



**Delaware Water Pollution Control Revolving Fund  
&  
Safe Drinking Water State Revolving Fund**

**Sussex County Community Exchange Workshop**  
March 12, 2015

DNREC  
OFFICE OF THE SECRETARY  
FINANCIAL ASSISTANCE BRANCH

DHSS  
DIVISION OF PUBLIC HEALTH

# Delaware Water Pollution Control Revolving Fund

## Safe Drinking Water Revolving Fund

### Sussex County Community Exchange Workshop

- Clean Water and Drinking Water SRFs
  - 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 as of June 30, 2014 exceeded \$416 million.
  - 153 CWSRF and DWSRF municipal and private utility loans have been made for more than \$456 million as of June 30, 2014
  - 1,328 CWSRF loans for Nonpoint Source Projects for more than \$15 million (Homeowner Septic System Replacements; Poultry and Dairy Farm BMPs; Underground Leaking Storage Tank Replacements; and Other Expanded Use Projects)
  - DWSRF grants fund an Operator Certification Program; Capacity Development and Source Water Protection Programs; Underground Injection Control Program; Public Water Supply Supervision Program; and Technical Assistance Programs

# Delaware Water Pollution Control Revolving Fund

## Safe Drinking Water Revolving Fund

### Sussex County Community Exchange Workshop

#### DNREC and DHSS Collaboration

- CWSRF and DWSRF programs are jointly administered by DNREC and DHSS
- Twice per year (normally January and August) project Notices-of-Intent (NOIs) are jointly solicited for wastewater and drinking water projects – **March 27<sup>th</sup>**
- Wastewater and Drinking Water NOIs are ranked and scored separately to prepare CWSRF and DWSRF Project Priority Lists (PPLs)
- Projects are selected from the PPLs for funding assistance based on “Readiness to Proceed” (preliminary project planning and design completed in 6 months or less)
- DHSS is responsible for DWSRF Project Environmental Reviews, and Project Management; DNREC is responsible for DWSRF Program Accounting, Financial Management; and the overall CWSRF Program
- Borrowers are not required to obtain interim bank financing for CWSRF or DWSRF projects, loan reimbursement requests are normally processed within 30 days
- Water Infrastructure Advisory Council is responsible for reviewing PPLs, IUPs, and recommending proposed CWSRF and DWSRF projects for funding assistance

# Delaware Water Pollution Control Revolving Fund

## Safe Drinking Water Revolving Fund

### Sussex County Community Exchange Workshop

- FY 2015 Estimated Available Funds

<u>CWSRF</u>	<u>DWSRF</u>	
\$6,863,000	\$ 8,845,000	FFY 2015 Federal Capitalization Grant
<u>\$1,372,600</u>	<u>\$ 1,769,000</u>	Required 20% State Match
\$8,235,600	\$10,614,000	
\$	\$ 176,900	2% Technical Assistance & Operator Training
\$	\$ 353,800	4% Program Administration
\$ 516,638	\$	1/5% FY 2014 CWSRF Fund Net Position
\$	\$ 884,500	10% Public Water Supply Supervision
<u>\$</u>	<u>\$ 1,326,750</u>	15% Source Water Protection & Capacity Development
\$7,718,962	\$ 7,872,050	Project Loans
\$2,058,900	\$ 2,653,500	30% Principal Loan Forgiveness (Max)
\$ 686,300	\$ -0-	10% Green Project Reserve

- On a cash flow basis, the CWSRF and DWSRF programs may have approximately \$26.0 million and \$23.0 million, respectively to commit for new loans
- 2% CWSRF – DWSRF Interim Interest Rate Policy for New Loan Applications through December 31, 2015**

# Delaware Water Pollution Control Revolving Fund

## Safe Drinking Water Revolving Fund

### Sussex County Workshop

- Water Resources Reform and Development Act (does not apply to DWSRF Program)
  - June 10, 2014 President Obama signed into law the Water Resources Reform and Development Act (WRRDA)
  - WRRDA amendment changes under Title VI of the Clean Water Act apply to Federal Water Pollution Control Act that created the Clean Water State Revolving Fund (CWSRF) Program
  - Some CWSRF program changes associated with the signing of WRRDA became effective immediately; others became actionable on October 1, 2014; and additional changes are scheduled for September 30, 2015, and October 1, 2015.

# Delaware Water Pollution Control Revolving Fund

## Safe Drinking Water Revolving Fund

### Sussex County Workshop

#### WRRDA Amendment Changes

- a) Unchanged Previous CWSRF Program Requirements
  - ❑ Environmental Review
  - ❑ Davis-Bacon Wages Rates
  - ❑ American Iron and Steel
  
- b) New Program Requirements: Applies to Treatment Works Projects
  - ❑ Fiscal Sustainability Plans: For Repair, Replacement, or Expansion
  - ❑ Architectural/Engineering (A/E) Procurement: Applies to Equivalency Projects
  - ❑ Generally Accepted Accounting Practices (GAAP) Reporting
  - ❑ Cost and Effectiveness: Applies to Municipalities
  
- c) Expanded Project Eligibilities
  - ❑ Land Purchases Necessary for Construction
  - ❑ Decentralized Wastewater Systems: New and Existing Systems are Eligible
  - ❑ Stormwater: Public and Private are Eligible
  - ❑ Water Conservation, Efficiency, & Reuse: Applies to Municipalities

# Delaware Water Pollution Control Revolving Fund

## Safe Drinking Water Revolving Fund

### Sussex County Workshop

#### WRRDA Amendment Changes

- c) Expanded Project Eligibilities (continued)
  - ❑ Watershed Projects
  - ❑ Energy Initiatives – Projects can take place on Public or Private land
  - ❑ Recycled Water & Water Reuse
  - ❑ Security Initiatives
  - ❑ Funding for Nonprofits
  
- d) Affordability Criteria, Additional Subsidization, and Expanded Loan Terms
  - ❑ Affordability Criteria – Income, Unemployment Data, Population Trends
  - ❑ Additional Subsidization – Applies to proposed project subgroups
  - ❑ 30 Year Loan Terms



PPL – Project Priority List  
 IUP – Intended Use Plan  
 FONSI – Finding Of No Significant Impact

August 25, 2014



# Public Wastewater Utilities Asset Management Program & Incentives

## 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.
- Asset management can:
  - open communications between utility system staff and decision makers,
  - help move utilities from crisis management to informed decision making,
  - facilitate more efficient and focused system operations; and
  - improve financial management to make the best use of limited resources.
- Asset management is a framework widely adopted as a means to pursue and achieve sustainable infrastructure.
- An asset management plan serves as a tool to record all utility practices and strategies.

## Why Adopt An Asset Management Plan?

- Utilities that implement asset management plans develop:
  - detailed asset inventories,
  - perform operation and maintenance tasks,

# Public Wastewater Utilities Asset Management Program & Incentives

## Why Adopt An Asset Management Plan?

- Utilities that implement asset management plans develop:
  - long-range financial planning; and
  - undertake other activities to build system capacity.
- Asset management can have numerous benefits to a system, including, but not limited to:
  - prolonging asset life,
  - meeting customer demands,
  - help to ensure proper rate setting and budget planning, and
  - meeting regulatory requirements and improving response to emergencies.

## Core Components of an Asset Management Plan:

1. Asset Inventory
2. Level of Service
3. Critical Assets
4. Revenue Structure
5. Capital Improvement Project Plan

# Public Wastewater Utilities Asset Management Program & Incentives

## **Requirements for Asset Management Incentives:**

- Must be a Publicly-Owned Wastewater Utility (POTW)
- 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

## **Incentive Programs:**

- No cash match required for up to \$100,000 municipal planning grant to develop and implement an Asset Management program
- Up to one-half of the interest paid on new CWSRF loans would be rebated back for up to five years
- The amount of the annual loan interest rebate cannot exceed an agreed upon annual budget for developing and implementing an Asset Management Plan

# Public Wastewater Utilities Asset Management Program & Incentives

## Incentive Programs (continued):

- Required to annually submit updated Asset Management Plans, Implementation Plans, and Estimated Budgets to receive annual loan interest rebates
- Annual loan interest rebates can be used to help phase-in residential user rate increases, pay expenses associated with implementing an Asset Management Plan, or any other wastewater utility related expense

## CWSRF Loan Interest Rebate Example:

	Loan 1, Year 1	Loan 2, Year 2	Loan 3, Year 3	Loan 4, Year 4	Loan 5, Year 5	Totals
Loan Amount:	\$1,000,000	\$800,000	\$1,500,000	\$500,000	2,000,000	\$5,800,000
Loan Term (years):	20	20	20	20	20	
Interest Rate:	2.0%	2.5%	3.0%	3.5%	3.5%	
Annual Loan D/S Payment:	\$61,157	\$51,318	\$100,824	\$35,181	\$140,722	\$389,201
Total Loan Interest Rebate:	\$45,801	\$45,986	\$103,871	\$40,546	\$162,183	\$398,387
Year 1	\$10,000					\$10,000
Year 2	\$9,588	\$10,000				\$19,588
Year 3	\$9,169	\$9,609	\$22,500			\$41,277
Year 4	\$8,740	\$9,207	\$21,663	\$8,750		\$48,360
Year 5	\$8,304	\$8,796	\$20,800	\$8,441	\$35,000	\$81,340
		\$8,374	\$19,912	\$8,120	\$33,762	\$70,169
			\$18,997	\$7,789	\$32,481	\$59,267
				\$7,446	\$31,156	\$38,601
					\$29,783	\$29,783

## Wastewater Facility Planning Matching Grants

- Wastewater Facility Planning Matching Grants are set asides in the CWSRF Non-Federal Administrative Account.
- The program is designed to assist municipal and county wastewater utilities to prepare wastewater projects for funding through Delaware Water Pollution Control Revolving Fund (WPCRF).
- Funding can be used to assist with wastewater planning in general, and for specific project planning and designs necessary to submit a loan application to the WPCRF for funding consideration.
  - \$500,000 was allocated for the program with a \$150,000 grant/year award cap.
  - Cash matching funds are required
  - Grant will be open February, May, August and November as allocated balances allow
- Application packet is on the DNREC website, and due **before the end of May, 2015.**

**DEPARTMENT OF NATURAL RESOURCES  
AND  
ENVIRONMENTAL CONTROL**

**Delaware Water Pollution Control Revolving Fund**

**Land Conservation Loan Program**

**And**

**Water Quality Improvement Loan Program**

**Overview for Potential Project Sponsors**

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# Delaware Water Pollution Control Revolving Fund Land Conservation, & Water Quality Improvement Programs Overview for Potential Project Sponsors

- Land Conservation Loan Program (LCLP)
  - The LCLP is an innovative financing approach to fund land conservation easements and fee simple land purchases with WPCRF municipal loans
    - Five-year pilot program (up to \$5 million per year – subject to availability)
    - Municipal wastewater project must be on the WPCRF Project Priority List (PPL)
    - Municipal LCLP 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
    - LCLP 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

# Delaware Water Pollution Control Revolving Fund Land Conservation, & Water Quality Improvement Programs Overview for Potential Project Sponsors

- 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 Financial Assistance Branch, and the Division of Watershed Stewardship implement the program.
    - Five-year pilot program (subject to availability)
    - Wastewater and proposed WQILP projects must be on the CWSRF Project Priority List (PPL)
    - WQILP projects must have demonstrated water quality improvement benefits and be managed for the life of the improvement
    - Loan debt service payments for both wastewater and WQILP projects will be equal to wastewater project by itself for the term of the loan
    - WQILP project applicants must enter into a Water Quality Improvement Agreement with DNREC's Division of Watershed Stewardship. Some projects will require a Conservation Agreement with DNREC's Division of Parks and Recreation, or Division of Fish and Wildlife
  - 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



# Delaware Water Pollution Control Revolving Fund Land Conservation, & Water Quality Improvement Programs Overview for Potential Project Sponsors

- LCLP – How Does It Work?
  - Project Solicitation and Review:
    - Notice-of-Intent solicitation from municipalities including LCLP project interest
    - CWSRF Project Priority List (PPL) and Intended Use Plan (IUP) developed
    - Municipal and LCLP project loan applications solicited from approved PPL
  - DDA or DNREC (Implementers) Review LCLP Project Applications
    - DNREC Criteria for The LCLP Eligibility
    - DDA Criteria for Forestland Conservation Easements
  - Financial Review and Interest Rate Determination:
    - DNREC conducts financial review of loan applications
    - Interest rate for wastewater and LCLP loans are adjusted to ensure annual loan debt service is equal to the municipal wastewater project separately

# Delaware Water Pollution Control Revolving Fund Land Conservation, & Water Quality Improvement Programs Overview for Potential Project Sponsors

WQILP – How Does It Work?

## Financial Assistance Office

### • Project Solicitation and Review:

- Notice-of-Intent solicitation from municipalities including WQILP project interest
- CWSRF Project Priority List (PPL) and Intended Use Plan (IUP) developed
- Municipal and WQILP project loan applications solicited from approved PPL

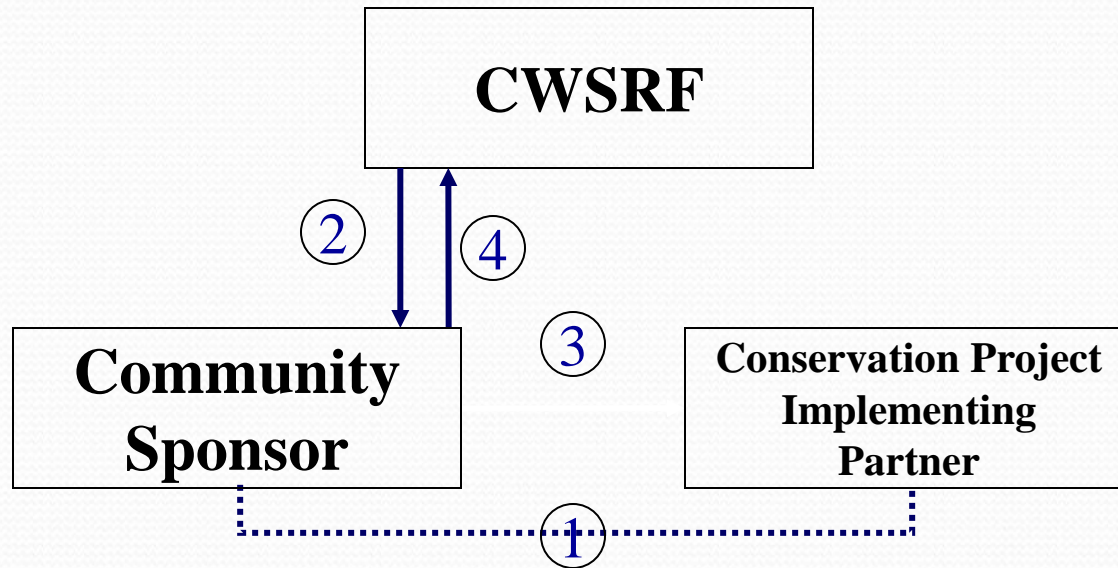
### • Financial Review and Interest Rate Determination:

- Environmental and Financial Reviews of loan applications conducted
- Evaluation of Interest Rate for proposed Wastewater and WQLP loans are conducted to ensure annual combine loan debt service will be equal to the municipal wastewater project separately
- Coordinates Internal Processing and Approvals, Loan Closings with Applicants, the Division of Watershed Stewardship, and Other Partners as Necessary

# Delaware Water Pollution Control Revolving Fund Land Conservation, & Water Quality Improvement Programs Overview for Potential Project Sponsors

① **Community and implementing partner enter into sponsorship agreement**

② **CWSRF Provides funding to community for wastewater treatment & land conservation or water quality improvement project**



③ **Community provides CWSRF funding for sponsored land conservation or water quality improvement project**

④ **Community repays low-interest loan to CWSRF**

# Delaware Water Pollution Control Revolving Fund Land Conservation, & Water Quality Improvement Programs Overview for Potential Project Sponsors

## Example - Land Conservation and Water Quality Improvement Loan Program

Loan Term (years)	CWSRF Interest Rate	Land Conservation or Water Quality Improvement Interest Rate	Land Conservation or Water Quality Improvement Loan	Municipal Wastewater Loan	Total Annual Debt Service Payment	Life of Loan Debt Service Payment
			<b>\$114,973</b>	\$1,000,000		
20	2.95%	n/a	n/a	\$66,905	<b>\$66,905</b>	\$1,338,107
20	<b>2.00%</b>	0.000%	\$5,749	\$61,157	<b>\$66,905</b>	\$1,338,107
			<b>\$344,919</b>	\$3,000,000		
20	2.95%	n/a	n/a	\$200,716	<b>\$200,716</b>	\$4,014,322
20	<b>2.00%</b>	0.000%	\$17,246	\$183,470	<b>\$200,716</b>	\$4,014,322
			<b>\$574,865</b>	\$5,000,000		
20	2.95%	n/a	n/a	\$334,527	<b>\$334,527</b>	\$6,690,537
20	<b>2.00%</b>	0.000%	\$28,743	\$305,784	<b>\$334,527</b>	\$6,690,537
			<b>\$1,207,217</b>	\$10,500,000		
20	2.95%	n/a	n/a	\$702,506	<b>\$702,506</b>	\$14,050,128
20	<b>2.00%</b>	0.000%	\$60,361	\$642,146	<b>\$702,506</b>	\$14,050,128
			<b>\$4,024,057</b>	\$35,000,000		
20	2.95%	n/a	n/a	\$2,341,688	<b>\$2,341,688</b>	\$46,833,759
20	<b>2.00%</b>	0.000%	\$201,203	\$2,140,485	<b>\$2,341,688</b>	\$46,833,759

# Questions