

## **Delaware Health and Social Services Intended Use Plan 2020 Federal Allocation**

### **Background**

The Intended Use Plan (IUP) is a document that Delaware Health and Social Services (DHSS) submits annually as part of the grant application to US EPA to request the DWSRF capitalization grant under the Safe Drinking Water Act (SDWA).

DHSS is eligible for \$11,011,000 in federal capitalization grant funds. DHSS will allocate \$7,597,590 in federal funds plus \$2,202,200 in state funds (20% required state match) for infrastructure improvement projects. \$3,413,410 will be used for Set-Aside activities.

### **Long Term Goals**

- Maintain the Drinking Water State Revolving Funds (DWSRF) in perpetuity by judicious use and management of the assets by utilizing an adequate rate of return
- Target resources and funds to address the most significant public health and compliance problems facing the State's drinking water resources
- Assist public water systems with achieving affordable compliance and public health protection through DHSS personnel and Set-Aside contracts

### **Short Term Goals**

- Revise the Operating Agreement with DNREC and the Department of Finance to transfer most duties to DPH from DNREC
- Provide funding to upgrade infrastructure for eight public water systems in Delaware
- Decrease public health risks in drinking water in 2020-2021 for 961,939 Delaware residents
- Meet Program Activity Measure of 96% of fund utilization rate, as negotiated with EPA by continuing to encourage expeditious spending with loan recipients and sub-grantees
- Continue to contract with Delaware Rural Water Association (DRWA), to provide technical assistance, training, along with strategies to small and mid-size municipalities to maintain and return to compliance with state and federal regulations
- Review and update the current interest rate policy
- Continue to provide operator education through contracts with Delaware Technical and Community College
- Continue to offer sustainability assessments through a contract with Kash Group LLC
- Continue to hold quarterly meetings with Set-Aside recipients to monitor activity progress and evaluate expeditious spending
- Ensure borrowers are following cross-cutter requirements on construction projects
- Continue to track the Drinking Water to Clean Water Transfer with EPA assistance
- Utilize Set-Aside funds as outlined in the Work Plan
- Manage the Non-Fed Admin account judiciously
- Continue to implement an Ag Strategy in accordance with input from partners and EPA

- Continue to implement two new technologies in the UIC program: EQuIS and PFAS Tracing. See UIC Section in this document and the Set-Aside Work Plan for more information.

#### PER Action Items

Because of COVID-19, EPA was unable to perform an on-site program review in early 2020. As of the writing of this IUP, DHSS remains committed to moving most of the DWSRF activities back to DHSS. However, and again, due to COVID-19, DHSS must put this commitment on hold until Leadership can effectively communicate. Action DHSS will make every effort to comply with Action Items identified for the 2019 Annual Review.

#### **Project Selection and Loan Activities**

In February 2020, Notice of Intent (NOIs) were ranked and placed in priority order, based on public health protection and SDWA compliance. All projects listed on the PPL are considered equivalency projects. Projects have not yet had financial reviews. Subsidies are based on historical data only and are subject to change. Full applications are due on May 1, 2020. Financial reviews can be performed at that time. **All DWSRF projects are considered equivalency projects.**

Listed below are projects that are ready to proceed as of May 1, 2020. The Comprehensive and Ready to Proceed Project Priority Lists (PPLs) are attached. \*Note: small systems are defined as 10,000 in population or less.

**DHSS will use all of the required subsidies plus an unknown amount of additional subsidy. The exact amounts and projects for which those amounts will be applied will be known after July 1, 2020 once the State budget is final. DHSS requested state funds to help supplement the Ellendale project.**

*The DWSRF program must express a concern for fund perpetuity in trying to meet all of the subsidy requirements in the grant conditions. Future cash flow modeling did substantiate this claim.*

Subsidies listed below are estimates only, based on historical affordability indicators.

#### 1. Sussex County—Ellendale Water District (supplemental)

Total project cost: \$2,765,000

Population: >200

Description: supplemental loan for installation of a new water system

Source: ground water

Subsidy: \$0, most likely State funded, but will keep on PPL in case State funding is not allotted

Small system status: Yes

Disadvantaged system status: Yes

#### 2. Artesian Water Company—Frankford Water purchase

Total project cost: \$1,541,540

Population: 242  
Description: Acquisition of the Town of Frankford's Water system  
Source: ground water  
Subsidy: \$1,541,540 to comply with 2020 Additional Subsidy Provisions, Section 1  
Small system status: Yes  
Disadvantaged system status: Yes

3. Artesian Water Company—Frankford Main Replacement

Total project cost: \$1,000,000  
Population: 242  
Description: replacement of aged and failing mains in the Town of Frankford, in conjunction with water system acquisition  
Source: ground water  
Subsidy: \$0  
Small system status: Yes  
Disadvantaged system status: Yes

4. City of Harrington—Main upgrades

Total project cost: \$4,100,000  
Population: 126  
Description: upgrades to water distribution system  
Source: ground water  
Subsidy: \$3,634,950  
Small system status: Yes  
Disadvantaged system status: Yes

5. Town of Laurel—Well 7 supplemental

Total project cost: \$218,900  
Population: 597  
Description: Supplemental loan for Well 7 and associated treatment plant upgrades  
Source: ground water  
Subsidy: \$218,900  
Small system status: Yes  
Disadvantaged system status: Yes

6. City of Newark—South Wellfield WTP upgrades

Total project cost: \$1,000,000  
Population: 30,897  
Description: Upgrades to South Wellfield water treatment plant  
Source: ground water  
Subsidy: \$0  
Small system status: No  
Disadvantaged system status: No

7. Town of Milton—main upgrades

Total project cost: \$1,670,000

Population: 629  
Description: water distribution system upgrades  
Source: ground water/surface water  
Subsidy: unknown, financial review pending  
Small system status: Yes  
Disadvantaged system status: Possibly, based on financial review

8. City of Newark –Laird Tract

Total project cost: \$1,925,000  
Population: 30,897  
Description: restoration of Laird Tract wellfield  
Source: ground water/surface water  
Subsidy: \$0  
Small system status: No  
Disadvantaged system status: No

9. City of Newark—Main upgrades

Total project cost: \$3,000,000  
Population: 30,897  
Description: water distribution system upgrades  
Source: ground water/surface water  
Subsidy: \$0  
Small system status: No  
Disadvantaged system status: No

10. Artesian Water Company 3 projects: Kirkwood Highway, Castle Hills, and Brookmeade main upgrades

Total project cost: \$3,200,000, \$1,167,000, and \$1,800,000 respectively  
Population: 225,000 for entire system  
Description: distribution upgrades along Kirkwood Highway and in 2 neighborhoods  
Source: ground water/surface water  
Subsidy: \$0  
Small system status: No  
Disadvantaged system status: No  
*Note: 3-way tie in ranking*

10. City of Harrington—elevated tank and well/treatment improvements

Total project cost: \$3,500,000  
Population: 126  
Description: installation of a new elevated storage tank and improvements to wells/treatment  
Subsidy: \$0  
Small system status: Yes  
Disadvantaged system status: Yes

#### 10. Tidewater Utilities—South Rehoboth Tank

Total project cost: \$3,980,000

Population: 991

Description: installation of a new elevated storage tank

Source: ground water/surface water

Subsidy: \$0

Small system status: Yes

Disadvantaged system status: No

#### **Subsidy Requirements**

DHSS will meet minimum subsidy requirements by providing principal forgiveness to:

- Communities identified as Disadvantaged
- The next most ‘in need’ communities as identified by the financial review and affordability criteria mentioned herein
- The Frankford System Acquisition project will meet compliance with 2020 Additional Subsidy Provisions, Section 1

#### **State Match**

The State Match will be made using state bond bill funds.

#### **Bypass Procedures**

Upon written notice, DHSS can bypass a project on the fundable portion of the PPL based on the following:

- Project is withdrawn by the applicant
- Project is not ready to proceed
- System is unwilling to address any Significant Non-Compliance (SNC) issues
- System is lacking technical, managerial, or financial capacity
- System is out of compliance and demonstrates unwillingness to correct A133 Audit , Davis Bacon, or Buy American Iron and Steel issues
- System is not current on loan repayments from prior closed loans
- An emergency project is approved

DHSS will provide applicant written notice if their project(s) will be bypassed. DHSS will reinstate bypassed projects if funds become available and the project meets all criteria above. Funds that become available due to project bypass will be offered to the next project on the PPL.

#### **Emergency Project Requirements**

EPA allows States to establish procedures to identify and prioritize Emergency Projects under consideration for DWSRF funding. Projects necessary to alleviate emergency situations that result in an imminent threat to public health can be immediately elevated to the top of the PPL upon recommendation by DHSS and the concurrence of the Cabinet of State Planning Issues. As of May 1, 2020, DHSS has not received any emergency project applications.

In addition, per EPA Region 3 communication, and upon further guidance, DHSS may coordinate with the CWSRF to develop streamlined emergency procedures during this grant period.

## **Loan Guidelines**

DHSS proposes to use a total of \$7,597,590 of federal and state funds in addition to other sources to provide low interest loans to public water systems for infrastructure improvement projects.

\*Please refer to the Sources and Uses Chart for more details

## **Interest Rate Policy:**

Note: DWSRF and CWSRF expect to review and update the interest rate policy in summer 2020. Any revisions will be submitted to EPA as an addendum to this IUP.

The criteria and interest rates apply to new public, private/public use, investor-owned, and private/private use WPCRF and DWSRF loan applications. Applicants may be able to obtain a lower interest rate based on projected residential user rates as a percentage of Median Household Income (MHI) above 1.5 percent, and 2.0 percent for wastewater and drinking water user rates combined.

Criteria:

- Interest rates shall be set at 1.0 percent per annum.
- Administrative Fees shall be set no lower than 1.0 percent per annum.
- A lower interest rate may be made available based on projected residential user rates as a percentage of Median Household Income (MHI) above 1.5 percent, and 2.0 percent for wastewater and drinking water user rates combined only after other alternatives such as extended repayment terms, principal forgiveness or supplemental grants are exhausted.
- Should any municipal applicant demonstrate that the municipal bond rate available to its organization is lower than the collective interest rate and administrative fee set by this policy, then DNREC/DHSS may match the lower bond rate by adjusting the interest rate.
- Should US Tax Reform (or other regulatory changes) have an impact on the pricing of tax-exempt bonds and their relative value to taxable bonds, this policy will be reviewed and adjusted.

## **Disadvantaged Community Program**

A community considered for the DWSRF Disadvantaged Community Program may receive additional loan subsidies as outlined above, or as in the case of the Milton projects, once the financial review is completed subsidies may be re-evaluated.

## **Possible DWSRF Administrative Loan Fees**

DWSRF Administrative Loan Fees have been waived for the 2020 PPL/applicants.

## **Other Project Information**

### **Tie-breaking procedures**

The project with the greatest number of points under the Quality Deficiencies will receive the higher ranking. If there is still tie, the system with the greater population will receive the higher ranking, or, if the tie occurs with the same borrower, the borrower will be consulted before any decisions are made.

### **Public Review**

As of May 1, 2020, due to COVID-19, and the Governor's Emergency Proclamation, no public meeting could be held. DHSS and DNREC will post the Ready to Proceed PPL and IUP online for public comment. DHSS will advise EPA separately (most likely via email) when this occurs and if meaningful public comment was received.

### **Leveraging**

DHSS does not anticipate the need to reserve the right to transfer Capitalization Grant and loan repayments monies between the State's Water Pollution Control Revolving Fund (WPCRF) and Safe Drinking Water Revolving Loan Fund programs as necessary to ensure the full utilization of the federal assistance during this grant year.

### **Cross Collateralization between SRF programs—Transfer Use**

As of May 1, 2020, there is \$31,161,802 available for drinking water project loans and current loan disbursement. This 'transfer back' to the DWSRF may begin in calendar year 2020. DHSS will coordinate with DNREC to receive regular account summaries. Those summaries will be reported in the next corresponding Annual Report. *Please refer to the Sources and Uses attachment for details.*

#### Cross Collateralization between SRF programs

The DWSRF program transferred \$27,050,178 in Federal funds and \$5,410,035 in State funds to the CWSRF program. Of this, \$1,298,408 was used for administrative costs (4% from both Federal and State). This leaves \$31,161,802 available for project loans.

It is the understanding between both DNREC and DHSS that these funds will be made available back to DHSS for payments on existing loans and to make additional loans when needed by the DWSRF program on a cash flow basis.

Funds for both new and existing DWSRF loans will be used in the following order: first from the Federal capitalization grants, second from the DWSRF repayment & interest fund, then when these funds are exhausted, from the previously transferred funds to the CWSRF program.

An accounting of these funds will be included in the Sources and Uses table for both the IUP and Annual Report for both SRF programs.

To date, no funds have been transferred back to the DWSRF program.

### **DWSRF Coordination of funding priorities with State Drinking Water Enforcement Agency**

The DWSRF program coordinates with the Office of Drinking Water by performing a Capacity Development review. In addition, offices collaborate throughout the year to offer technical assistance through DRWA systems that are on Public Notice.

### **Davis Bacon Compliance**

DHSS agrees to comply with Davis Bacon requirements as outlined in guidance distributed by

EPA. Additionally, DHSS performs site inspections during construction.

### **Green Project Reserve**

DHSS is not participating in Green Project Reserve for 2020, as it is not in federal grant requirements.

### **Sustainability Policy Description**

#### **Fix It First**

DHSS does not fund projects that are primarily for growth. Applicants are encouraged to study existing infrastructure to determine most critical needs, and then base their DWSRF applications on those needs.

#### **Capacity Development for Loan Applicants**

The DWSRF program requires the Capacity Development Program, housed in the Office of Drinking Water, review the Capacity Development portion of each full application, work with systems to increase technical, managerial, and financial capacity; and report any serious, outstanding problems to the DWSRF program so that they may be addressed before loan closing.

#### **Asset Management**

DHSS has been proactive in encouraging applicants to implement the Asset Management Grant program. To date, 17 systems have started an Asset Management Plan. The Non-Fed Admin Account has funded these grants. The maximum grant amount is \$100,000.

#### **Program Management**

DHSS designates all loans to requirements of Single Audits, DBE, Crosscutters, Davis Bacon, FFATA, and Buy American Iron and Steel.

#### **DBE Participation**

Loans using the capitalization grant and state match funds will conform to Disadvantaged Business Enterprise (DBE) steps as outlined by EPA. Borrowers must document and demonstrate good faith efforts consistent with federal regulations.

#### **Davis Bacon Act Participation**

All DWSRF-assisted projects capitalization grant and state match funds will conform to Davis Bacon wage determinations, wages, and activities as outlined by EPA. Borrowers must document and demonstrate efforts consistent with federal regulations. Davis Bacon Act Participation.

#### **Efficient Expenditure**

- Loans- the DWSRF program will use a “First in-First Out” approach when making loan payments
- Set-Asides- the DWSRF program will prepare one-year set-aside budgets. During the second year of the grant, the program will review expenditures and re-budget set-aside funds for additional set-aside work or project loans per EPA approval. All funds will be expended by the end of the final year of the grant.



## **Policy to Assure Competency of Organizations Generating Environmental Measurement Data**

Use of the 10% Set-Aside for laboratory analysis is of similar nature of the scope of work for the use or generation of environmental data in previous grant awards.

- DHSS has a Quality Management Plan that is currently under review by EPA Region 3 and should be completed by September 30, 2020.

## **Reporting**

DHSS will make all efforts to report all applicable information to: FFATA, Projects Benefits, Report, and NIMs in accordance with applicable due dates set forth by EPA.

## **Set-Aside Activities**

The SDWA allows states to use part of the Capitalization grant to support Set-Aside activities. DHSS proposes to use \$3,413,410 from the grant to fund the following Set-Asides.

\*Please refer to the Set-Aside Work Plan for more details and allotments.

## **Small Systems Technical Assistance (2%)**

Provide assistance to small systems through contractor personnel. Funds provide technical assistance to public water systems serving less than 10,000 people. Contracts with DRWA and DTCC continue to provide technical assistance and training.

DRWA contracts:

- Provide 80 on-site technical assistance visits to community water systems and municipal water systems; visits can include technical, financial, and managerial assistance along with promotion of the DWSRF program and 1:1 application/loan process help
- Coordinate with ODW, OE, and DWSRF to identify systems in need of priority technical assistance. Such as: community, non-transient non-community (NTNC), transient, and/or seasonal systems in need of assistance due to non-compliance or potential non-compliance
- Provide assistance to systems required to perform Public Notice, critical Sanitary Survey violations, systems with contamination exceedances and Emergency Response Planning
- Provide assistance and training for contamination prevention, compliance education, water operator training, and preventive maintenance planning
- Provide four municipalities and ten community water systems training or on-site assistance for contamination prevention from back-siphonage, backflow, and cross-connection control
- Provide two formal technical assistance training classes identifying potential contamination sites around the treatment facility, wellhead protection, and the essential elements that make up the effective on-going Cross Connection Control Program
- Deploy, upon request, the mobile on-site training unit to demonstrate specific compliance needs to SRF systems

DTCC contracts:

- Certify and provide continuing education for approximately 155 Operators-In-Training and licensed water operators of small public water supply systems (non-profit)

- Provide tuition assistance for Base Level Water Operators Course to approximately 26 new operators
- Provide Base Level Water Operators with a basic math course if the student is in need
- Recruit students through advertisement in the local press to enter the Drinking Water Training program
- Administrative Support and Oversight - Administrative salary funding will be utilized for the following: to plan operations; recruit and interview prospective students; counsel students regarding course schedules; work with industry leaders to offer courses that meet the needs of operators; identify new courses needed; assist with tutoring needs; development of job building skills; assist with employment opportunities; and market program and courses to industry via varying methods. In addition, staff will assist with registering students, and will report and track the funding for students enrolled in this program.

### **Ag Strategy**

Please refer to the 15% Set-Aside for information on the Cover Crop Program to learn how DHSS DWSRF Administration is meeting EPA's Ag Strategy recommendations.

### **State Program Management (10%)**

The PWSS, Operator Certification, and UIC programs will be funded through this Set-Aside as follows:

#### **Operator Certification**

Operator Certification expenses are absorbed by funding positions with the PWSS grant, with the exception of \$5,000 to proctor two sets of Operator Base Level tests. Should Operator Certification expenses become burdensome on the PWSS grant, DHSS has the ability to use the DWSRF grant as a source of funding. Proposed activities include:

- Monitor, track, and report water operator licensures
- Communicate with operators in providing assistance, training opportunities, industry and regulatory updates, and other information pertinent to drinking water
- Provide regulatory-related trainings to water operators by ODW staff
- Provide administrative review and processing of water operator licenses renewals
- Provide support and proctoring assistance to DTCC for Drinking Water Operator examinations
- Ensure public water systems that are required to have a licensed water operator do so, either by directly employing an operator or by contracting with an operator
- Assist licensed water operators in obtaining the proper endorsements for the water systems they operate
- Maintain licensed water operator data in a database
- Plan and prepare for updating aging database

#### **Public Water Supply Supervision (PWSS)**

- Monitor, track, and report compliance for approximately 500 Public Water Systems
- Upgrade from SDWIS/State 3.3 to SDWIS/State 3.4

- Develop a plan for private drinking water labs, allowing them to submit their drinking water sample results electronically
- Continue to utilize EPA reporting under the Enforcement Response Policy and Enforcement Tracking Tool (ETT)
- Facilitate posting of all relevant public water systems information and sample results to Delaware's Drinking Water Watch webpage

### **Delaware Public Health Laboratory**

- Continue analyzing samples for the presence of Legionella
- Purchase supplies and reagents to maintain higher levels of operational efficiencies and cost effectiveness
- Cross train for continuity of operations in the event of emergency situations, including flooding and other weather-related events
- Purchase benches on wheels to help in moving instruments in case of an emergency
- Continue to perform audits for the certification of drinking water testing laboratories within Delaware
- Purchase LIMS (Labwear) to reduce manual entry of sample results, will generate automated upload from instrument to LIMS
- Continue to perform in-house testing to include test samples for chemical analysis and bacteriological

### **Underground Injection Control**

- Review 20 Large OWTDS's permit applications
- Inspect 250 OWTDS's, and other UIC facilities
- Perform 10 recon inspections to identify and close (if found) automotive floor drains, large capacity cesspools, and industrial discharges with direct discharges to ground water (if existing)
- Migrate operation and monitoring databases of current active wastewater treatment and disposal facilities into EQuIS
- Develop Power BI permitting and monitoring applications for best management practices
- Participate in Public outreach and educational events
- Participate in the development of a pollution control strategy for the Chesapeake Basin Watershed

### **Local Assistance and Other State Programs (15%)**

The Capacity Development and Source Water Protection Programs will be funded through this Set-Aside as follows:

#### **Capacity Development**

- Provide assistance to all proposed public drinking water systems to ensure that the water system owner/operator has demonstrated adequate TMF capacity, and that the water meets all applicable SDWA requirements prior to operating
- Monitor and assist new public water systems in Lead and Copper Rule compliance
- Report the name of new and proposed PWSs for the Semi-Annual DWSRF Set-Aside reports

- Assist new CWSs and NTNCWs in their compliance with the requirement to operate under the supervision of a Delaware licensed water operator
- Provide in-depth training in CCR report creation to technical and managerial staff of CWSs in Delaware to increase compliance with the CCR
- Provide assistance to existing PWSs with an ETT score of 11 or higher or that are identified as being in need through routine regulatory activities conducted by ODW
- Evaluate and report the TMF capacities of at least one-third of Delaware's water systems
- Monitor, evaluate, train, and assist PWSs and operators in LCR compliance, schedules, and reporting
- Track and report existing PWSs appearing on the ETT report with scores between 5 and 10 to third-party assistance providers in order to facilitate achieving compliance

### **DRWA and DTCC Contracts through Capacity Development**

- Provide three small municipalities (population under 1000), three municipal communities (population under 10,000), two non-municipal communities, and at least two seasonal water systems with 1:1 GIS technical assistance
- Conduct four specialized emergency response training classes
- Conduct four municipalities with Emergency Response Plans
- Create 16 new online courses for Delaware water operators
- Revise and update seven existing online water operator courses
- Develop, host, and market two webinars, topics include: Addressing AWIA; Emerging Technologies; Drone Usage; and Addressing an Aging Workforce
- Assess and Purchase New Automated Training Devices – DTCC shall research, assess, and purchase training equipment, textbooks, curriculum, and/or software pertaining to water quality control and processes to enhance classroom instruction and improve field skills

### **Sustainability 1:1 Assistance and Cyber Security Programs**

The DWSRF Program will continue to work with Kash Srinivasan Group, LLC to provide 1:1 assistance to small and medium municipal public water systems to engage in long range planning activities for their utilities. At least five municipalities will develop custom implementation of Financial Analysis tools developed by the University of North Carolina.

### **Source Water Protection**

- Provide assessments for any new system, revising, and updating existing source water assessments (e.g. delineation, contaminant sources, susceptibility assessment), providing technical assistance to solve source water problems including recommendations for potential DWSRF funded monitoring network/systems development, and resource characterization activities
- Continue the development of an ambient groundwater monitoring program, including the deployment of long-term monitoring equipment with real time data telemetry capabilities, while utilizing existing Delaware Geological Survey (DGS) and DNREC Water Supply Section monitoring well infrastructure, and the Water Allocation Branch permitting process
- Support of local efforts to develop SWP ordinances and comprehensive plans or other local approaches, support to SWP-related UIC activities, and related needs

- Work with federal, state agencies, private organizations, and local governments with regards to source identification, characterization, and prevention
- Provide technical assistance, committee representation, information dissemination; review of local development plans and comprehensive land use plans as part of the Preliminary Land Use Service (PLUS) process
- Manage information including: data collection, data storage, and recovery; GIS development, web availability, state and federal data reporting capacity
- Evaluate needs for data management and operational enhancements (e.g. SCADA) that could benefit from potential DWSRF funding. Contractual support will be utilized for the updating of GIS contaminate coverages across a variety of State of Delaware Departments who contribute and utilize these data sets. In addition, contractual support will be utilized for field collection and importing data into ArcGIS, which will be utilized for performing Source Water Assessments, permitting new and existing public water wells, and other ground water monitoring activities

### **Ag Strategy Program**

Year Three of the Ag Strategy Program expands on Year One work, including outreach to farmers who may not be in the Cover Crop program, exploration of expanded eligibilities, i.e., buffer zones, and pollinator plots. The program may also explore further incentives for farms that are close to municipal source water protection areas.

DHSS will continue work with DRWA and Sussex County Conservation District to improve upon and add GIS mapping layers.

Additionally, DHSS will explore opportunities to use existing monitoring well real-time data collection with DNREC partners which could provide beneficial data to public wells, i.e., contaminant alerts and flow in ground water.