loan funds.

Question: Please explain how TABOR impacts what sort of pledge an entity can use.

Answer: Pledged funds must come from an enterprise fund that is TABOR compliant, (which means less than 10% of its annual revenue comes from state and local grant sources, and this is checked on and opined to by bond counsel). If the enterprise does not meet the definition of a TABOR enterprise status, the project must go out to a vote and be authorized by a successful election.

Question: Are the SRF programs made possible by the Federal dollars given to the states in connection with COVID-19 or do they exist outside of the Federal COVID-19 recovery programs?

Answer: These programs were created from funding received from the Environmental Protection Agency "EPA" and are unrelated to the current pandemic recovery programs. The SRF programs are authorized by two pieces of federal legislation: the 1972 Clean Water Act and the 1974 Safe Drinking Water Act. The programs receive an annual capitalization grant from the EPA which is loaned out to borrowers. As loans are repaid, the funds go back into the pot to be loaned out again.

Question: What data is used to determine disadvantaged community status? What if my community is much smaller than the overall surrounding area?

Answer: We use the data level that best fits the community's geography, but this might not always be a great fit. The American Community Survey data that we use breaks down estimates by state, county, municipality, census designated place, tract, or block group. If your community does not qualify for disadvantaged status using our methodology, we can write a business case to present to the Colorado Water Resources & Power Development Authority Board for consideration. In rare cases, we may need to conduct an income survey. For more information about the data and process for determining disadvantaged community status, please refer to the Defining Disadvantaged Communities booklet and data glossary here.

Question: How would a community find out if they are a disadvantaged community?

Answer: When a community submits a pre-qualification form and has the first meeting with SRF program staff, DOLA will review the disadvantaged community criteria to see if a community qualifies for a planning grant. This preliminary review will give many communities an idea if they will be considered disadvantaged when the official determination is made. However, it is not a guarantee as the benchmarks are updated annually and some are based on a community's most recent financial statement.

The official disadvantaged community determination occurs when a community submits a project needs assessment. This determination is valid for 18-months, during which the community should aim to submit their loan application, and then will need to be reassessed. Interest rate and eligibility for principal forgiveness are determined at loan application.

Question: Can you give more detail about how principal forgiveness works? How do you apply?

Answer: There's no application for principal forgiveness. If we have funding available, we assess all applicants for disadvantaged community status when the loan application is submitted. Currently only Category 2 Disadvantaged Communities with drinking water projects are eligible for principal forgiveness. Starting in 2022, Category 1 and Category 2 Disadvantaged communities will be eligible for principal forgiveness for drinking water loans. Currently principal forgiveness is unavailable for wastewater projects, but the process is the same if funding becomes available for those projects.

Question: Who do we contact to arrange a meeting with all the funding sources at the same time to design a funding package?

Answer: After you've submitted an SRF pre-qualification form, the Grants & Loans Unit Project Manager will contact you to set up a meeting. You can let this person know you'd like to include multiple funders in the pre-qualification meeting. If you are unsure of whether you want to pursue SRF funding and would like to have more of an information session with various funders, please contact Desi Santerre at DOLA, desiree.santerre@state.co.us.

Question: Which funding programs are best for non-profit 501(c) 12?

Answer: Private non-profits formed according to Colorado statues that are considered public water systems can apply to the SRF for drinking water projects. The Colorado SRF is unable to fund wastewater projects for non-governmental agencies. USDA and CDPHE programs may be able to fund some private non-profits. DOLA grants are only available to local governments. For other programs, please consult the funding guide or contact the program directly.

Question: Does the Colorado SRF leverage the EPA's state infrastructure financing authority WIFIA (SWIFIA) program? If so, how does this process work?

Answer: We do not currently leverage SWIFIA funds, but it is an option we have looked at previously and continue to evaluate. Feel free to reach out if you have a specific project in mind.

Question: Does the public meeting need to be conducted in person or can it be a virtual meeting?

Answer: In regards to the environmental public meeting, this meeting can be virtual as well, as long as it follows the notice requirements. Due to the pandemic, our pre-qualification meetings have been held via zoom or google meet for the past year and a half. We are looking at the possibility of resuming in person meetings in the future.

Question: Does the 'strength' of the pledged revenue source influence the interest rate (water revenue vs. property tax, etc.)? If so, is there some sense of difference in rates for the various pledge sources (with everything else being equal)?

Answer: The interest rate is not based on the strength of the credit application or the strength/health of the enterprise fund revenue being pledged. The strength of the pledge and credit application influences the funding decision. The interest rate is based on whether the community is disadvantaged or not, as well as whether it is a direct loan (loans $3 million or less) or a leveraged loan (loans greater than $3 million). Program interest rates are set annually in December by the Authority Board (or sooner if market conditions change vastly).

Question: Regarding Davis-Bacon and American Iron & Steel (AIS) compliance: is there a quantifier to account for the increased costs/overhead these requirements have on the overall project costs? How would we incorporate these costs in order to accomplish 100% of a planned project?

Answer: Costs are very project-specific and there is no established calculation for projecting AIS or Davis-Bacon costs. The impact of Davis-Bacon wages depends on the location of the project. For example, projects located in the Front Range usually already have wages at or above the Davis-Bacon requirements. The Grants & Loans

Unit will help with estimates as much as possible. There are also EPA resources for finding AIS compliant materials.

Question: Do Davis-Bacon wages apply to community staff?

Answer: Davis bacon wages do not apply to applicant/community staff.

Question: Is the grants and loans project manager employed by the town?

Answer: No, the grants and loans project manager is an employee of the Colorado Department of Public Health and Environment.

Slide correction: Sean Oliver's phone number is 720-446-9073