

Delaware
Clean Water State Revolving Fund (CWSRF)
&
Drinking Water State Revolving Fund (DWSRF)

August 11, 2021 Virtual Workshop

DNREC
OFFICE OF THE SECRETARY
Environmental Finance

DHSS
DIVISION OF PUBLIC HEALTH
Health Systems Protection



Delaware Clean Water State Revolving Fund and Drinking Water State Revolving Fund Workshop

DNREC Staff:

- **Greg Pope, Chief of Operations, EF**
- **Laura Robbins, Chief of Administration, EF**
- Deana Pickle, Sr. Fiscal Management Analyst
- Rob Burns, Fiscal Management Analyst
- Adrian Branch, Fiscal Management Analyst
- Davison Mwale, Engineer IV
- Reza Moqtaderi, Engineer III
- Keith Kooker, Engineer III
- Jessica Velazquez, NPS Loan Officer
- Carol Hurd, Accounting Specialist
- **James Sullivan, Planner**
- Laura Rafferty, Administrative Specialist II
- Robin Wessells, Administrative Specialist I

DHSS/DPH Staff:

- Jamie Mack, Chief, Health Systems Protection (HSP) Section
- Heather Warren, Deputy Chief, HSP
- **Sandi Spiegel, Program Administrator, DWSRF/HSP**
- Doug Lodge, Engineer VI, Office of Engineering/HSP
- Ashley Kunder, Capacity Development Manager, Office of Drinking Water/HSP
- Vacant, Fiscal Management Analyst III, DWSRF/HSP

Delaware Clean Water State Revolving Fund and Drinking Water State Revolving Fund Workshop

▶ Workshop Purpose

- Provide a detailed overview of the Delaware Water Pollution Control Revolving Fund and the Delaware Safe Drinking Water Revolving Fund, hence be referred to as the CWSRF and DWSRF Programs throughout this workshop
- Ensure that potential loan applicants understand project eligibilities, funding processes, and the deadlines for applications
- Provide resources for applicants seeking financial assistance for wastewater, drinking water, stormwater and other water infrastructure improvement projects

▶ DNREC and DHSS Collaboration

- The CWSRF and DWSRF programs are jointly administered by DNREC and DHSS
- Once per year (January) project Notices-of-Intent (NOIs) are solicited for drinking water projects and twice per year (January and July/August) project NOIs are solicited for wastewater projects – currently due **September 10, 2021**
- Wastewater and Drinking Water NOIs are ranked and scored to prepare CWSRF and DWSRF Project Priority Lists (PPLs)

Delaware Clean Water State Revolving Fund and Drinking Water State Revolving Fund Workshop

- ▶ DNREC and DHSS Collaboration (continued)
 - Projects are selected from the PPLs for funding assistance based on “Readiness to Proceed” (preliminary project planning and design completed in 9 months or less)
 - DHSS is responsible for DWSRF Project Environmental, Engineering & Capacity Development Reviews and Project Management
 - DNREC is responsible for DWSRF Program Accounting, Financial Management; and the overall CWSRF Program
 - A Governor appointed Water Infrastructure Advisory Council (WIAC) is responsible for reviewing PPLs, Intended Use Plans (IUPs), and recommending proposed CWSRF and DWSRF projects for funding assistance

Delaware Clean Water State Revolving Fund and Drinking Water State Revolving Fund Workshop

- ▶ Clean Water and Drinking Water SRFs
 - In 1990 and 1997, respectively, the CWSRF and DWSRF programs were created; federal capitalization grants seed the programs along with separate required twenty percent state matching funds
 - Federal and state seed capital provided to the CWSRF and DWSRF programs exceeds \$543 million
 - Over 200 CWSRF and DWSRF municipal and private utility loans and grants have been made for more than \$734 million as of 6/30/2021
 - CWSRF loans for other Nonpoint Source Projects have exceed \$18 million (Homeowner Septic System Replacements; Poultry and Dairy Farm BMPs; Underground Leaking Storage Tank Replacements; and Other Expanded Use Projects)
 - DWSRF grants fund the following programs: Operator Certification; Capacity Development and Source Water Protection; Underground Injection Control; Public Water Supply Supervision; and Technical Assistance

Delaware Clean Water State Revolving Fund and Drinking Water State Revolving Federal Capitalization Grants

FFY 2021 Available Funds

| <u>CWSRF</u> | <u>DWSRF</u> | |
|--------------------|---------------------|--|
| \$7,779,000 | \$ 11,110,000 | FFY 2021 Federal Capitalization Grants |
| <u>\$1,555,800</u> | <u>\$ 2,220,000</u> | Required 20% State Match |
| \$9,334,800 | \$13,320,000 | |
| | | Less: Required Set-Asides |
| \$ | \$ 222,000 | 2% Technical Assistance/Operator Training |
| \$ | \$ 444,000 | 4% Program Administration |
| \$ | \$ 1,110,000 | 10% Public Water Supply Supervision |
| <u>\$</u> | <u>\$ 1,665,000</u> | 15% Source Water Protection/Capacity Development |
| \$9,334,800 | \$ 9,879,000 | Funds Remaining Available for Project Loans |

Other Established Goals/Requirements:

| | | |
|-------------|--------------|---|
| \$2,333,700 | \$ | 30% Principal Loan Forgiveness–Affordability(Max) |
| \$ | \$ 3,885,000 | 35% Principal Loan Forgiveness–Affordability(Max) |
| \$ 777,900 | \$ | 10% Principal Loan Forgiveness – Minimum |
| \$ 777,900 | \$ | 10% Green Project Reserve (Min) |
| \$ | \$ 666,000 | 6% Principal Loan Forgiveness – Minimum |
| \$ | \$ 1,559,940 | (20-14%) Congressional Additional Subsidy |

**Note: This estimate does not include the total
funding available in the CWSRF and DWSRF
Corpus**

CWSRF Current Interest Rate Policy

Effective January 1, 2021

Project affordability criteria and interest rates apply to new public, private/public use, investor-owned, and private/private use CWSRF loan applications.

- 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 3.0 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.
- CWSRF Expanded Use Program loans (residential septic system replacements, and poultry and dairy best management practices) will have a fixed interest rate of either 1.5 percent or 3.0 percent.

CWSRF Current Interest Rate Policy

Effective January 1, 2021

Key Notes:

This policy was written with guidance from the State's financial advisory firm, PFM, LLC.

The BBI 11-GO and BBI 20-GO are used as the benchmarks for this policy. EF will continue to monitor the below industry benchmarks to ensure compliance with offering a “rate between 0.0 percent and market rate.” CWSRF regulations Section 35.3120 and DWSRF Section 35.3525 require that SRF loan interest rates be between zero percent and the market rate, as determined by the states. The U.S. Environmental Protection Agency (EPA) **does not** define market rate.

CWSRF – DWSRF Affordability Criteria

Affordability Criteria – Delaware has established affordability criteria to assist in identifying municipalities that would experience a significant hardship raising the revenue necessary to finance wastewater projects

- Affordability criteria is based on:
 - ✓ Income
 - ✓ Unemployment Data (CWSRF only)
 - ✓ Population Trends (CWSRF only)

Income – 1.5% of Median Household Income (MHI) will be considered affordable for wastewater or drinking water residential user rates; 3.0% of MHI will be considered affordable for combined wastewater and drinking water residential user rates

MHI website: <https://data.census.gov/cedsci/>

CWSRF Additional Subsidization

Additional Subsidization – The state may provide additional subsidization to a municipality or inter-municipal, inter-state, or state agency, including forgiveness of principal and 0% interest loans to benefit a municipality that meets the affordability criteria of the state established

- For the current year cap grants, there is a 10% minimum subsidy requirement
- Maximum amount varies from year to year but cannot exceed 30% of capitalization grant award
- Additional subsidization for CWSRF projects may be provided to projects in the following order:
 1. CWSRF PPL Ranking, Project Readiness To Proceed, and Affordability Criteria
 2. To help incentivize efficiency projects: Water, Energy, and Stormwater
 3. To help facilitate Watershed Planning

Applicants whose MHI is not representative of the census data may be required to provide documentation in order to obtain principal forgiveness and/or additional subsidization. Documentation will be in the form of a representative income survey of the majority of the residents in the project area. For projects where the cost per EDU is greater than \$25,000, additional analysis may be required. This may include income surveys, value engineering, detailed budget review, and/or capital contribution from the borrower.

CWSRF - Loan Terms

Loan Terms – CWSRF loans are made at or below market interest rates, at terms not to exceed the lesser of 30 years and the projected useful life (refer to Interest Rate Policy effective January 1, 2021)

- Annual principal and interest loan repayments must commence not later than one year after projects completion, and loans must be fully amortized upon the expiration of the term of the loan
- Loan terms will be structured based on the priorities of DNREC, CWSRF Fund, and WIAC recommendations. However, as a standard municipal/private loan terms are:
 - ✓ \leq \$250,000 loan term \leq 5 years;
 - ✓ \leq \$500,000 loan term \leq 10 years;
 - ✓ $>$ \$500,000 loan term \leq 20 years; and
 - ✓ 30-year term reserved to help make loans affordable; loan restructuring due to affordability; and DNREC/WIAC recommended incentivized projects

DWSRF - Loan Terms and Additional Subsidization

Loan Terms – DWSRF loans are made at or below market interest rates, at terms not to exceed the lesser of 20 years and the projected useful life (refer to the Interest Rate Policy effective January 1, 2021)

- Annual principal and interest loan repayments must commence not later than one year after projects completion, and loans must be fully amortized upon the expiration of the term of the loan
- 30-year loans are limited to specific entities that are considered disadvantaged

Additional Subsidization – DWSRF must provide additional subsidization of at least 6% and up to 35% (of the capitalization grant award) for Disadvantaged Communities and 20-14% for initial financing/purchase/refinance loans, under the Congressional Authority

CWSRF – DWSRF Annual Project Priority List (PPL) Process

- ▶ Each Fiscal Year the CWSRF and DWSRF programs are required to submit PPLs to EPA
- ▶ The process consists of:
 - Notice of Intent – Project Solicitation
 - Ranking of projects
 - Public Hearing and Approval of PPLs by WIAC
 - Approval by EPA
- ▶ **Only ranked projects will be eligible to apply for CWSRF and DWSRF funding**

Notice of Intent – Project Solicitation

- ▶ January and July/August applicants are requested to submit Project NOIs for each project – NOIs for the first solicitation are due by **September 10, 2021**
- ▶ NOI forms can be found at:
<http://www.dnrec.delaware.gov/fab/Documents/Notice%20of%20Intent%20Form/CWSRF-DWSRF-NOI.xlsx>
- ▶ NOIs request statistical, environmental, public health, and financial information for each project

CWSRF – DWSRF Annual Project Priority List (PPL) Process

- ▶ The criteria are defined by the Standard Operating Procedures for PPLs established by DNREC and DHSS
- ▶ Projects are ranked by year of inception and then by number of priority points
- ▶ Generally, the highest-ranking project should deliver the greatest environmental and public health benefit to the State

- ▶ **CWSRF Points Criteria:**

| | |
|-----------------------------|--------------------------|
| I. Water Quality Protection | 0-45 points (0-10 bonus) |
| II. Targeted Waterbodies | 0-20 points |
| III. Clean Water Priorities | 0-20 points |
| IV. State Strategies | 0-10 points |
| V. Green Project Reserve | 0-10 points |
| VI. Sustainability | 0-30 points |
| VII. Land Conservation | 0 points (10 bonus) |
| VIII. Borrower Type | <u>0-10 points</u> |
| Total | 145 pts (up to 20 bonus) |

CWSRF Ranking Criteria

- ▶ **Water Quality Protection – (0 - 45 points)**
- ▶ Point Source project - Total pounds of nitrogen plus the total pounds of phosphorus that will be removed from the discharge as result of the project multiplied by a constant - Maximum 45 points

$$\text{Ex: } \frac{(11,400 \text{ \#N} + 1,600 \text{ \#P})/\text{year}}{365\text{d/year}} \times 0.30 \text{ d/\#} = 10.7 \text{ pts}$$

- ▶ Plus Bonus pts for ENR: additional point for each 10% of allowable pollution load eliminated by project (up to 10 pts), **or**
- ▶ Toxics - For toxic pollutants, the effectiveness of a given project will be rated based on its ability to eliminate or reduce the severity of Delaware fish consumption advisories; eliminate or reduce the severity of toxic impacts to benthic aquatic life; or otherwise attain numeric toxics criteria for the protection of human health and aquatic life in Delaware Water Quality Standards. Points will be determined for effectiveness by multiplying the percent reduction in impact by 0.5 - Maximum 45 Points, **or**
- ▶ Non-point source project: receive points based on the published efficiencies of the BMP's. Percent efficiency of the project's BMP multiplied by 45 - Maximum 45 points

CWSRF Ranking Criteria

▶ Targeted Waterbodies – (0-20 points)

If the project:

- Addresses an existing TMDL
20 points
- Addresses a watershed management plan
10 points
- None of the above
0 points

CWSRF Ranking Criteria

▶ Clean Water Priorities (0-20 points)

Project falls under one of the categories below:

- Septic System Elimination Project
15 points
- Wastewater Treatment Facilities and CSO's
20 points
- Other Wastewater Project
10 points
- Wastewater project with I&I correction
15 points
- Surface Water Management Project
15 points
- Surface Water Management Project under MS4 permit
20 points
- Project that eliminates or reduce toxics (WATAR)
15 points
- Project that eliminates or reduce toxics (WATAR)
20 points
 - and implements wetland restoration
- Other Water Quality project (NPS)
10 points

CWSRF Ranking Criteria

- ▶ **Strategies for State Policies and Spending (0-10 points)**
 - **212 project**
 - Level 1 10 points
 - Level 2 10 points
 - Level 3 5 points
 - Level 4 0 points
 - Out of Play 0 points
 - **Non-point Source (319) Project** 10 points

CWSRF Ranking Criteria

- ▶ **Green Project Reserve (0-10 points)**
 - **Project meets definition in one of below categories**
 - Green Infrastructure 10 points
 - Water Efficiency 10 points
 - Energy Efficiency 10 points
 - Environmentally Innovative 10 points

- ▶ **Sustainability (0-30 points)**
 - **Project/System incorporates:**
 - Asset Management Implementation 10 points
 - Full Cost Pricing Standards 10 points
 - Climate Change Adaption or Resiliency 10 points

- ▶ **Sponsorship (10 bonus points)**
 - Land Conservation or Water Quality Improvement Sponsorship 10 points

- ▶ **Borrower Type (0-10 points)**
 - Municipality or State Agency 10 points
 - Non-Profit 5 points

DWSRF Ranking Criteria

1. Growth

Is the project primarily for growth? If yes, it is not an eligible project.

0 points allowed

DWSRF federal requirements prohibit funding projects that are primarily for growth. DWSRF follows EPA's 'Fix it First' approach to funding.

2. Affordability

According to the preliminary Financial Review, is this project considered unaffordable and/or does this project meet Disadvantaged Community Criteria?

100 points allowed

Applicant can assume, based on past affordability analysis, the answer to this question. If no assumption can be made, you can contact DWSRF for assistance.

DWSRF Ranking Criteria

3. Quality Deficiencies

Was the Applicant required to provide a Public Notification to its consumers during the past three years for exceeding a drinking water standard in accordance with State or Federal Regulations?

80 points allowed

Applicants can refer to the water system operator, Consumer Confidence Report, internal records, or contact DWSRF for assistance.

Does the project description stated in the application address the compliance issue for which the Public Notification was required?

30 points allowed

Example: if the Public Notification was issued for nitrates, but the project description installs storage, no points will be awarded because the project does not address the compliance issue.

DWSRF Ranking Criteria

3. Quality Deficiencies (continued)

Does the Applicant meet or exceed EPA's Electronic Tracking Tool (ETT)'s compliance score of 11?

10 points allowed

Applicants can contact DWSRF for assistance.

According to sample results, does the water system exceed any Secondary Standards?

25 points allowed

Applicants can refer to the water system operator, Consumer Confidence Report, internal records, or contact DWSRF for assistance.

DWSRF Ranking Criteria

3. Quality Deficiencies (continued)

Have any complaints been documented by the Office of Drinking Water for taste, odor, or color?

15 points allowed

Applicants can refer to the water system operator, internal records, or contact DWSRF for assistance.

Have any monitoring or reporting violations been issues in the past three years?

20 points allowed

Applicants can refer to the water system operator, internal records, or contact DWSRF for assistance.

DWSRF Ranking Criteria

4. System Information

- ▶ Population Less than 10,000
10 points allowed

- ▶ 10,000+
5 points allowed

Municipal
10 points allowed

Other Community
Non-Profit NTNC
Non-Profit TNC

5 points allowed

DWSRF Ranking Criteria

5. Regionalization

Is the Applicant providing water to a non-complying water system?

50 points awarded

Is the Applicant providing water to an area of existing private wells with water quality deficiencies?

50 points awarded

Will the project result in the consolidation of complying water systems?

70 points awarded

Will the project result in an interconnection with another water system?

30 points awarded

DWSRF Ranking Criteria

6. Storage

Does the project address **acute** quantity deficiencies such as:

Water pressure below 25 psi

30 points allowed

Lack of adequate supply

30 points allowed

Does the project address **chronic** quantity deficiencies such as:

Lack of adequate storage

20 points allowed

Water shortages during peak demand

20 points allowed

DWSRF Ranking Criteria

7. Treatment

Referring to Section 1 and the project description, will the project directly remedy the contaminant exceedance or non-compliance with treatment upgrades?

100 points allowed

Example: if nitrates is the compliance issue, and nitrate treatment will be installed, points will be awarded.

- ▶ 20 points:
 - Faulty pumping Station
 - Inaccurate controls/SCADA
 - Inadequate corrosion control
 - Ineffective backflow prevention

- ▶ 30 points:
 - Degraded facility
 - Inadequate disinfection
 - Inadequate nitrate removal
 - Inadequate filtration
 - Lack of critical redundancy
 - Unreliable emergency power

DWSRF Ranking Criteria

8. Distribution

- ▶ 80 points:
 - Inadequate intake (surface water only)
 - Failing transmission mains
 - Failing distribution mains

- ▶ 60 points:
 - Meter installation
 - Meter replacement

- ▶ 40 points:
 - Hydrant installation
 - Hydrant replacement

- ▶ 30 points:
 - Valve installation
 - Valve replacement

DWSRF Ranking Criteria

9. Source

Indicate all source upgrades below:

Inadequate source

Replacement of contaminated source

100 points

10. Sustainability

Is the Applicant's 5-year Capitalization Plan *or similar document* included in the application?

40 points allowed

Or similar document can mean the annual budget. DWSRF offers 1:1 assistance if needed for free with budgeting.

DWRSRF Ranking Criteria

10. Sustainability (continued)

Does this project consider other relevant community sustainability priorities from other sectors, such as transportation or housing?

30 points allowed

Of course, Applicants are considering other annual projects in some manner, don't miss out on points!

Does this project make use of technologies and practices to reduce energy and /or water consumption or use renewable energy?

30 points allowed

Most likely, treatment and distribution projects are using these technologies.

DWSRF Ranking Criteria

10. Sustainability (continued)

Does this project reduce the vulnerability of the infrastructure from extreme events and increase resilience to future events?

30 points allowed

This can be a trigger question, should the scope be re-evaluated to accommodate such needs?

10 points allowed for each:

Is the project scope to prepare for future requirements?

Was the project on the previous year's PPL?

Is this a phased project covering several years?

Is the Applicant active in other DWSRF grant programs?

30 points

This can include Asset Management, or Planning Grants

DWSRF Ranking Criteria

10. Sustainability (continued)

20 points each for:

- Does the Applicant's rate structure promote conservation?
- Are the Applicant's rates reviewed and assessed on a regular basis?

*The answer is probably yes to both of these questions.
Town/City management can assist.*

10 points each for having and implementing the following documents:

- Cross Connection Control
- Maintenance Schedules
- Security Plans

*The water operator will know the answer to all of the questions.
Don't exclude that valuable resource!*

CWSRF - DWSRF Application Process

- ▶ Projects on the fundable PPL will be solicited to apply for an SRF loan
- ▶ SRF Loan applications undergo an engineering/technical review and loan underwriting process
- ▶ Technical review consists of:
 - Review of PER or Capacity Development Report
 - Environmental Review
- ▶ Loan underwriting process consists of:
 - Financial review
 - Funding package proposal

CWSRF – DWSRF Environmental Review Process

- ▶ **Categorical Exclusion (CE)**
 - i.e. rehabilitation & replacements of existing facilities, minor upgrades or expansion of existing facilities, minor extensions within previous disturbed right-of-ways
 - Issue a CE and legal notice with 30-day comment period
 - If no issues, CE stands as issued

- ▶ **Finding of No Significant Impact (FONSI)**
 - i.e. facilities to create new discharges to surface or ground waters, facility capacity to serve greater than 30% of existing population, action expected to have impacts
 - Issue a draft FONSI to stakeholders and issue a legal notice.
 - Allow a 30-day comment period
 - Mitigation of any environmental issues
 - Issue FONSI

- ▶ **Environmental Impact Statement (EIS)**
 - Required when project is determined to have significant impacts or is highly controversial
 - Extremely rigorous process required to issue an EIS

CWSRF Program Requirements

All Projects

- Super Cross Cutters - Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973; Section 13 of the Federal Water Pollution Control Act Amendments of 1972; and Executive Order 11246 on Affirmative Action in federal contracting
- Delaware State Prevailing Wage Rates
- State Environmental Review Process - (“NEPA-like” Environmental Review)
- Project Sign, Access to Project Site
- Suspension and Debarment and other responsibility matters

Requirements that only apply to “Treatment Works” projects

- Davis-Bacon Wage Rates
- American Iron and Steel (AIS) – CWSRF loan recipients, absent a waiver, are required to use iron and steel products that are produced in the United States for projects for the construction, alteration, maintenance, and repair of treatment works. GAAP Reporting
- Fiscal Sustainability Plans – Applies to all entities in which the loan recipient submits an application on or after October 1, 2014. Fiscal Sustainability Plans (FSPs) are required for treatment works repair, replacement, or expansion. *Entities which already have implemented Asset Management are not required to develop a FSP and can self-certify that they have implemented an asset management plan*

CWSRF Program Requirements

Requirements that only apply to Municipalities and State Agencies

- Cost and Effectiveness – This provision applies to municipalities or inter-municipal, interstate, or State agencies for which the loan recipient submits an “application” on or after October 1, 2015. The statute requires a cost and effectiveness analysis

Requirements that only apply to “Equivalency” Projects

- Disadvantaged Business Enterprises (DBE) - EPA’s Disadvantaged Business Enterprise (DBE) rule applies to procurement actions for projects considered equivalency
- A/E Procurement - A/E Procurement applies to contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or architectural related services. All projects considered equivalency must comply with the elements of the procurement processes for A/E services as identified in 40 U.S.C. 1101 et seq., or an equivalent State requirement. *If a borrower cannot comply with the federal requirement, a separate “non-equivalency” financing agreement will fund the architectural and engineering services*
- Generally Accepted Accounting Practices (GAAP) – GAAP compliance will be required as a condition of making a loan or providing other assistance from the fund
- Single Audit Requirement – Applies to loan recipients receiving federal assistance greater \$750,000+ threshold in a federal fiscal year
- Prohibition on certain telecommunication & video surveillance services or equipment

DWSRF Program Requirements

- ▶ Super Cross – Cutters
 - EO 11246 Equal Employment Opportunity – non- discrimination based on race, color, religion, sex, or national origin
 - Requirement for Certification of Non-segregated Facilities
 - Civil Rights Act of 1964
 - Rehabilitation Act of 1973
- ▶ Delaware Prevailing Wage Regulations
- ▶ Davis-Bacon Wage Rates
- ▶ American Iron and Steel (AIS)
- ▶ DBE (formerly MBE/WBE)
- ▶ Suspension and Debarment and other responsibility matters
- ▶ Project Sign
- ▶ Access to Project Site
- ▶ Single Audit Requirement – Applies to loan recipients receiving federal assistance greater \$750,000+ threshold in a federal fiscal year
- ▶ Prohibition on certain telecommunication & video surveillance services or equipment

CWSRF - DWSRF Bidding and Contracting Process

Project Bid Process

- ▶ All plans and specifications must be reviewed and approved by program staff prior to advertisement
- ▶ Mandatory Pre-Bid meeting must be held to explain program requirements to potential bidders at least 15 days prior to bid opening
- ▶ Project is bid for a minimum of 30 days
- ▶ Sealed bids are received and shall be opened publicly and be read aloud at the time and place designated

Contract Award Process

- ▶ Bids are tabulated and the contract is awarded to the responsive low bidder
- ▶ Bid Package submitted for approval must contain:
 - Bid tabulation
 - Certification of all Bonds
 - Certification that all easements have been obtained
 - Submission of required DBE documents (if applicable)
 - Other documents as required
- ▶ Schedule and conduct a Pre-construction conference

CWSRF - DWSRF Bidding and Contracting Process

Construction and Inspection

- ▶ Monthly progress meetings must be held
- ▶ Interim inspections will be conducted by the CWSRF or DWSRF project engineer to ensure compliance with the program requirements
- ▶ Any significant project delays or issues must be disclosed to the project engineer

CWSRF - DWSRF Loan Process

Financial Review

- ▶ Applicant Overview
- ▶ Project Overview
- ▶ Review of Annual Reports and Financial Statements
- ▶ Review of Wastewater and/or Drinking Water User Charge Systems
- ▶ Analysis of Existing and Proposed System Costs
- ▶ Analyses of Proposed Project Impact on Residential Users Rates
- ▶ Analysis of User Charge Affordability – 1.5% / 3.0% (combined) of MHI
- ▶ Environmental Finance Recommendation / Presentation to WIAC
- ▶ DWSRF applicants must participate in 3rd party fiscal exercise

CWSRF - DWSRF Loan Process

Binding Loan Commitment, Loan Agreement, & Closing Process

- ▶ Binding Loan Commitment Letter
 - Commitment of fund resources for proposed project (borrower can solicit project construction bids)
 - Project Description
 - Loan Amount
 - Loan Terms
 - Estimated timing (120 days) to close the loan

- ▶ Loan Closing
 - Typically, after project construction bids are solicited and accepted
 - Scheduled loan closing with legal counsel
 - Borrower incurs loan closing expense for borrower and fund
 - Financing Agreement – project description and budget, operation of system, special covenants, loan disbursement schedule
 - General Obligation Bond or Revenue Bond—sets forth loan terms and final maturity date
 - Final maturity date – cannot be extended once the loan is closed; therefore, if construction is delayed, the loan will be amortized over fewer years

CWSRF - DWSRF Loan Process

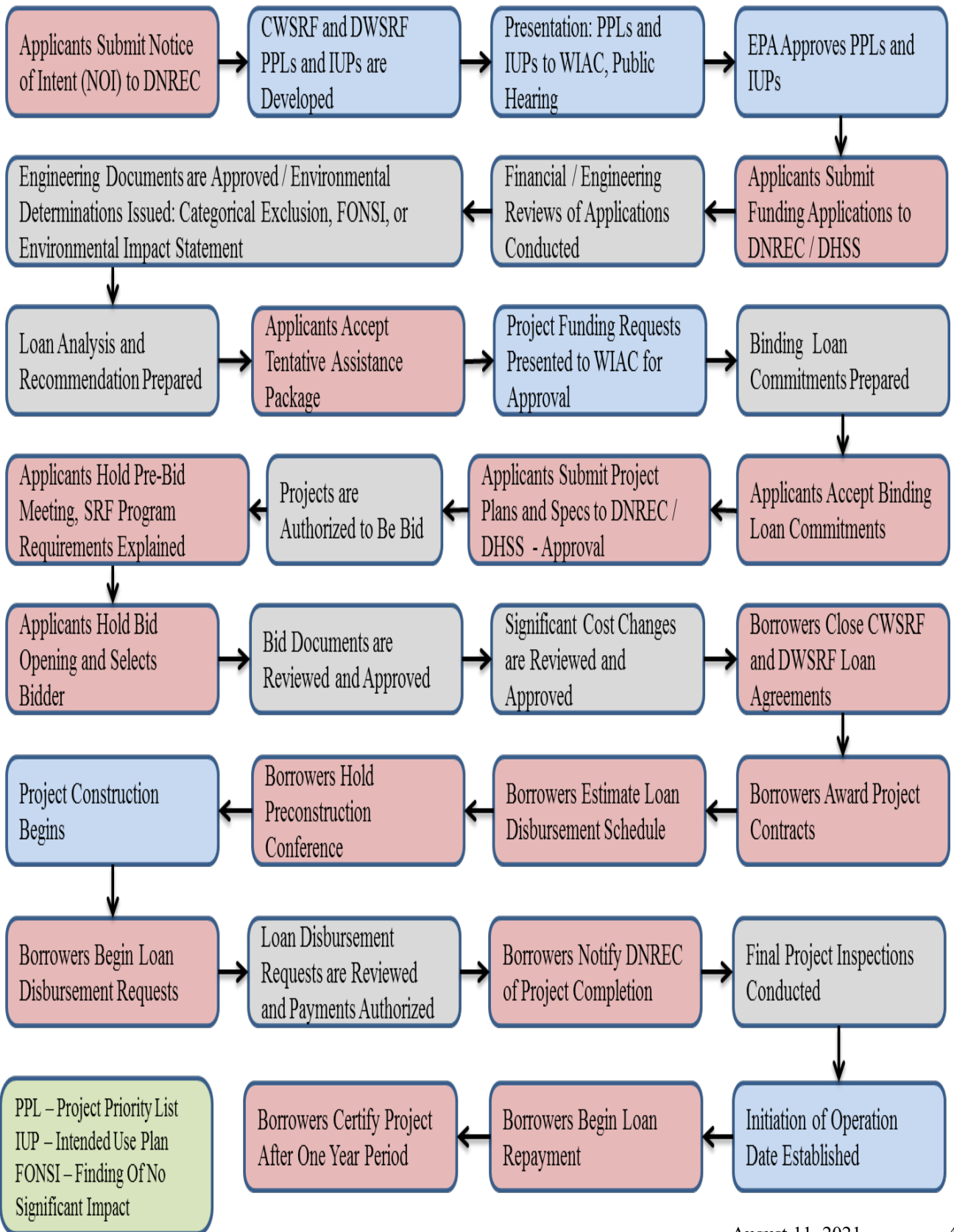
Loan Reimbursement and Repayment Process

- ▶ Loan Reimbursement
 - Eligible project expenses must be incurred but not required to be paid in advance
 - Reimbursement draw requisition form must be used
 - Copies of supporting project expenses included with draw request
 - Loan expenses typically reimbursed in 30 days or less
- ▶ Loan Repayment Process (depending on loan agreement)
 - Interest only payments during project construction
 - Amortized loan (principal and interest) repayment are due 6 to 12 months after projects completion

Final Disbursement and Initiation of Operations

- ▶ Upon substantial completion and release of any retainage, recipients submit for final disbursement
- ▶ Project engineer will ensure that the program requirements are met and that all specifications have been followed

CWSRF - DWSRF Process Summary



Other CWSRF – DWSRF Funding Programs

- ▶ Asset Management Grants – CWSRF and DWSRF
- ▶ Project Planning Advances – CWSRF
- ▶ Planning and Design Loans - CWSRF
- ▶ Wastewater Matching Planning Grants - CWSRF
- ▶ Surface Water Matching Planning Grants – CWSRF
- ▶ Community Water Quality Improvement Grants - CWSRF
- ▶ Drinking Water Matching Planning Grants – DWSRF
- ▶ Land Conservation and Water Quality Improvement Sponsorship Program – CWSRF
- ▶ Clean Water Initiative

Wastewater and Drinking Water Asset Management Grants

What is Asset Management?

- ▶ Asset management is the practice of managing infrastructure capital assets to minimize the total cost of ownership and operations, while delivering the service level customers desire

Requirements for Asset Management Grants:

- ▶ Must be a Publicly-Owned Wastewater or Drinking Water Utility
- ▶ Governing Municipal Government must sign a five-year agreement with DNREC to develop and implement a system-wide Asset Management Plan based on the following core components:
 1. Asset Inventory
 2. Level of Service
 3. Critical Assets
 4. Revenue Structure
 5. Capital Improvement Project Plan
- ▶ Municipality may contract with consulting firm following their own procurement procedures, however, scope must be approved by DNREC prior to solicitation

Wastewater and Drinking Water Asset Management Grants

Program Requirements:

- ▶ No cash match required for up to \$100,000 municipal planning grant to develop and implement an Asset Management program
- ▶ Required to annually submit annual Asset Management Plan for the 5-year grant agreement.
- ▶ Insurance Requirements apply to the program
- ▶ **NOTE:**
- ▶ The rebate program has been discontinued for new applicants. Prior applicants will be contacted with revised incentive program so they can apply for incentive funds to do additional asset management planning.

CWSRF Project Planning Advances

- ▶ Project Planning Advances are designed to assist municipalities with the preparation of Preliminary Engineering Reports (PERs), and Environmental Information Documents (EIDs) that will directly lead to new CWSRF projects and loans
- ▶ Funding Allocation: \$200,000 for wastewater and surface water projects in SFY 22
- ▶ Up to \$100,000 to complete a project PER and EID within one year
- ▶ After a PER and/or EID have been completed, a municipality must submit a CWSRF Project Notice-of-Intent (NOI) for the proposed project and subsequently apply for an CWSRF Loan
- ▶ 50% of a Project Planning Advance will be forgiven after a PER and/or EID have been completed, and 50% will be funded from loan proceeds after the proposed associated CWSRF loan has closed
- ▶ If a public referendum for a proposed SRF project/loan fails to pass, a municipality is required to submit referendum outcome documentation. In the case of a failed public referendum 100% of the Project Planning Advance will be forgiven
- ▶ Open solicitation – municipalities can submit Project Planning Advance Applications at any time; two per year limit
- ▶ Insurance Requirements apply to the program

CWSRF Planning and Design Loans

- ▶ To assist potential borrowers with the costs of Project Planning and Design, and to help accelerate the CWSRF loan process:
- ▶ Potential borrowers with projects on the CWSRF Project Priority List (PPL) may be offered 0% Planning and Design Loans (PDLs)
- ▶ PDLs will be for up to one year to complete the necessary project planning and design to submit a CWSRF loan application
- ▶ Borrowers must obtain the necessary approvals from their governing authorities to issue General Obligation debt for PDLs; after the loan can be closed and funds disbursed
- ▶ Submitted loan applications will go through normal CWSRF reviews and approvals; after which another loan closing will occur rolling the PDL into a regular interest payable during construction CWSRF loan
- ▶ After the planning and design process, borrowers can decide not to move forward with the project and the PDL will be amortized at 0% over 5 years or less (based on loan amount)
- ▶ After one year, if the project planning and design process has not been completed and a CWSRF loan application has not been submitted, the PDL will become immediately due and payable

Wastewater Matching Planning Grants

- ▶ Wastewater Matching Planning Grants are allocations in the CWSRF Non-Federal Administrative Account
- ▶ The program is designed to assist municipal and county wastewater utilities relative to determining infrastructure needs and conducting feasibility studies. Other eligible entities may apply for these grants
- ▶ Eligible studies include General and Regional Facility Planning Studies, Feasibility Studies, Inflow and Infiltration Studies, and studies necessary for permit applications (i.e. Hydro-Geo Studies)
 - \$150,000 is allocated for the program in SFY 22
 - \$50,000 per application, and \$100,000 annual cap per municipality
 - 50% cash match required (use of CWSRF loan funds for match requires EF approval)
 - Grant typically will be open August and January as allocated balances allow
- ▶ Insurance Requirements apply to the program
- ▶ Studies need to be completed in 2 years or less from PO Issue Date
- ▶ Application packet is on the DNREC website, **and the next due date is September 15th.**

Surface Water Matching Planning Grants

- ▶ The Surface Water Matching Planning Grant Program supports surface water improvement projects and activities that focus on the developed landscape to improve water quality in impaired watersheds in Delaware. These grants are intended for planning/preliminary engineering/feasibility analysis of stormwater retrofits, green technology practices, stream and wetland restoration projects, small watershed studies, development of master surface water and drainage plans, and other point and non-point source water pollution control projects

- ▶ State agencies, counties and municipalities are eligible to apply for a Surface Water Matching Planning Grant
 - \$250,000 is allocated for the program in SFY 22
 - There is a \$50,000 grant award cap and an annual award cap of \$100,000
 - Cash matching funds are required
 - Grant typically will be open August and January as allocated balances allow
 - Insurance Requirements apply to the program

- ▶ Studies need to be completed in 2 years or less from PO Issue Date
- ▶ Application packet will be on the DNREC website at least 30 days before proposals are due. **The next due date is September 15th.**

Community Water Quality Improvement Grants

- ▶ Community Water Quality Improvement Grants that will support water quality improvement projects in impaired Delaware watersheds will be available from the Water Infrastructure Advisory Council. Competitive grant proposals should focus on the developed landscape to improve water quality and address one or more of the following goals:
 - Provides benefits to water quality within an impaired watershed
 - Proposal demonstrates innovative or environmentally beneficial science
 - Implements non-regulatory projects listed in a watershed management plan
 - Restores water quality benefits

- ▶ Applicants may be any Delaware non-profit organization, community organization, and/or homeowner's association, or Conservation District

- ▶ Ag Operations, for profit firms, Counties, Municipalities, and State agencies are not eligible, however, cooperative arrangements with eligible applicants are acceptable

Community Water Quality Improvement Grants

- ▶ 75% of grant award must be used for project implementation, 25% can be used for administration
- ▶ No cash match is required
- ▶ Projects required by enforcement, punitive requirements, regulation, required mitigation, agricultural practices are not eligible. Projects that exceed regulatory require (except Ag) are acceptable
- ▶ Programs and projects selected will demonstrate innovative and/or environmentally beneficial and sustainable methods, techniques, and/or practices for water quality improvements with cost effective and measurable results
- ▶ \$250,000 is allocated for the program in SFY 22
- ▶ \$25,000 minimum grant with a \$75,000 per grant cap
- ▶ Insurance Requirements apply to the program
- ▶ Application packet will be on the DNREC website 30 days prior to proposals being due. Current solicitation has a due date of September 8th.

Drinking Water Matching Planning Grants

- ▶ Drinking Water Matching Planning Grants are patterned after the Wastewater Matching Planning Grant Program, funded from the DWSRF Non-Federal Administrative Account
- ▶ The program is designed to assist municipal and county drinking water utilities relative to determining infrastructure needs and conducting feasibility studies
- ▶ Funding can be used to assist with drinking water planning in general, and for specific project planning and designs necessary to submit a loan application for DWSRF funding consideration
 - \$300,000 is allocated for the program in SFY 22
 - 50% cash match required
 - Grant applications may be submitted at any time and will be reviewed at the next WIAC meeting, as allocated balances allow
 - Insurance Requirements apply to the program
- ▶ Application packet is on the DNREC website, and **the next due date is September 15th**.

Insurance Requirements of Grantees

Grant recipients shall maintain the following insurance during the grant term:

- ▶ Worker's Compensation and Employer's Liability Insurance in accordance with applicable law, and
- ▶ Comprehensive General Liability - \$1,000,000.00 per occurrence/\$3,000,000 general aggregate, and
- ▶ Medical/Professional Liability - \$1,000,000.00 per occurrence/\$3,000,000 general aggregate; or
- ▶ Miscellaneous Errors and Omissions - \$1,000,000.00 per occurrence/\$3,000,000 general aggregate, or
- ▶ Product Liability - \$1,000,000.00 per occurrence/\$3,000,000 general aggregate, and
- ▶ If required to transport state employees, Automotive Liability Insurance covering all automotive units used in the work with limits of not less than \$100,000 each person and \$300,000 each accident as to bodily injury and \$25,000 as to property damage to others

CWSRF Land Conservation and Water Quality Improvement Sponsorship Program Overview

Land Conservation Loan Program (LCLP)

- ▶ The LCLP is an innovative financing approach to fund land conservation easements and fee simple land purchases with CWSRF municipal loans
 - Up to \$5M per year – continuation of funding based on availability
 - Municipal wastewater project must be on the CWSRF Project Priority List (PPL)
 - Municipal project sponsors must enter into a Sponsorship Agreement with the Delaware Department of Agriculture (DDA) or DNREC's Division of Park and Recreation, or Division of Fish and Wildlife
 - Project must have demonstrated water quality improvement benefits and be managed in perpetuity
 - Loan debt service payments for both the wastewater and LCLP projects will be equal to wastewater project by itself for the term of the loan
- The DDA's Delaware Agricultural Land Preservation Foundation is authorized to establish criteria for Forestland and Agricultural Preservation Areas and purchase of forestland and agricultural preservation easement pursuant to 3 Del. C. Ch. 9, §904
- DNREC's Division of Parks and Recreation and Division of Fish and Wildlife are authorized to acquire open space and conservation easements under the Delaware Land Protection Act, pursuant to 7 Del C. Ch. 75, §7503

CWSRF Land Conservation and Water Quality Improvement Sponsorship Program Overview

Water Quality Improvement Loan Program (WQILP)

- ▶ The WQILP is very similar to the LCLP, however, its focus is financing Green Infrastructure and/or Environmentally Innovative projects that will have significant water quality improvement impacts. DNREC's Environmental Finance and the Division of Watershed Stewardship implement the program
 - Examples of eligible projects include:
 - Implementation of green streets (combination of infrastructure practices in transportation rights-of-way) for new development, redevelopment or retrofits
 - Implementation of wet weather management systems for parking areas which include: the incremental cost of porous pavement, bioretention, trees, green roofs and other practices that mimic natural hydrology and reduce effective imperviousness at one or more scales
 - Equipment to maintain green streets, vector trucks and other equipment (Will be contingent upon contractual arrangement with Environmental Finance and the Division of Watershed Stewardship)
 - Implementation of water harvesting and reuse programs or projects, including reuse that reduce energy consumption, recharge aquifers and reduce water withdrawals and treatment costs
 - Downspout disconnection to remove stormwater from combined sewers and storm sewers

Interested Municipal Sponsors should contact Environmental Finance for complete program criteria and further guidance.

Clean Water Trust (HB 200) – Clean Water Initiative for Underserved Communities

Clean Water Initiative (CWI) Strategy

- ▶ ***Section 88. Clean Water Initiative.*** *Section 1 Addendum of this Act makes an appropriation to Clean Water State Revolving Fund. At least \$1,600,000 of these funds shall be used for the development, administration and implementation of a clean water financing program to benefit low-income and traditionally underserved communities through lower interest rates and affordability grants.*
- ▶ **Operational Definition of Low-Income Communities**
- ▶ Low-income and underserved communities historically have wastewater and drinking water needs, but have no managerial, technical, financial resources, or capacity to address these needs, mainly due to high incidences of poverty, low-income levels, geographical isolation, and the difficulty of attracting septic system operators.
- ▶ An operational definition for low-income communities has been defined as communities that have at least 51% of the household incomes at or below area the current U.S. Department of Housing and Urban Development (HUD) low-income (80%) limit (LIL) and are connected to septic systems or community systems.
- ▶ **Immediate Strategy**
- ▶ The CWSRF program should identify projects on its current project priority list (PPL) and intended use plan (IUP) that meet the criteria of the CWI. The first project on the PPL meeting the criteria was Donovan Smith MHP. This was an ideal demonstration project. As PPL's are updated, the projects will be screened for CWI funding opportunities.

Clean Water Trust (HB 200) – Clean Water Initiative for Underserved Communities

▶ **Short-Term Strategy**

- ▶ The CWI Workgroup identified a “shorter” list of communities to be targeted. These communities were derived from the DSHA “Strong Communities” and MHP target areas. The short-term strategy is to successfully implement three to five pilot projects. Below is the list for the short-term strategy:

| Name | County | City or Town | Public Water | Public Sewer |
|------------------------------|--------|-----------------|--------------|--------------|
| Twin Maples MHP | Kent | Near Kenton | Community | Community |
| Flying Dutchman MHP | Kent | Woodbury | Community | Community |
| Lucas Development | Sussex | Milton | No | No |
| Mount Joy | Sussex | Millsboro | No | No |
| Concord | Sussex | East of Seaford | No | No |
| Possum Point | Sussex | Millsboro | No | No |
| Coverdale Crossroads | Sussex | Bridgeville | No | No |
| Cedar Creek (Near Lincoln) | Sussex | Milford | No | No |
| Cool Spring | Sussex | Near Harbeson | No | No |
| Diamond Acres | Sussex | Dagsboro | No | No |
| Greentop | Sussex | Lincoln | No | No |
| Slaughter Neck | Sussex | Lincoln | No | No |
| Layton's Riviera | Sussex | West of Seaford | Community | No |
| Dog Patch (near Clarksville) | Sussex | Millville | No | No |
| Marathana MHP | Kent | Magnolia | No | No |
| Countryside Hamlet | Sussex | Dagsboro | Community | No |

Clean Water Trust (HB 200) – Clean Water Initiative for Underserved Communities

Clean Water Initiative (CWI) Strategy

- ▶ **Long-Term Strategy**
- ▶ The long-term strategy will be further defined based on the lessons learned from early pilots and the collection and analysis of data relative to the CWI. The plan is to further develop the guidance and application process. Workshops will be held, and stakeholders along with potential partners will be invited. A public solicitation process will be conducted similar to other solicitations that have been conducted by DNREC. Projects will continue to be identified on the CWSRF PPL that meet the criteria of the CWI and use the funds appropriately.

Interested Counties, Municipalities, Private Utilities, or Non-Profits willing to be project sponsors should contact Environmental Finance for further information.

Delaware Clean Water State Revolving Fund and Drinking Water State Revolving Fund Workshop

General Housekeeping Information

- NOIs, SRF Loan Applications, and Grant Applications are no longer required to be submitted as paper copies. Email is acceptable. Large files can be sent via CD, jump drive or file sharing services.
- SRF Applications – Please send link to audited financial statements, town charters, etc.

Delaware Clean Water State Revolving Fund and Drinking Water State Revolving Fund Workshop

Any questions?

If you have any follow up questions, please contact:

CWSRF Program at 302-739-9941 or DWSRF Program at 302-744-4739
<https://dnrec.alpha.delaware.gov/environmental-finance/>

You can also email staff at:

Greg Pope (Greg.Pope@delaware.gov) –Chief of Operations, DNREC,
Environmental Finance

Laura Robbins (Laura.Robbins@delaware.gov) –Chief of Administration,
DNREC, Environmental Finance

Sandi Spiegel (Sandi.Spiegel@delaware.gov) – Public Health Treatment
Program Administrator, DHSS

Jim Sullivan (James.Sullivan@delaware.gov) – Planner, DNREC, Division
of Watershed Stewardship