



**United States Department of Agriculture**

# Rural Development

# Water and Waste Loans and Grants



# United States Department of Agriculture???

- Rural Development: Mandate to improve the quality of life in Rural America
- Agency started as farmers relief organization during the “Dust Bowl”
- Two Primary Infrastructure Programs
  - Water and Waste-Communities under 10,000
  - Community Facility-Communities under 20,000
- Provided over 1 billion dollars in loans, loan guarantees, and grants to Southern New England over the past three years.
- Rural Development can be thought as the “country cousin” of HUD

# Population Limits



- Rural and Rural Areas means any area not in a city or town with a population in excess of 10,000 inhabitants,\* according to the latest decennial census\* of the United States

## **By The Numbers:**

- Broken-leaking pipes lose over 7 billion gallons of water per day
- Annual costs are \$2.6 billion dollars
- A water main breaks every two minutes
- Most communities do not have adequate reserves to cover upgrades and replacements
- Many towns are only aware of aging infrastructure when it breaks

# Where is the Government?

- 85% of people want more government infrastructure investment
- 79% of people want government to spend more time addressing water issues
- Only 39% trust local government to address water and sewer infrastructure problems

American Water Works Association





# Who Should Pay?

- Only 31% of Americans feel they should pay for infrastructure improvements and repairs
- 60% are willing to pay “a little” more for infrastructure upgrades
- An additional \$7.70 per month will yield an additional \$6.4 billion annually.

American Water Works Association

# The Disconnect

- Only 29% of people feel infrastructure problems would affect them personally
- 69% of people take access to clean water for granted

American Water Works Association





# Rural Development Applicant Eligibility

- Public Body (municipality/special purpose district/association)
- Not for profit organization
- Native American Tribes

\*\*\*Unable to obtain credit elsewhere



# **Legal Authority**

**Does the organization have legal authority and responsibility:**

- **To own facilities.**
- **To borrow money.**
- **To give security for and repay loans.**
- **To construct and operate the facilities.**
- **To charge reasonable user rates and fees.**
- **Can be a municipality, non-profit or special purpose district (mobile home parks)**

# Eligible Facilities



- Drinking Water
- Sanitary Sewer
- Solid Waste Disposal
- Storm Drainage
- Dam Repairs



# Typical Drinking Water Projects

- New Systems
- Extensions
- Storage Tanks
- Treatment Plants
- Well Field Development/Improvements



# Typical Sanitary Sewer Projects



- New Systems
- System Extensions
- Wastewater Treatment Plant Improvement
- System Interconnections



# Interest Rates

- **Poverty**

**MHI below poverty or 80% of State Non-metropolitan MHI and Health and Sanitary Problem (Board of Health enforcement action or Consent Order)**

- **Intermediate**

**MHI is 80-100% of SNMHI without Health issues**

- **Market**

**Equals or exceeds SNMHI**

*\*income survey can be done for pockets of poverty in high income communities*

# Terms

- Repayment terms
  - Useful life of the facility
  - State statute
  - 40 years --can defer principal up to 36 mo.
- When RUS grant funds are involved
  - Maximum repayment terms permitted
  - In an exceptional case can make the loan for less than maximum

# Eligible Costs

- Development and Construction
- Construction & Project Contingencies
- Land and Rights
- Legal Services & Bond Counsel
- Engineering Basic Design
- Engineering Special Services
- Engineering Inspection Services
- Interest
- Equipment
- Refinancing
- Other

# **Feasibility**

All projects financed under the provisions of this section must be based on taxes, assessments, income, fees, or other satisfactory sources of revenues in an amount sufficient to provide for facility operation and maintenance, reasonable reserves, and debt payment.

# **Debt Security**

- Public Body
  - General Obligation bond
  - Pledge of Taxes
  - Pledge of Revenue and Statutory lien on facility
  - Pledge of Revenue and Taxes



# Debt Security

- Other than public body
  - Assignment of income
  - Lien on facilities and all aspects of income and rights

# Grant Determination

Grants are based on:

- Repayment ability
- Need for project
- Comparison to similar systems
- Fund availability
- Median household income

# Grant Limitations

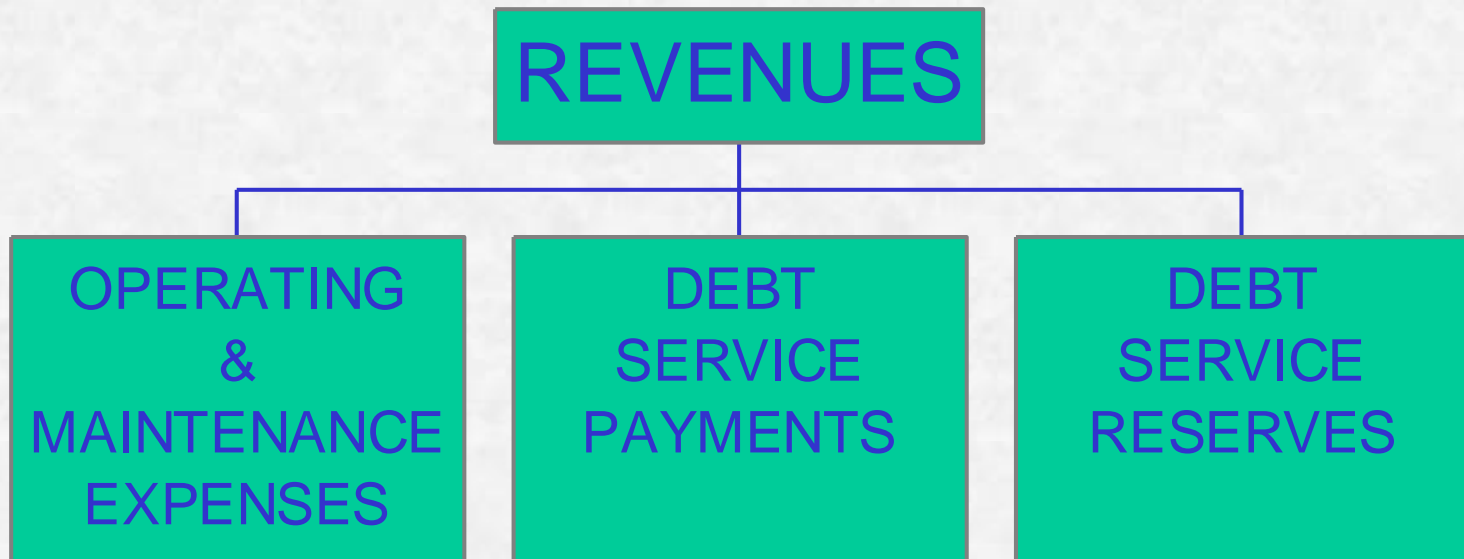
- Maximum grant
  - 75 percent
    - MHI below the higher of poverty line or 80% of SNMHI AND project is necessary to alleviate a health or sanitary problem (Consent Order BOH Action)
  - 45 percent
    - MHI exceeds 80 percent of SNMHI but is not more than 100 percent of SNMHI



# **RD Underwriting Review**

- Proposed Rates & Charges
- Use & Income Analysis
- O&M Expenses
- Debt Payment
- Debt Reserve Requirements
- Capital Improvements

# FINANCIAL ANALYSIS





# **OVERVIEW OF LOAN PROCESS**

Phases of loan process:

- Eligibility determination
- Application
- Construction
- Closing
- Servicing

# Case Studies- Woodridge Lake Sewer District Goshen

Issue: Upgrades to wastewater collection and pump stations. Under consent order.

Cost: \$1.24 Million

RD Assistance:

\$686,000 Loan

\$561,000 Grant

Engineer: Woodard and Curran Engineering

# Case Studies-Pomfret

Issue: Connection to Putnam Sewer Plant

Cost: \$7,435,975

RD Assistance:

\$6,436,000 Loan

\$1,000,000 Grant

Engineer: Wesson and Sampson

## Case Studies-Putnam

Issue: Water Line and Water Storage Rehabilitation

Cost: \$15,393,000

RD Assistance: \$10,600,000 Loan

\$4,793,000 Grant

Engineer: Beta Engineering

# Questions???



# **Contact Information**

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