



Capital Funding and Requirements for Appropriate Rates to Qualify for SRF Funding

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Outline

- The basics of funding capital projects
- Montana's funding sources
- DWSRF requirements



In the old days...

- Water systems took advantage of the federal government's ambitious construction grants program of the 1970s
- Everybody loved their “free” money



Capital Finance Today

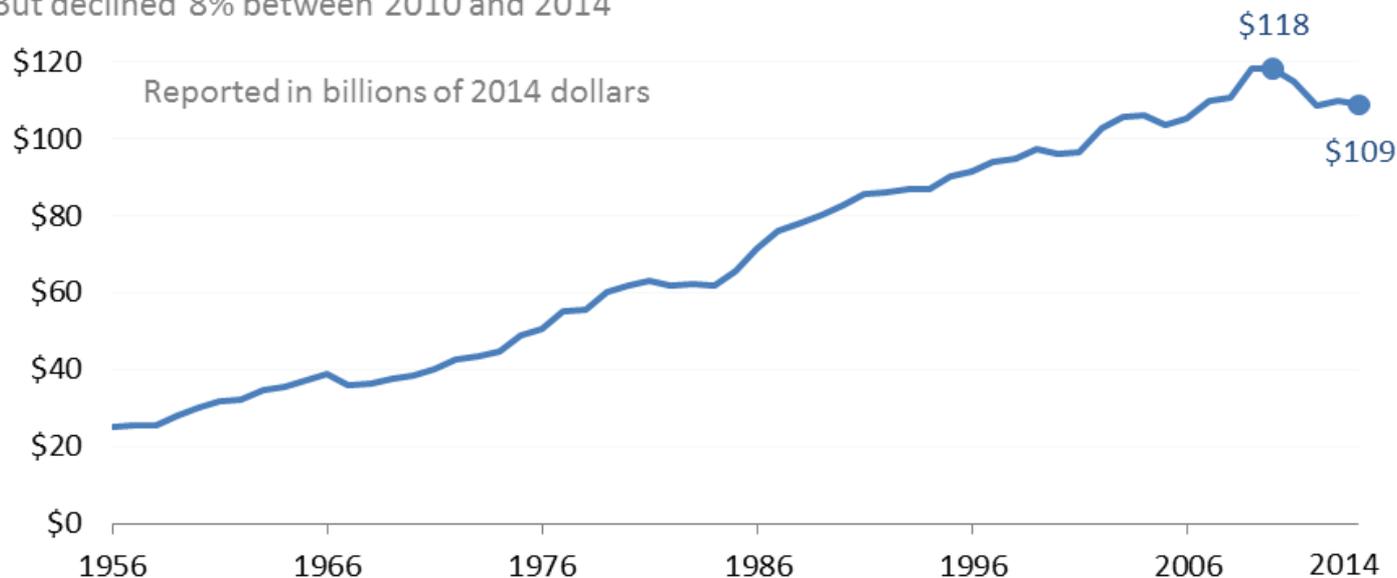
- The money never really was “free”—it came from tax dollars
- Today, there is a different philosophy of how to pay for water system capital improvements



Total Public Spending Has Grown...

Total federal, state and local government spending on water and wastewater utilities grew steadily over time

But declined 8% between 2010 and 2014



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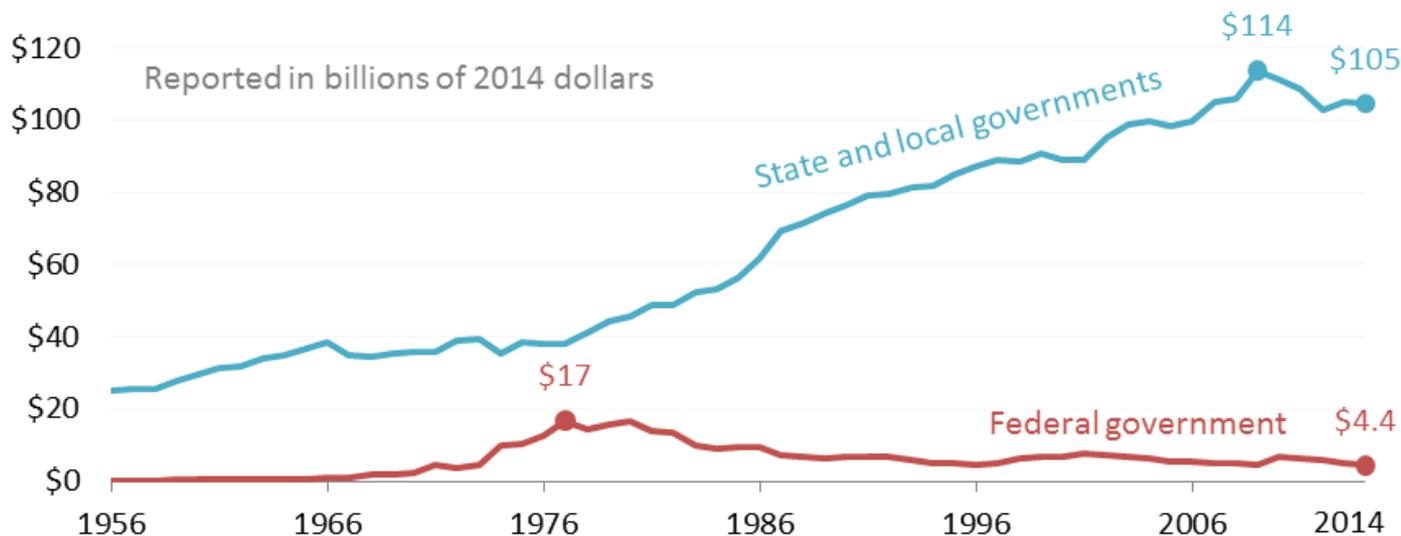
Source: Congressional Budget Office supplemental data for the *Public Spending on Transportation and Water Infrastructure, 1956 to 2014* report (March 2015). Displays public spending on supply systems for distributing potable water as well as wastewater and sewage treatment systems and plants. Real spending is shown after adjusting nominal spending to their 2014 dollar equivalent using infrastructure-specific price indexes.



...Mostly from States and Locals

State and local government spending on water and wastewater utilities continued to grow while **federal spending** declined since the 1980s

State and local governments spent 24 times as much as the federal government in 2014



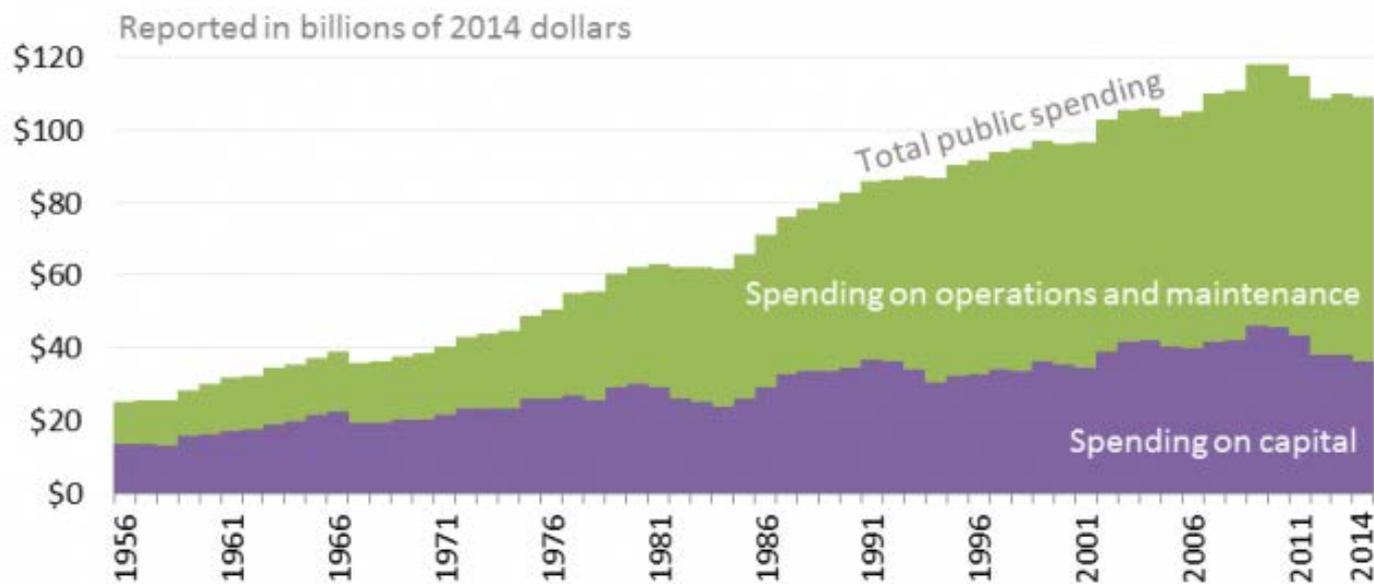
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Source: Congressional Budget Office supplemental data for the *Public Spending on Transportation and Water Infrastructure, 1956 to 2014* report (March 2015). Displays public spending on supply systems for distributing potable water as well as wastewater and sewage treatment systems and plants. Real spending is shown after adjusting nominal spending to their 2014 dollar equivalent using infrastructure-specific price indexes.



...And Mostly for O&M, not Capital

Federal, state and local government spending on water and wastewater utilities, 1956 - 2014



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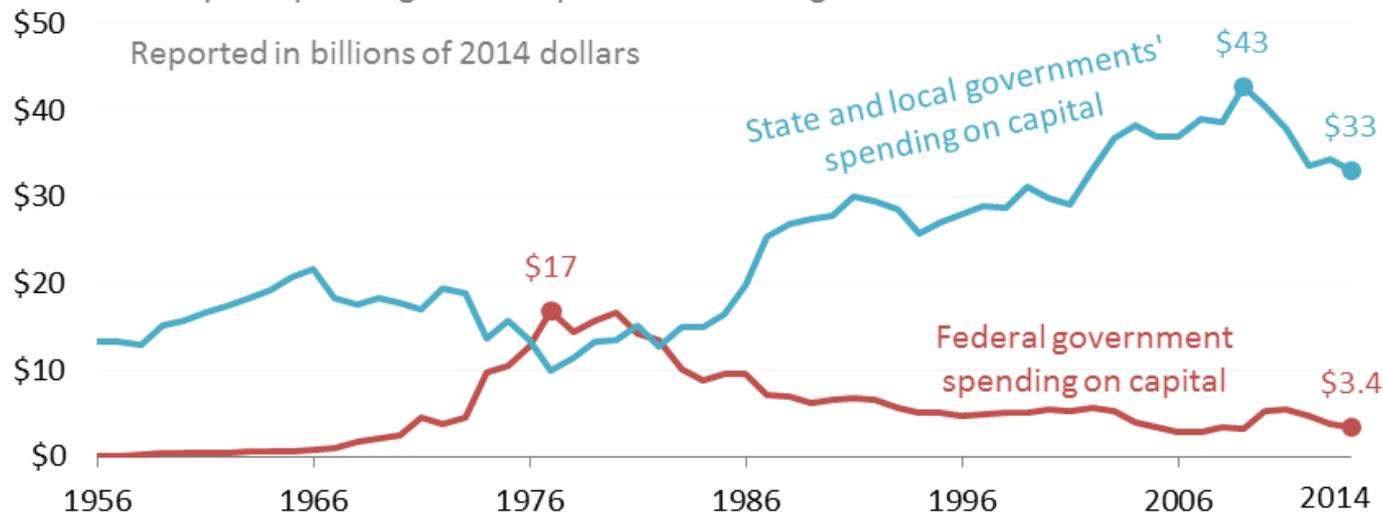
Source: Congressional Budget Office supplemental data for the *Public Spending on Transportation and Water Infrastructure, 1956 to 2014* report (March 2015). Displays public spending on supply systems for distributing potable water as well as wastewater and sewage treatment systems and plants. Real spending is shown after adjusting nominal spending to their 2014 dollar equivalent using infrastructure-specific price indexes.



Feds Used to Spend More on Capital

Spending on capital infrastructure for water and wastewater utilities has increasingly been provided by **state and local governments** while **federal spending on capital infrastructure** declined since the 1980s

Over 90% of capital spending occurs by state and local governments



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Source: Congressional Budget Office supplemental data for the *Public Spending on Transportation and Water Infrastructure, 1956 to 2014* report (March 2015). Displays public spending on supply systems for distributing potable water as well as wastewater and sewage treatment systems and plants. Real spending is shown after adjusting nominal spending to their 2014 dollar equivalent using infrastructure-specific price indexes.



Capital Finance Today

- In other words, you pay (no sense in sugar-coating this)
- The reality is that water and wastewater infrastructure is expensive, regardless of the size of your system. Smaller or poorer systems will likely have a hard time paying for capital improvements



How to pay for capital projects



Two things all water systems should (or even must) do:

Asset Management Planning
&
Capital Improvement Planning

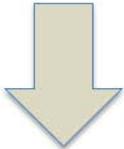


Ways To Pay

- Pay as you go (current receipts)
- Save in advance and pay
- Pay later (someone loans you money)
- Grants (let someone else pay)



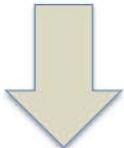
Total Funding Needed



Determine How Much Internal Funding Will Be Used



Determine How Much External Funding Will Be Used



Replacement Reserves



Utility Expansion Charges or Similar



Customer Rates/Revenues



Grants Aren't Completely Free Money

- Application for the grant can be expensive – staff time and money
- Applications can take months to process
- Often lots of strings attached
- Often require a percentage match
- Lots of competition
- Difficult to sustain



When You Need Cash Now: The Debt Market

Lenders will look at your creditworthiness, your ability to repay the debt, in determining whether to loan to you and your interest rate



The Debt Market

- Two types—Loans and Bonds
 - Loans are universally available
 - Bonds are typically only available to large systems with significant revenues and managerial capacity



Loans

- Typically from a bank
- Can be from a government-sponsored program such as the Drinking Water State Revolving Fund



Bonds

- A written promise to repay borrowed money (on a definite schedule and usually at a fixed rate of interest for the life of the bond)
- Different types exist:
 - General Obligation (GO)
 - Revenue

Loan & Grant Programs in MT

Sourced from: <http://dnrc.mt.gov/divisions/carrd/wasat>
 For more information please contact Mark Smith: marks@mt.gov

FINANCIAL ASSISTANCE PROGRAMS AVAILABLE TO FUND WATER, WASTEWATER AND SOLID WASTE PROJECTS IN MONTANA										
Program Name	Eligible Applicants	Eligible Projects	Local Match Required	Planning Costs Covered?	Amount of Funds Available Per Project	Loan Repayment Period	Ranking Criteria	Funding Cycle (Deadline)	Special Requirements and Additional Information	Program Contact
FEDERAL AGENCIES ACCEPTING UNIFORM APPLICATION										
U.S. Rural Development- US Department of Agriculture (USDA) a. Water and Environmental Loan and Grant Program b. Pre-Development Grants c. Search Grants	a, b, c. Counties & Municipalities, Water/Sewer Districts, Federally Recognized Indian Tribes and Non-Profit-Associations	a. Water, Wastewater, Storm water, and Solid Waste Systems (Construction, Repair, Expansion) b. Planning c. Planning	a.No b. Yes (25%) c. No	Yes, reimbursement as part of total project costs	a. Ratio dependent upon user rates, no limit or maximum for loans, 75% maximum grant b, c. \$30,000	a. 40 years or life of facility	Priority given to: Under 1,000 in population, Low income, Health hazards, and Extended service to additional rural users	Open-cycle	Population <10,000. Applicants must be unable to finance the project by use of commercial credit at reasonable rates and terms	Steven P. Tromeille USDA/Rural Development PO Box 850 Bozeman, MT 59771 (406) 585-2520 stve.tromeille@mt.usda.gov www.usda.gov
STATE AGENCIES ACCEPTING UNIFORM APPLICATION										
Montana Department of Natural Resources and Conservation (DNRC) Renewable Resource Grant & Loan Program (RRGL) a. Renewable Resource Grants and Loans b. Project Planning Grants c. Emergency Grant Program	a, b, & c. Governmental Entities (Includes Indian Tribes)	a, b, & c. Renewable Resource, Conservation, Management, Development, and Preservation Projects	a, and c. No b. Yes, in some cases.	a. & b. Yes c. No	a. Grants (Public) Up to \$125,000 b. Loans (Public) No maximum b. up to \$25,000 c. up to \$30,000	a. (Loans) 20 Years or less.	a. Five ranking criteria: Financial feasibility, Environmental feasibility, Project management feasibility, Technical feasibility, and Resource/Citizen benefits b. Resource & Citizen benefits c. None	a. Applications due on May 15 of even numbered years. b. Check funding.mt.org c. Open	a. Projects must conserve, manage, develop, or preserve a targeted renewable resource. Funding approved by the Legislature. b. Preliminary engineering, planning, feasibility studies, or other activities leading to a renewable resource project. c. Emergency projects that result in property damage or legal liability to the applicant.	DNRC - Resource Development Bureau 1625 11th Avenue, PO BOX 201601 Helena, MT 59620-1601 Bob Fischer (406) 444-6688 bfischer@mt.gov Pam Smith (406) 444-6839 pamsmith@mt.gov www.dnrc.mt.gov
Montana Department of Environmental Quality (DEQ) a. Water Pollution Control State Revolving Fund Loan (WPCSRF) b. Drinking Water State Revolving Fund Loan Program (DWSRF) Loans	a. Municipalities for wastewater projects - Municipalities and private entities for nonpoint source projects. b. All community public water systems.	a. Wastewater projects that solve water quality problems. b. Drinking water projects that achieve compliance with the Federal Safe Drinking Water Act.	a. No b. No	a. Yes b. Yes	a. & b. 100% of eligible project costs can be borrowed; ability to repay loan must be shown. Partial principal forgiveness may apply.	a. 30 years or less. Cannot exceed design life. b. 30 years or less. Qualifying disadvantaged communities are eligible for loan terms of up to 30 years and term cannot exceed the design life. a. & b. Up to 3 years for interim financing.	a. Impairment of water uses, extent project will restore water quality, public health improvement and readiness to proceed. b. Protect public health, comply with the Federal Safe Drinking Water Act, affordability of the system.	a. & b. Open-cycle	a. & b. Projects must be included on the Project Priority List and Intended Use Plan; ability to repay loan must be demonstrated. Federal Davis Bacon Wage and American Iron and Steel requirements must be met. Minority Business Enterprise (MBE) requirements MAY be required on some projects. b. Adequate technical, financial and managerial resources to maintain compliance with the Federal Safe Drinking Water Act.	DEQ - State Revolving Fund 1520 E 6th Avenue PO BOX 200901 Helena, MT 59620-0901 a. Paul LaVigne (WPVCSRF) (406) 444-5321 plavigne@mt.gov b. Mark Smith (DWSRF) (406) 444-5325 marks@mt.gov www.deq.mt.gov
Montana Department of Commerce (DOC) Community Development Block Grant Program (CDBG) a. Public Facility Grants b. Community Planning Grants c. Economic Development and Housing Grants (Federal grant administered by Commerce)	Incorporated cities and towns, counties, and counties. Note: Counties may apply on behalf of water/sewer districts and tribal utility authorities.	Water, wastewater, solid waste, hookup fees and assessments, economic development, housing	Yes a. 25% local match (project grant) b. 1 to 3 match (planning grant approximately 33% match)	Yes, for costs associated with engineer and grant administration.	a. up to \$450,000 (project grant) b. up to \$50,000 (planning grant) c. Contact the program	Not Applicable	community planning assessment, project need, concept and technical design, community efforts, financial assistance, benefit to low and moderate income, implementation and management.	a. Annual competition-spring of the year b. & c. Contact the program	a. At least 51% of the beneficiaries of a project must be low or moderate income. b. Planning grants (many types available from PERs to Growth Policies. The website contains a complete list of over a dozen eligible planning grants)	Community Development Division Staff 301 S Park Avenue, PO BOX 200523 Helena, MT 59620 (406) dccdbg@mt.gov http://comdev.mt.gov
Montana Department of Commerce Montana Board of Investments INTERCAP Loan Program Loans	Local government units, Special Purpose Districts, Water/Sewer Districts	Water & Wastewater Systems, Solid Waste (Construction, repair, expansion, equipment, vehicles, planning, interim financing)	Yes	Yes	No limitations	Up to 15 years	No ranking criteria. Board examines applicant's financial profile and repayment ability.	Continuous cycle	None	MT DOC Board of Investments PO BOX 200216 Helena, MT 59620- Julie Flynn (406) 444-0257 jflynn2@mt.gov Louise Weish (406) 444-0891 lweish@mt.gov www.investmentmt.com
Montana Department of Commerce Treasure State Endowment Program (TSEEP) a. Construction Grants b. Infrastructure Planning Grants c. Emergency Grants Grants	Incorporated cities and towns, counties, water, sewer and solid waste districts, and federally recognized tribal governments.	Drinking water systems, wastewater treatment, sanitary or storm sewers, solid waste systems, and bridges.	a. Yes, typically 50%, which can include other grants b. Yes, 50% c. local participation required.	a. Yes, for costs associated with engineer and grant administration.	a. up to \$750,000 b. Up to \$15,000 c. Typically, no more than \$10,000 determined on a case by case basis	Not Applicable	Health and Safety, financial need, technical design, planning and management, other funding for the project, economic development, and community support.	a. Spring of even numbered years. b. & c. Applications accepted in spring in odd numbered years until appropriation is gone. c. Apply anytime	a. Funding approved by the Legislature. b. & c. Applications accepted in spring in odd numbered years until appropriation is gone. c. Funding approved by Commerce. Projects intended to respond to emergency situation.	Community Development Division 301 S. Park Avenue BOX 200523 Helena, MT 59620 (406) 841-2770 dccdbg@mt.gov http://comdev.mt.gov
ADDITIONAL FEDERAL FUNDING PROGRAMS										
U.S. Economic Development Administration (EDA) Public Works Grants (Federal)	Municipalities, Counties, Indian Tribes	Water and Wastewater Systems	Yes	No	Generally, not to exceed \$1,000,000, but may be waived in special circumstances.	Not Applicable	6 ranking criteria with emphasis on economic distress and the job/cost ratio.	Applications accepted at any time.	Project tied to economic development - job creation or retention. Must comply with federal regulations.	Kirk Keyser, PO BOX 10032, Bozeman, MT 59719 406- 599-9795 keyser@eds.gov www.eda.gov

UPDATED JAN. 15, 2016





Montana's Official State Website



DNRC CONSERVATION & RESOURCE DEVELOPMENT

- About Us
- Education
- Conservation Districts
- Resource Development
- Permitting
- Loans & Grants
- Water Related
- W2ASACT

CARDD Home

W2ASACT

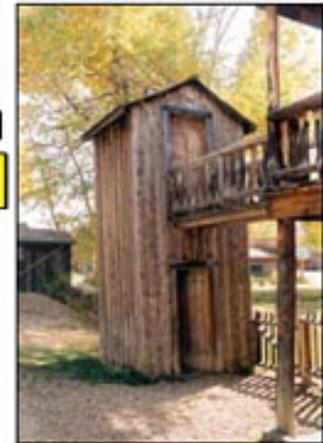
- News & Events
- Overview
- Projects
- Technical Assistance Providers
- Technical Assistance Resources
- Publications
- Financial Assistance Application Forms
- Uniform Specification Supplement
- Rural Development

 **DNRC Home**

Text Size 

Water, Wastewater and Solid Waste Action Coordinating Team

W²ASACT



Montana Infrastructure

Water, Wastewater and Solid Waste Action Coordinating Team

In 1982, a group of professionals from state, federal, and non-profit organizations that finance, regulate, or provide technical assistance for





Montana's Drinking Water State Revolving Fund

Administered by the DEQ and DNRC



Contact Mark Smith for details: 406-444-5325 marks@mt.gov



DWSRF characteristics

- Available to all community water systems and non-profit, non-community water systems
- Direct loan or refinancing
- Open application period (but get on Project Priority List before May)
- Up to 20 year loan at 2.5% interest
 - Planning costs covered
 - No local match required
- Disadvantaged communities may get up to 30 year loan term
- DEQ prepares the Environmental Review documents



Types of projects funded by DWSRF

- DW projects to achieve SDWA compliance
 - Source development
 - Acquisition of land
 - Treatment
 - Source water protection
 - Storage
 - Distribution
 - Consolidation
- Priority for protecting public health (documented or potential health risks), proactive measures to comply with SDWA, regionalization, affordability concerns



Applying

1. Complete the DWSRF Project Priority List Survey (anytime but preferably before May)
2. Get placed on the list. DEQ makes determination of allocation of funds in June.
3. Complete the Uniform Application to request SRF (and other?) funding



DWSRF requirements

- Technical, managerial, and financial resources must be available to maintain compliance with SDWA
- Ability to repay the loan must be shown
- Project must be on the Priority List & Intended Use Plan
- Complete the Uniform Application & supporting documents



Financial requirements

- Financial capability to properly operate the system and to repay the loan
- Loan secured by a Bond or Note
- Different bonding & security options exist (Revenue, general obligation, SID, RSID, tax increment)
- Revenue Bond requires debt service reserve and coverage of 110%
- Maintain financial records



How show ability to repay debt?

- Part of the Uniform Application. See instructions and examples on pages 22-30.
- Show current rates, changes to number of dwelling units, debt service payment calculation (including buffer), changes to expenses, and then dividing the changes onto customers and determining new rates



For more info on DWSRF

<http://deq.mt.gov/Water/TFA/srf/dwsrf>

Mark Smith

marks@mt.gov

(406) 444-5325



Smart Management for Small Water Systems

*under a Cooperative Agreement with the US EPA

- The EFCN will provide **training** and **free direct assistance** to small public water systems (<10,000 people) in all fifty states and five territories to help local water systems achieve and maintain compliance with the Safe Drinking Water Act.
- Trainings and direct assistance available on:
 - Asset Management/Capital Planning
 - Financial Planning and Rate Setting
 - Water Loss Reduction
 - Water System Collaboration
 - Energy Management
 - Funding Coordination/Availability, and
 - Managerial and Financial Leadership



We Can Help

Direct assistance available from Environmental Finance Centers, *free!*

<http://efcnetwork.org/> (Click on Assistance)

Thank you! Please fill out the evaluation form.

Shadi Eskaf

Eskaf@sog.unc.edu

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