



*DRINKING WATER SYSTEMS
REVOLVING FUND LOAN
PROGRAMS
UPDATE*



*Mississippi State Department of Health
Bureau of Public Water Supply*

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The DWSRF



- created from *The Safe Drinking Water Act (SDWA) Amendments of 1996.*
- *Section 41-3-16 of the Mississippi Code is the State Law*



Local Governments and Rural Water Systems Improvements Board Members



- *MS State Department of Health*
- *MS Department of Environmental Quality*
- *MS Association of Supervisors*
- *MS Department of Finance and Administration*
- *MS Development Authority*
- *MS Municipal League*
- *American Council of Engineering Companies*
- *Rural Utility Service / Rural Development*
- *A Rural Water System Manager (appointed by Governor)*



DWSIRLF Loan Recipients

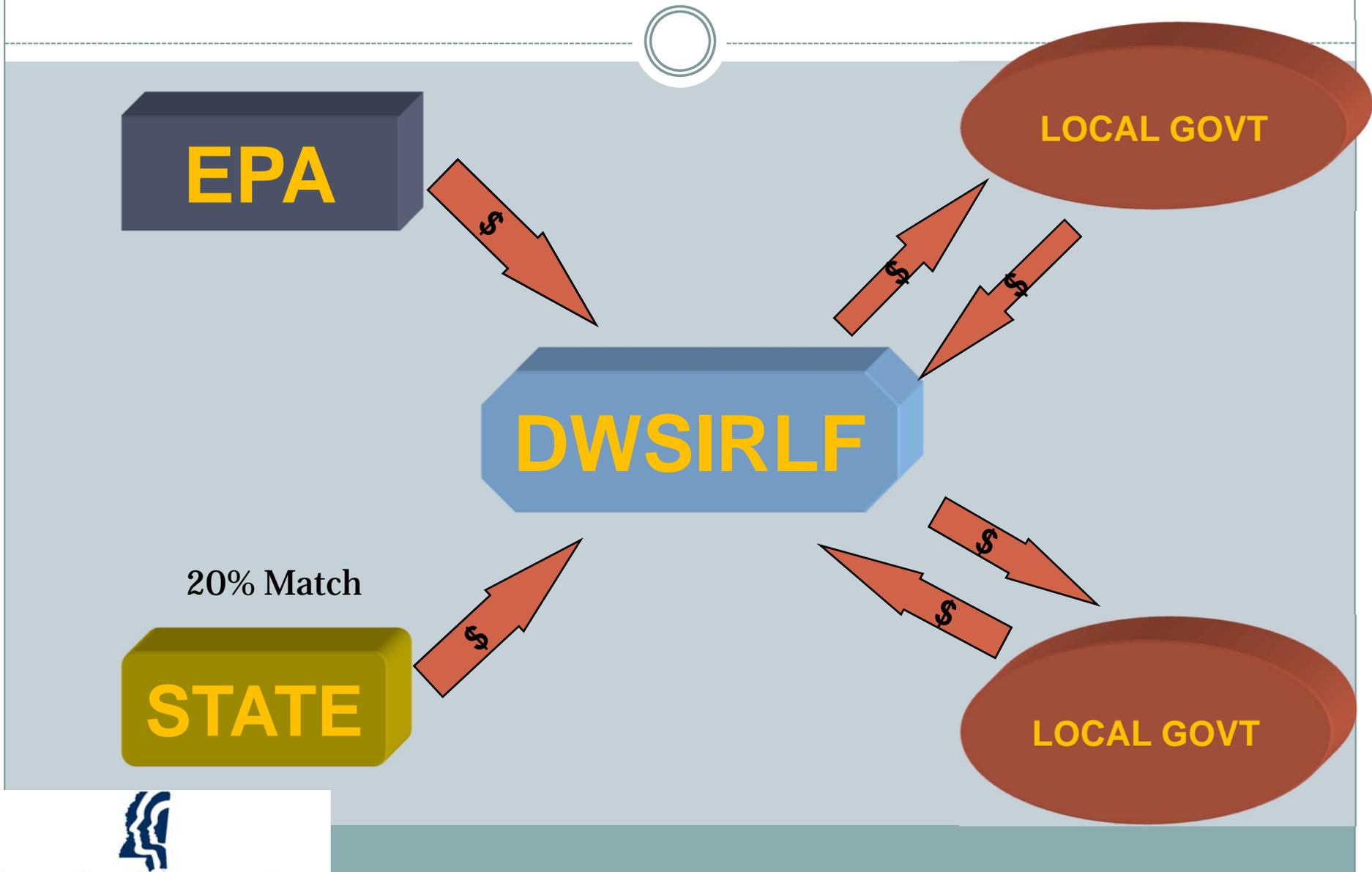


Entities eligible to receive DWSIRLF loans include:

- *Cities/Towns*
- *Water or Water/Sewer Districts*
- *Counties (Boards of Supervisors)*
- *State Agencies*
- *Rural Water Associations*



DWSIRLF Cash Flow



DWSIRLF Project Types



- **Water Wells**
- **Water Storage Tanks (Elevated, Pressure, Ground)**
- **Water Treatment Plants**
- **Water Distribution Lines and Pumps**
- **Existing Facility Rehabilitation (Tanks, Wells, Plants, etc.)**
- **Source Water Protection**
- **Emergency Power**
- **Sludge Handling**
- **Water Meters**
- **Etc ...**



Ranking Projects



- **DWSRF Priority Need Ranking Categories**
 - Primary Drinking Water Standards Compliance
 - Back-up Well or Emergency Tie-in
 - Pressure Deficiencies
 - Source Water Protection
 - Service to Existing Unserved Areas
 - Additional Supply Needs
 - Rehab/Replacement of Existing Facilities
 - Fluoride Addition
 - Secondary Drinking Water Standards Compliance
 - Consolidation
 - Other



Eligible/Allowable Costs



- *Specifics are outlined in Appendix A of the DWSIRLF Regulations.*
- *Major Eligibility/Allowability Limitations*
 - *Project Primarily for Growth*
 - *Primarily for Fire Protection*



DWSIRLF Loan Terms



- *NO Set Maximum Loan Amount (Board determines max amount to PWS)*
 - *For 2019: Set at \$5.0 Million per borrower*
- *1.95% Interest Rate*
- *Up to 40-Year Repayment Period for disadvantaged communities and 30-Year Repayment Period for nondisadvantaged communities.*



DWSIRLF Facts & Benefits



- Fund up to 100% of costs “One Stop”
- Funds can be used to match other sources such as *CDBG / FEMA / USDA RD / Other Grants*
- Communities can avoid using GO bonds
- Interest rate below market rates
- *No Interest During Construction (Up to 1 Year of original construction period)*
- *NO Administrative Fee*



DWSIRFL Facts & Benefits



- *Repayment Begins After Construction*
- *Cost of property is eligible cost*
- *State Purchase Laws Apply (Not Federal Procurement Laws)*
- *After loan award planning/design engineering costs can be paid out.*



Scheduling and Timetables



Timetables for Receiving Funds

For FY2019(Oct '18-Sept '19)



- **What we need as soon as possible**
 - ✦ Ranking Form (If one has not been previously submitted)
 - ✦ Complete Facilities Plan
 - Projects that submitted DRAFT Facilities plans on or before **October 1, 2018** were eligible to be listed as **PRIORITY PROJECTS**
- **By May 1, 2019: Submit a Complete Loan Application**
 - ✦ Deadline for systems on the Intend Use Plan's Priority List to maintain priority.
 - ✦ Review of the Loan Application is independent of the Facilities Plan Review
- **By August 1, 2019: Submit all approvable documents and responses to comments necessary for loan award.**
- Latest possible date for a potential loan offer: **September 30, 2019** (Last day of Fiscal Year)



Timetables for Receiving Funds

For FY2020 (Oct '19-Sept '20)



- For FY2020 (Oct '19-Sept '20)
 - **As soon as possible**: Complete & Submit FY 2020 Request for Ranking Form
 - By **July 1, 2019**: Complete & Submit a Draft Facilities Plan to IGR Agencies
 - By **August 15, 2019**: Advertise for a Public Hearing
 - **By October 1, 2019 : Submit a Complete Draft Facilities Plan to the Department for review**
 - ✦ Deadline for project to be eligible on the Intended Use Plan's 2020 Priority List



“Catch-Up” Projects



- Applicants/Projects which didn't meet the facilities plan deadline (October 1) may be ranked on the Next Year's Projects and After Planning List.
- Funded 1st-come, 1st-served as ready for award, if funds are available and all eligible Priority Project funds have been awarded.
- Funded with additional funds which may be (or become) available during the FY.
- If funds are not available when ready for award, then may be ready for early award next FY.



FY 2019 Fund Availability



Unobligated Funds Carried over from FY 2018	\$ 20,152,651
Loan Repayments Deposited (10/1/18 – 2/28/19)	\$ 5,347,989
Interest on the Funds Deposited (10/1/18 – 2-2/28/19)	\$ 803,937
Anticipated Loans Repayments To Be Deposited (3/1/19- 9/30/19)	\$ 7,958,021
Anticipated Interest On the Fund To Be Deposited (3/1/19- 9/30/19)	\$ 238,885
Anticipated Total Federal & State Funds for New Loans*	\$ 11,679,280
Actual FFY2019 Loan Decreases	\$ 3,506,585
Actual FFY2019 Loan Increases	(\$ 5,859)
FY 2019 Loan Increase Reserve	(\$ 1,000,000)
Total Anticipated FY 2019 Funds for New Loan Awards	\$48,711,489

*This figure are funds that are available from the FY2018 Federal Cap Grant only



Subsidy Funding



- Subsidy (Principle Forgiveness) possible for Disadvantaged Communities
- Available of Subsidy – **Limited Amount**
- Formula for determining eligible principle forgiveness is based on the median household income of the loan recipient verses the median household income average of the state
 - LR MHI > 100% **NO Principle Forgiveness**
 - 90% < LR MHI < 100% **15% Principle Forgiveness**
 - 80% < LR MHI < 90% **25% Principle Forgiveness**
 - 70% < LR MHI < 80% **35% Principle Forgiveness**
 - LR MHI < 70% **45% Principle Forgiveness**



Use of American Iron/Steel (AIS) Requirements



American Iron/Steel Requirements



- *Enacted as part of the Consolidated Appropriations Act, 2014 (HR 3547)*
- *Requires the use of iron and steel products to be produced in the US for the construction, alteration, maintenance, or repair of a public water system or treatment works*



American Iron/Steel Requirements



- Term ***“iron and steel products”*** means the following products made primarily of iron or steel:
 - *Lined or unlined pipes and fittings*
 - *Manhole covers and other municipal castings*
 - *Hydrants, Tanks, Flanges, Pipe Clamps and restraints*
 - *Valves, Structural Steel. Reinforced Precast Concrete*
 - *Construction Materials*
- Term ***“primarily iron or steel”*** means made of greater 50% domestic iron or steel measured by cost. Cost is based on the material costs.



American Iron/Steel Requirements

• *Waiver Process*

- *Loan Recipient is responsible to submit any and all waiver requests directly to EPA*
- *EPA Waivers:*
 - ✦ *Applying the requirements would be inconsistent with the public interest*
 - ✦ *Iron/steel products not produced in sufficient and reasonably available quantities and of satisfactory quality*
 - ✦ *Inclusion of iron and steel products produced in the US will increase the cost of the overall project by more than 25%*
- *Current EPA approved Waivers:*
 - ✦ *Nationwide waiver for de minimis incidental components issued on April 15, 2014. Cumulative de minimis components may not exceed a total of 5% of total materials cost and an individual item may not exceed 1% of the total materials costs incorporated into the project.*
 - ✦ *Short Term National Product Waiver for Stainless Steel Nuts and Bolts used in Pipe Couplings, Restraints, Joints, Flanges and Saddles expired February 18, 2018*



American Iron/Steel Requirements



Additional guidance and information on American Iron & Steel (AIS) requirements may be obtained on EPA's website:

http://water.epa.gov/grants_funding/aisrequirement.cfm



Signage Requirements



EPA is taking an agency-wide initiative focused on signage to enhance public awareness of EPA Assistance Agreements nationwide to communicate the positive impacts and benefits of EPA funding.

- *Potential public awareness options:*
 - *Standard signage*
 - *Posters or wall signage in a public building or location*
 - *Newspaper or periodical advertisement of project construction, groundbreaking ceremony, or operation of the new or improved facility*
 - *Online signage placed on community website or social media outlet*
 - *Press releases*



Fluoride Regulation



- MSDH Board of Health Regulation states that each community water system serving a population of at least 2,000 shall be required to acquire and install fluoride treatment equipment capable of maintaining fluoride levels within the optimal range.
- No system shall be required to comply unless sufficient funds are identified by the Department.
- Must include in the facilities plan how they intend to comply with the Regulation.
 - Applies to rehab, repair, and/or construction of water wells and treatment facilities.
- Do not have to include fluoride compliance in the loan, but must follow through with the implementation of the fluoride facilities by a set time.
- An additional loan condition may be added to the final loan agreement for repayment that will require the loan recipient to certify that compliance with the fluoride regulation has been achieved by a certain deadline.



Drinking Water Systems Emergency Loan Fund (DWSELF)



- *Loans for Emergency Drinking Water Projects*
- *Loans Recipients are same as for DWSIRLF*
- *100% financing (NO Maximum Amount)*
- *2% Interest Rate*
- *5-year Repayment Period*
- *Admin Fee – 5% Added to Loan Principal*



Technical Assistance Set-aside



- A percentage of each year's EPA Cap Grant is set aside for Small Systems Technical Assistance
- Assistance is FREE – there is no cost to the water system
- Assistance is provided by contractors



FREE TECHNICAL ASSISTANCE



- ★ **INTERMEDIATE ASSISTANCE**
- ★ **COMPREHENSIVE ASSISTANCE**
- ★ **PEER REVIEW PROGRAM**
- ★ **HANDS-ON OPERATOR TRAINING**
- ★ **WELL ABANDONMENT PROGRAM**
- ★ **ASSET MANAGEMENT TRAINING**



Key Legislations



FEDERAL



America's Water Infrastructure Act of 2018



- Enacted in S. 3021 by the 115th US Congress
- Signed by the President on October 23, 2018
- Explicitly made replacing and rehabilitating aging treatment, storage or distribution systems DWSRF eligible for funding
- Codifies Davis Bacon wage rate requirements into the DWSRF authorizing section of the SDWA
- Allows for states to use at least 6% but no more than 35% of the capitalization grant amounts for additional subsidy for state defined disadvantaged communities.



America's Water Infrastructure Act of 2018



- Extends the maximum-authorized DWSRF loan amortization period up to 30 years for any DWSRF-eligible community or up to 40 years for state defined disadvantaged communities, or design life, whichever is shorter.
- Extends the authorized repayment initiation up to 18 months after project completion.
- Requires the inclusion of the estimated replacement costs for all lead service lines, public and private, in the next Drinking Water Needs Survey



America's Water Infrastructure Act of 2018



- **Extends the American Iron and Steel (AIS) provision for DWSRF funded projects through federal fiscal year 2023**
- **Reauthorizes the DWSRF from federal fiscal years 2019 through 2021**
 - 1,174,000,000 for fiscal year 2019
 - 1,300,000,000 for fiscal year 2020
 - 1,950,000,000 for fiscal year 2021
 - Actual appropriations will be at Congressional discretion
- **Gives SDWA primacy agencies the authority to mandate that drinking water systems undertake a consolidation assessment if they meet the delineated threshold.**
 - EPA has until October 23, 2020 to promulgate regulations for implementation



America's Water Infrastructure Act of 2018



- Mandates that primacy agencies include in their triannual capacity development reports a description of how the state will encourage water systems to develop asset management plans, including the provision of technical assistance.
 - Currently are using set asides to offer asset management training
 - Asset Management will likely be added to the annual capacity assessments that are done by the Regional Engineers during the annual inspections
- Added flexibilities for state DWSRF programs to utilize funding from WIFIA.



Consolidated Appropriations Act of 2019



- Signed by the President on February 15, 2019.
- Appropriated \$1,394,000,000 for CWSRF
- Appropriated \$864,000,000 for DWSRF
- Mandated that 20% of the funds be made available for subsidy to disadvantaged communities in addition to what is allowed by AWIA.
- Appropriated an additional \$300,000,000 each for the CWSRF and the DWSRF



Key Legislations



STATE



Key Legislations



- **HB 1568 – Bonds; authorize issuance for the Water Pollution Control Revolving Fund**
 - Authorized \$7,940,000 in general obligation bonds to provide matching funds for the Water Pollution Control Revolving Fund
 - DWSRF is not included
 - Due from the Governor by March 28, 2019
- **HB 1649 – Appropriation, Department of Health**
 - Authorizes \$35,016,019 in spending authority out of money in the State Treasury to the credit of the Local Governments Rural Water System Improvements Revolving Fund.
 - No inclusion of any state match appropriation
 - Bill is currently in Conference between the House and Senate.



Key Legislations



- **HB 1674 and SB 3065 – Bonds, authorize for various purposes**
 - The Big Bond Bill for this session
 - SB3065 added only \$1 Million in Bonds for match. Need an additional \$2 to fully match the FY2019 Federal Grant plus what will be needed to match the final appropriated FY2020 Federal Grant.



Funding Impacts with loss of federal cap grant



- Reduction in available loan funds
- **No** subsidization funds (**principle forgiveness**) for disadvantaged communities
- Reduction and elimination of programs funded by set-asides
 - **Well Abandonment**
 - **Free Tech assistance**
 - **Hands on operator Training**
 - **Peer review**
 - **Board management training**
- Staff reductions with loss of federal funds used for staffing
 - **10% Set-aside** authorized by Section 1452(g)(2) of the Safe Drinking Water Act of 1996 for State Program Management.



MSDH DWSRF Contact Info



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**[HTTP://WWW.HEALTHYMS.COM/DWSRF](http://www.healthymississippi.com/dwsrf)
FOR REPORTS AND FORMS**

