

# Defining Disadvantaged Communities

*Providing resources for drinking water and wastewater infrastructure projects*  
State Revolving Fund



# What is a DAC?

## Disadvantaged Communities

Colorado communities vary in population, socio-economic status and many other factors. In some cases, small communities have challenges completing water or wastewater projects that may be related to funding, population size or other factors. A disadvantaged community, in general terms, has a population of 10,000 or less and meets other defining factors. This community also has a median household income, or the money one household makes over the course of the year, that is 80 percent or less than the state value.

We want to help you understand the way the Colorado’s State Revolving Fund program defines a disadvantaged community. If your community meets the criteria to be considered a disadvantaged community, your project may be eligible for planning grants, design/ engineering grants, principal forgiveness, and reduced interest rates.



## Primary factors

### Factor 1

Community MHI is equal to or less than 80 percent of State MHI.

### Factor 2

Community MHV is less than 100 percent of State MHV.

### Factor 3

A.) County 24-month unemployment average is greater than the state average plus 1 percent. OR  
B.) Loss in the number of jobs in the county over 10-year period.



## Secondary factors



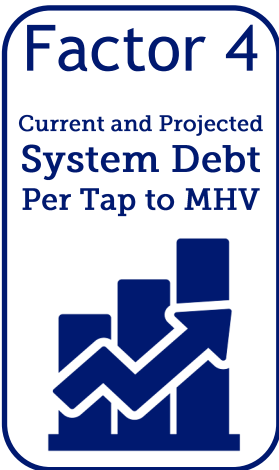
Community is in a county that is equal to or less than 80% of the state MHI.



Community or system shows a decline in population over a ten-year period.



Community’s total assessed value per household is less than the median Colorado municipality’s.



Community’s current and projected debt per tap to median home value is more than median Colorado municipality.



A.) Revenue per tap to MHI necessary to cover operations and depreciation for a system. OR B.) Revenue per tap to MHI necessary to achieve 110 percent coverage ratio for approved SRF loan. Either must be greater than the median Colorado municipality



# Definitions

## **County unemployment rate**

24-monthly average of those who are jobless and actively seeking work and available to take a job as compared to the total labor force.

## **Current and projected system debt per tap to MHV**

Measures an applicant's current and projected debt burden as a proportion of the community's median home value.

## **Current System full cost per tap**

Estimates the average rate necessary as a proportion of the community's median household income.

## **Household**

A household includes all the people, related or not, who occupy a housing unit as their usual place of residence.

## **Household income**

A measure of the combined incomes of all people sharing a particular household or place of residence. It includes every form of income, e.g. salaries and wages, retirement income, near cash government transfers like food stamps, and investment gains. Data is from the Census Bureau's American Community Survey (ACS) 5-year estimates.

## **Median household income (MHI)**

The amount that divides the income distribution into two equal groups. Half of the households above that amount and half of the households below that amount.



## **Home value**

The estimate of how much the property (house and lot, mobile home and lot, or condominium unit) would sell for if it were for sale.

## **Median home value (MHV)**

The amount that divides the home value distribution into two equal groups. Half of the homes above that amount and half of the homes below that amount.

## **Assessed home value**

The dollar value assigned to a property to measure applicable taxes. Determine the county assessors value of a residence for tax purposes and takes comparable home sales into consideration.

## **Required revenue per tap to MHI**

Projects the average revenue necessary as a proportion of MHI to meet SRF required loan covenant coverage ratio of 110 percent.

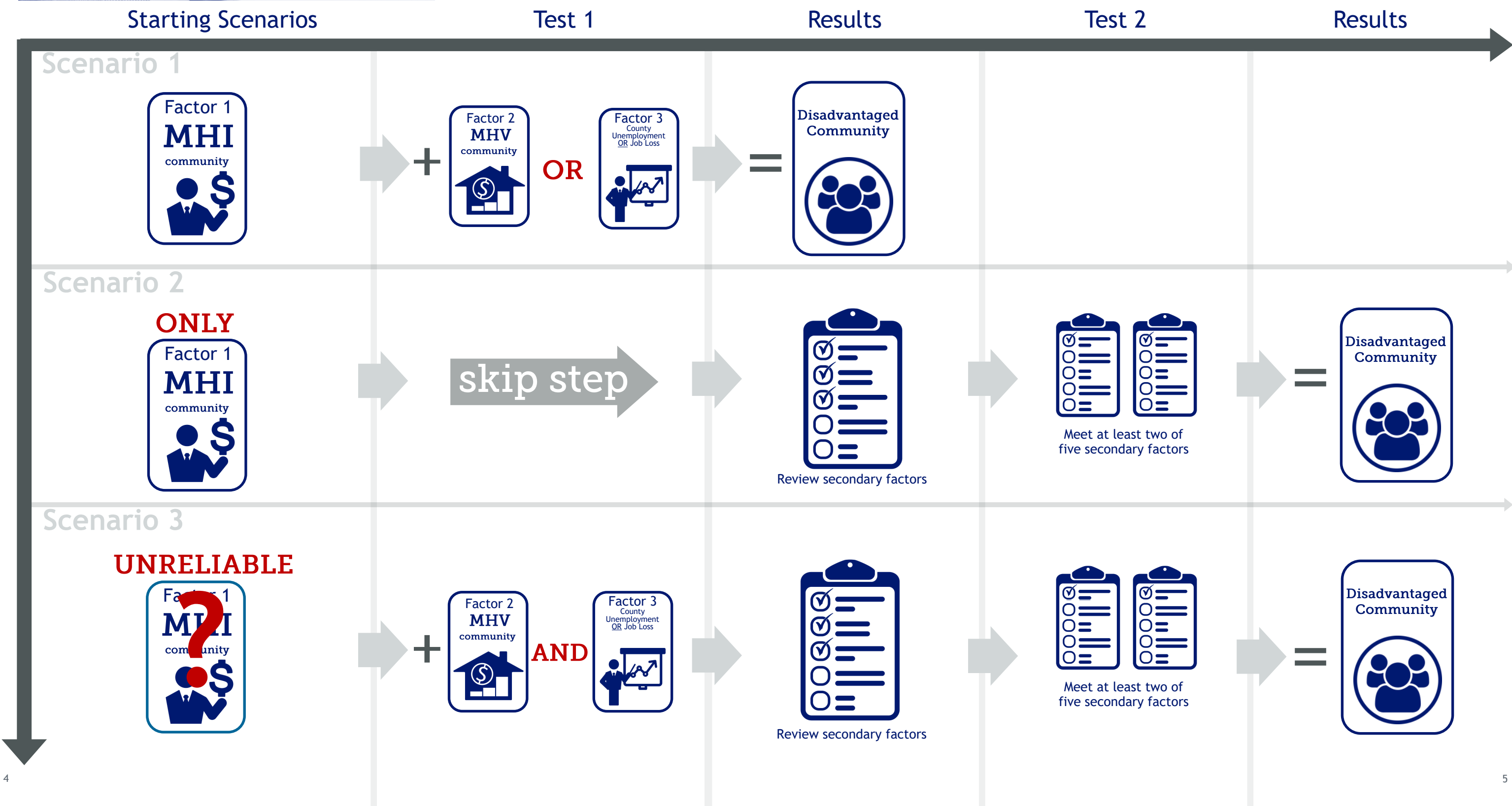
## **Unreliable data**

Data from surveys of small or rural areas may be statistically unreliable. This definition takes this into account by allowing substitution of more reliable data using alternative measures or considering a business case scenario.

# Testing for DAC

## Starting scenarios

**Determining disadvantaged communities**  
Tests have been created to help determine which communities fall within the disadvantaged community definition, and are thereby eligible for additional resources during the life of their loan. Applicants are put through the test sequence to determine their category. Communities begin in one of the scenario positions, and move forward through the factors until status is determined.







# DAC Categories

## Category 1

Communities that meet Scenario 1, 2, or 3 are qualified to receive a 1.5%\* interest rate on loans up to \$3 million, or the prevailing direct loan limit.

## Category 2

Communities that meet Scenario 1, 2 or 3, and both Current & Projected System Debt to MHV and Required Revenue per Tap to MHI exceed the municipal 80th percentile for each factor are qualified to receive a 0.5% interest rate\* on loans up to \$3 million, or the prevailing direct loan limit.

Both categories are eligible for planning grants, design/engineering grants and other benefits.

\* All interest rates are determined on or before December 31 each year for the upcoming calendar year.

# What if you don't qualify?

## Business Case Scenario

If your community does not pass the traditional tests to qualify as a disadvantaged community, you may still be able to receive benefits. Business case scenarios are presented in situations when there is no data, data is marginal or data does not capture recent socio-economic changes in a community. Check with your Water Quality Control Division project manager for more information.



# Partners and resources

## Colorado Water Resources and Power Development Authority

Wes Williams, Assistant Finance Director  
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## Colorado Department of Local Affairs

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## Colorado Department of Public Health and Environment

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[cdphe.colorado.gov/glu](http://cdphe.colorado.gov/glu)

# Data

## Data

- Data sources and definitions can be found in the Colorado SRF DAC Data Glossary

## Sources

- Census Bureau
- American Community Survey
- US Bureau of Labor Statistics
- Other state and local data







# Colorado State Revolving Fund

## Disadvantaged Communities Data Glossary

Term	Definition	Source of Data	What can be substituted	What capacity or effort is it measuring?
County Data				
Unemployment rate	24-month average of those who are jobless, actively seeking work and available to take a job as compared to the total labor force.	US Bureau of Labor Statistics/LAUS	10-year average change in jobs	A measurement of short-term changes to resources (wages, purchasing power, production) available in a county. A high or increasing unemployment rate may indicate fewer resources are available.
10-year average change in jobs	Increase or decrease in total jobs which is comprised of wage and salary jobs as well as self-employed proprietor jobs.	Department of Local Affairs/State Demography Office	Unemployment rate	A longer-term look at changes to economic resources available in a county. A declining trend indicates a long-term loss of jobs in that area.
Median Household Income (County)	Data that divides county households into two parts with 1/2 earning more than the median income and the other half earning less.	Census Bureau: American Community Survey (ACS) 5-year		Measures the income resources directly available to a household on a countywide basis.
Local/Community Data				
Median Household Income (Community)	Data that divides local households into two parts with 1/2 earning more than the median income and the other half earning less.	Census Bureau: American Community Survey (ACS) 5-year	Community Survey completed by DOLA	Measures the income resources directly available to a household in a specific area served by the water or wastewater system.
Median Home Value	Data that divides the value distribution into two parts with 1/2 of the homes falling below the median value and 1/2 above.	Census Bureau: American Community Survey (ACS) 5-year	County Assessor list of parcel values	Serves as a proxy measure of wealth or income accumulated over time.
Assessed Value/Household	Taxable resources on a household basis	Department of Local Affairs- Divisions of Local Government and Property Taxation, State Demography Office - ACS	County Assessor list of parcel values	A high ratio identifies communities that may have commercial/industrial resource capacity which can be used to support residential users.
System Data				
W&S Debt/Tap/MHV	Measures an entity's debt per household as compared to the community median home value, which is an indicator of wealth.	Division of Local Government	County Assessor list of parcel values	When compared to state benchmarks, how much additional effort will the system be required to make for current and debt?



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Term	Definition	Source of Data	What can be substituted	What capacity or effort is it measuring?
10 year Population Trend	Average annual change for a location spanning ten years.	State Demography Office Annual Population Estimates	Overlapping Census geography, Taps or Accounts	Can help demonstrate long-term decrease in economic resources.
Full cost/Tap/MHI @ 100 percent coverage	Average rate necessary as a proportion of MHI to fully cover current operations and depreciation for a system.	Division of Local Government		Demonstrates what percentage of the Median Household's Income is needed to fully fund the system (enterprise fund).
Projected residential rates/Tap/MHI @110 percent Debt Service Coverage	Annual rates necessary as a proportion of household income to cover operations and debt service at 110 percent for a system.	Division of Local Government and SRF application		Demonstrates what percentage of the Median Household's Income will be required to maintain system (enterprise fund) and service debt at required coverage of 110 percent.
W&S Debt/Assessed Value (AV)	Measures an applicant's current and projected debt burden as a proportion of the community's median home value.	AV: Department of Local Affairs, Divisions of Local Government and Property taxation	County assessors list of parcel values for entities and areas without property tax ability.	Measures existing and new debt effort as a proportion of taxable valuation. A high ratio of debt to AV may indicate low capacity for additional borrowing.
Other Terms				
Total Housing Units	Total number of both vacant and occupied residential units in a specific geographical area.	Census and State Demography Office	Single Family Equivalents (SFE's)	Measures the potential number of households that can contribute to a system's fixed costs.
Coefficient of Variation (CV)	A measure of statistical reliability. The lower the CV percentage, the more likely the data is reliable.	Census Bureau: American Community Survey (ACS) 5-year		CV less than 12 percent indicates reliable data. From 12-40 percent = medium reliability. 40 percent or more = less reliable.