



FINANCIAL & CONSTRUCTION ASSISTANCE PROGRAMS
IN THE OFFICE OF DRINKING WATER

February 16, 2021

Office of Drinking Water

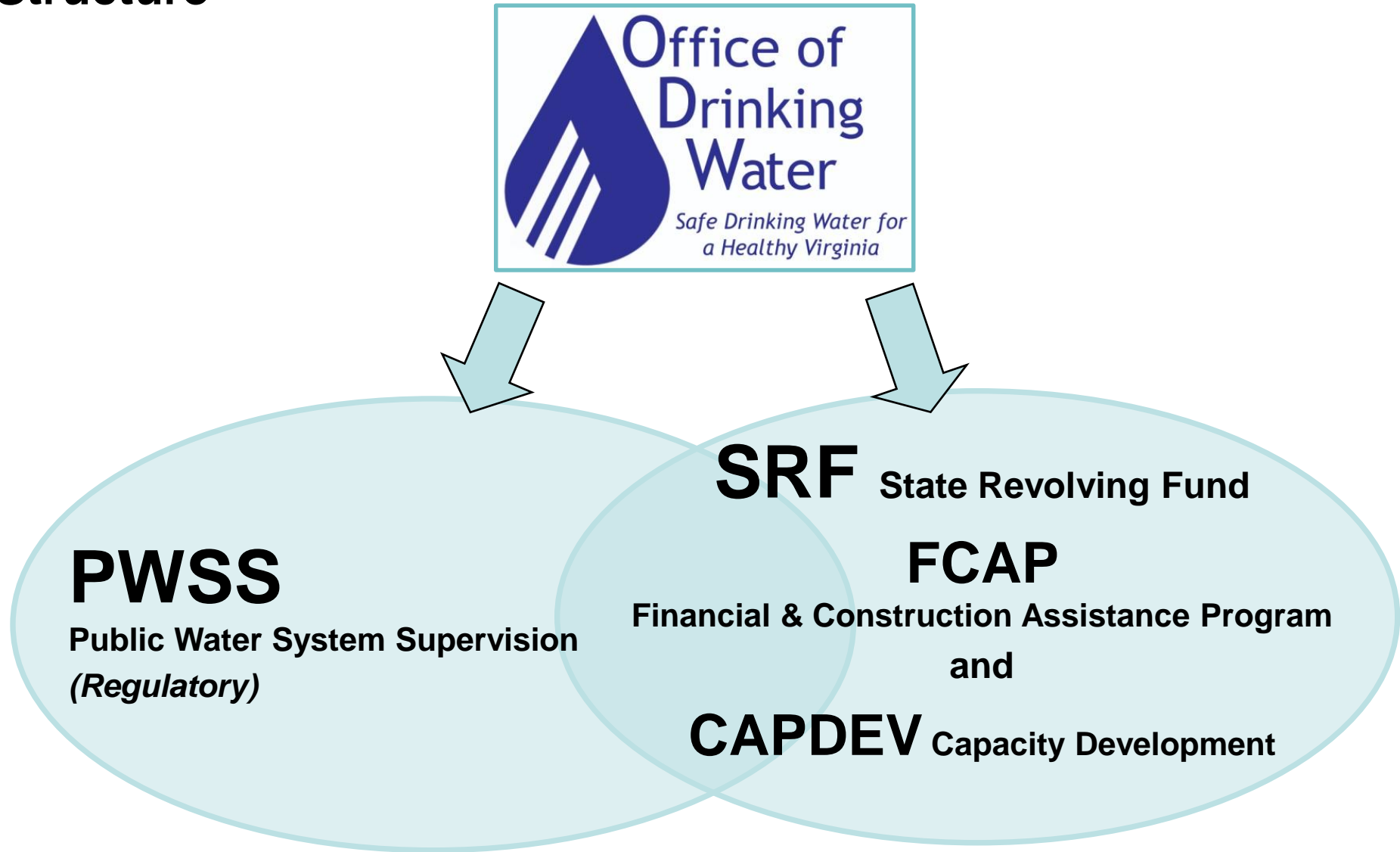
Mission

Protect public health by ensuring that all people in Virginia have access to an adequate supply of clean, safe drinking water that meets federal and state drinking water standards.



<http://www.vdh.virginia.gov/drinking-water/>

ODW's Role & Structure



Drinking Water State Revolving Loan Fund (DWSRF) Goal

Provide a comprehensive and integrated technical and financial assistance program to waterworks through a balanced approach of using set-asides and construction funds.

Drinking Water State Revolving Loan Fund

Construction/Project Funds:

- Correcting public health problems and ensuring compliance with the Safe Drinking Water Act and state regulations
- Replacing Aging Infrastructure & Critical Assets
- Other

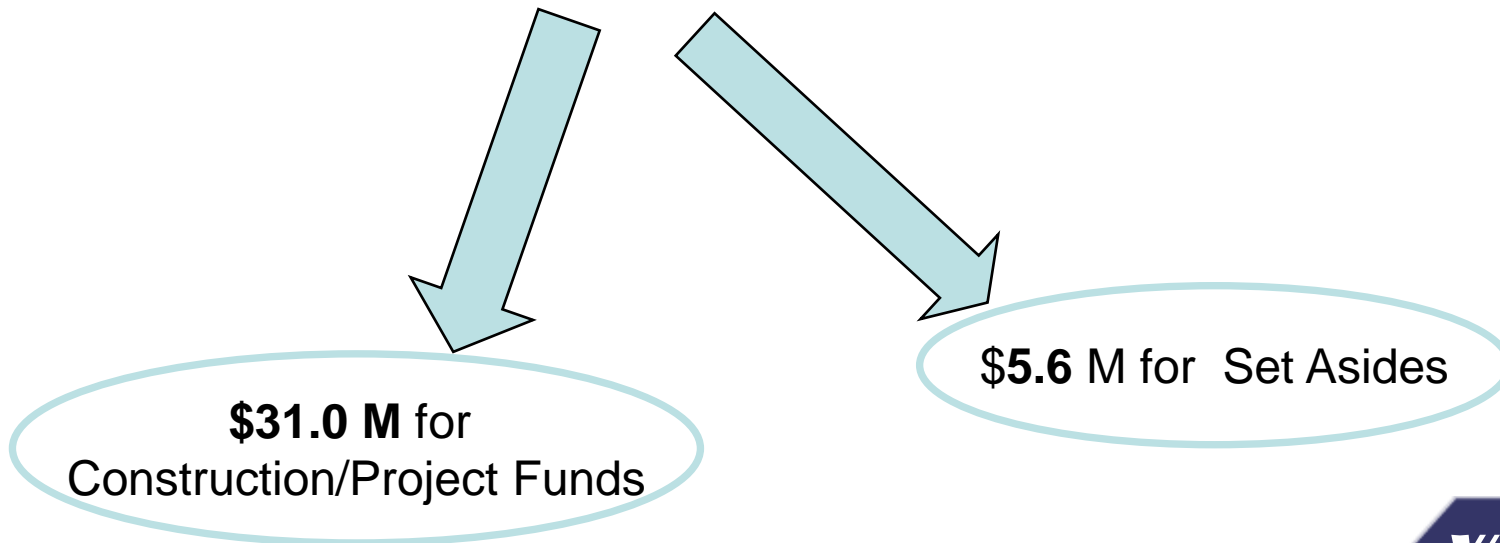
Set-asides Funds (non-construction):

- Enhance the long term capacity to produce safe drinking water
- Program admin, courses, scholarships, planning & design funds, direct technical assistance, & more!

Drinking Water State Revolving Loan Fund (DWSRF)

DWSRF simplified - Follow the Money - Ex. for 2021:

EPA grant =	\$18.0 M	(Determined by Feds, VDH applies annually)
State Match =	\$3.6 M	(20% required by each state)
Repayments =	<u>\$15.0 M</u>	(repayments on past loans)
Total =	\$36.6 M	



Construction Funding History

<u>SFY</u>	<u>Closed Loans/Grants</u>	<u>Projects</u>
1997 - 2018	\$ 375,857,119	370
2019	\$ 19,256,987	34
2020	\$ 12,316,030	20
<hr/>		
Total =	\$407,430,136	424

What's New for FY 22 Construction Funding?



What's New for FY 22 Construction Funding?

DWSRF Capitalization Grant Amount

- \$18M (approx.) to be available in 2022
- \$31M (approx.) intended for DWSRF construction projects awards.

Other Items of Interest

- VDH is in a position to fund large capital improvement projects. Phased approach for very large projects.
- Typical interest rates range from 1.5% to 2.5% with a 20 year term and 2.3% to 3.0% for a 30 year term (for 30 year term - needs to be disadvantaged).

What's New for FY 22 Construction Funding?

Funding Application Discussion Deadline Revised

- The Preliminary Engineering Conference (PEC) has been renamed the Funding Application Discussion and it is required for all proposed construction projects.
- The deadline to have a Discussion with the appropriate ODW Field Office is now **April 1** (previously March 1st)
- The applicant should bring a detailed project description and cost estimate to discuss with the Field Office.
- Document and submit the Discussion minutes with application.
- Preliminary Engineering Report (PER) can be funded as part of the construction application.

What's New for FY 22 Construction Funding?

- The **Construction Funds Application** has been updated and reorganized.
- Please make sure you download the **new instructions** for filling out the application.
- The number of Attachments has been reduced.
- The list of Attachments is now the last page of the Application.

What's New for FY 22 Construction Funding?

- The "**Disadvantaged Community**" status no longer needs FCAP Staff to make the determination.
- The status is 1% of the **Median Household Income (MHI)** for the area that benefits from the project.
- Disadvantaged waterworks qualify for 30 year loans and/or principal forgiveness.
- Waterworks may receive disadvantaged designation if taking over another waterworks which would be determined to be disadvantaged under this criteria, is considered failing, under performing, or by providing drinking water service to existing unserved areas with public health challenges.

What's New for FY 22 Construction Funding?

Small Construction Projects

- VDH reserves the right to award 100 percent principal forgiveness to small projects - to reduce program requirements, costs and to expedite awards.
- Limited principal forgiveness funds and limited staff to manage high number of small projects.
- VDH has limited these 100 percent principal forgiveness offers for small projects that have documented **acute health issues**. Projects with documented **chronic health issues** will be evaluated on a case by case basis.

What's New for FY 22 Construction Funding?

- Lead Service Line Replacement (LSLR) Program has been revamped and the Lead Elimination Assistance Program (LEAP) has taken its place.
- LEAP contains a new scoring system, developed just for LSLR projects.
- Marketing material have been developed and can be personalized for your project.
- Each year \$2,000,000 is dedicated to fund these projects, with a maximum grant award of \$500,000 per funding cycle. If larger amounts are needed, we can talk.
- VDH funded 8 LSL replacement projects since 2018.

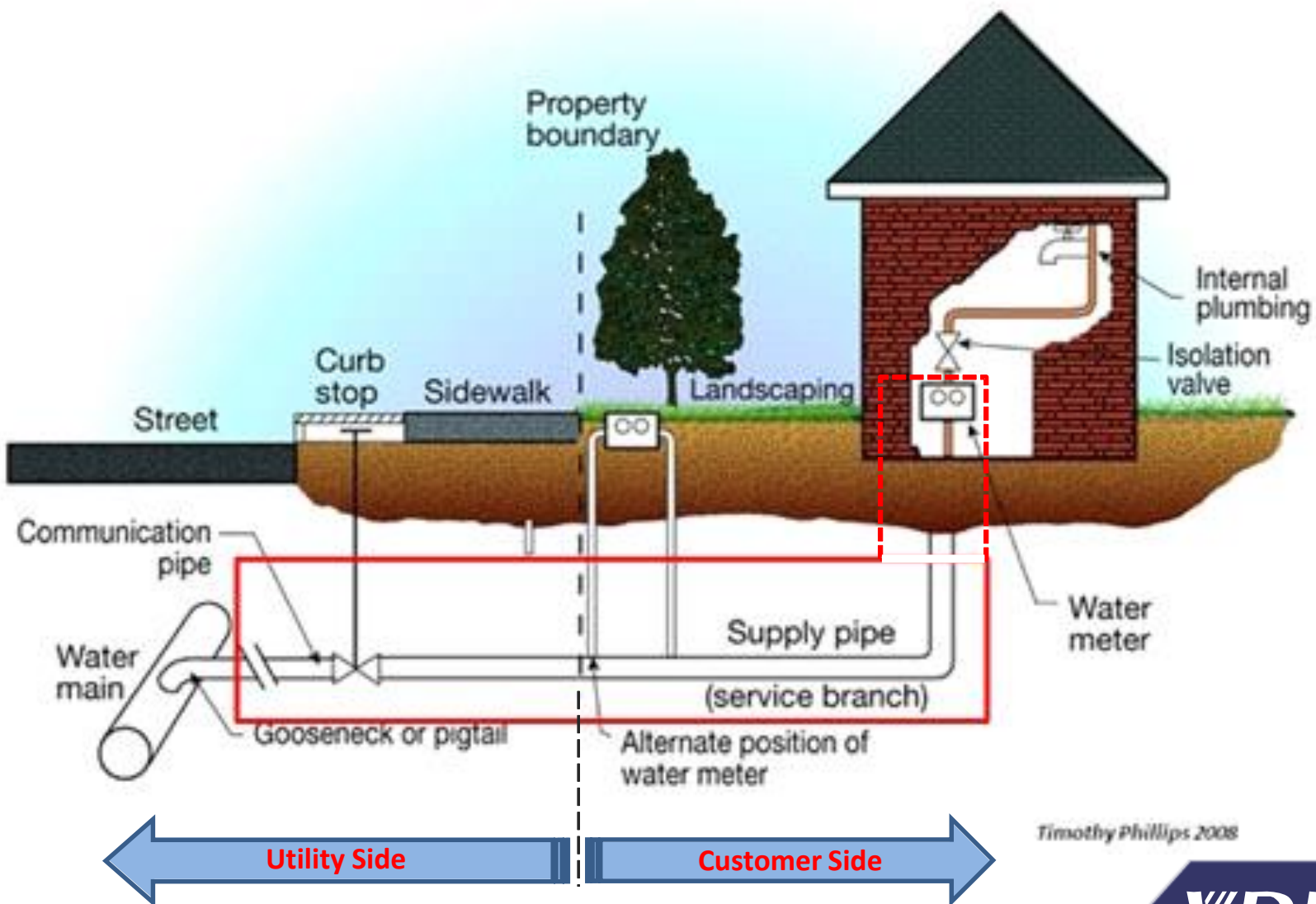
What's New for FY 22 Construction Funding?

- Eligibility = Community waterworks or non-profit non-transient waterworks owners who have confirmed or suspected lead service lines (includes utility and/or customer portion of the service line).
- Grant rebates of the lesser of the actual cost of replacement or \$5,000 per lead service line (LSL) replaced for the private portion of the lead service line replaced.
- Up to \$500 of the \$5,000 may be used for administrative/investigative work.
- VDH restricts the grant to a total of \$500,000 per applicant per funding year, and the administrative costs to \$25,000.

What's New for FY 22 Construction Funding?

- Lead Service Line (LSL) replacement must be a complete replacement (public and private side of the service line).
- Partial replacements are only eligible if the action completes the entire replacement.
- Includes pipe entry at or into the structure - up to and including a shut off valve.
- Excludes premise plumbing.

Lead Service Line Replacement Schematic



Timothy Phillips 2008

What's Continued From Previous Years?

To be
continued...

What's Continued From Previous Years?

Readiness to Proceed

- Funding offers may not be made to waterworks owners that have more than two open DWSRF funded projects.
- VDH reserves the right to determine this on a case by case basis and will consider many factors including acute and/or chronic health issues.
- Applicants can withdraw from consideration any open project that they believe are of lesser priority to reduce the number of open DWSRF projects.
- Interest rate reduction of 0.25% if loan is closed within 12 months of the Award Letter date.

What's Continued From Previous Years?

Water Line Extension to Serve Failing Private Wells

- ODW will consider providing principal forgiveness (PF) for projects that qualify as disadvantaged.
- Others may be eligible for low interest loans.
- Documentation to support private well issues.
- No funding for private service lines.

Amount of PF per residential connection for actual to target ratio (actual user rate/target user rate) of:

- \$0 - ratio less than 1.0 (unless adjusting/raising rates)
- \$12,500 - ratio of 1.0 to 1.25
- \$25,000 - ratio greater than 1.25

What's Continued From Previous Years?

Consolidation/Regionalization

- ODW encourages the consolidation of ownership of small (or failing) systems to better leverage economies of scale and the capacity of the existing/larger system.
- ODW reserves the right to require regionalization for small (or failing) systems to improve financial capacity as a condition of the funding.
- Loans to consolidate (acquire ownership by transfer of assets and liabilities) waterworks may receive special funding if the waterworks to be acquired is considered failing, at-risk of failure, or has inadequate technical, managerial, and financial (TMF) capacity.

What's Continued From Previous Years?

Reminders regarding Median Household Income (MHI)

- Use MHI from area that benefits from the project.
- Use US Census Website to obtain MHI.
- If US Census Website Data does not appear to be representative of the project area - Income Survey an option.
- Use VDH's Income Survey Template (on website) or use your own if the form is materially the same as ODWs.

Income Survey -- Percent Required

- 100 residential connections and under = 80%
- 101 to 500 residential connections = 75%
- Greater than 500 residential connections = 66.6%

What's Continued From Previous Years?

Asset Management Plans

Approximately 50% of the applicants have them, however,

Starting in 2018 all applicants to the DWSRF:

- Required to have an AMP, or Capital Imp. Plan,
- Can include either in their project's const. cost.
- Receive extra DWSRF points in scoring.

The DWSRF and the Cap Dev Division:

- Will provide up to \$15,000 as grant funds for those that do not have a AMP or CIP.
- DWSRF procurement guidelines.
- Will provide a template upon request.
- Will provide other assistance.
- Will review and track AMP submissions.

What's Continued From Previous Years?

Building Financial Sustainability

- VDH reserves the right to require the implementation of rate changes including but not limited to annual rate increases.

How may VDH assist you?

- VDH intends to offer reduced interest rates (up to 25 bps) for recipients that commit to compound annual rate increases of at least 2% a year for five years as long as any additional funds generated are for the use of the waterworks.

What's Continued From Previous Years?

Projects in the Eastern Virginia Groundwater Management Area (EVGMA) Only:

- To conserve water in the EVGMA, VDH reserves the right to give precedence to water projects that do not involve withdrawal of groundwater from the coastal plain aquifer over those projects that do withdraw groundwater in the EVGMA.
- VDH will only apply this evaluation to equally ranked projects when both are located in the EVGMA.

DWSRF Funding Eligibility and Program Details



Construction Loan Eligibility Criteria

Applicants:

- Current or Future waterworks owners
- Community type waterworks
- Non-Profit Non-Community type waterworks
- Political Subdivisions (towns, cities, counties) & Public Service Authorities
- Private/investor owned waterworks

Any sized waterworks that meets the above criteria is eligible to apply.

Not for state, tribal, or federally-owned waterworks.

Construction Loan Eligibility Criteria

Project priorities:

- Correct/prevent public health compliance problems,
- Improve the Technical, Managerial, and Financial (TMF) Capacity of the waterworks, and/or
- Improve reliability, sustainability or resiliency

Not meant for:

- *Growth or economic development*
- *Fire protection*
- *Reservoirs*
- *Emergency projects*

Construction Loan Eligibility Criteria

Not meant for (continued from previous slide):

Per EPA requirements:

- Water systems that lack adequate technical, managerial, and financial (TMF) capacity or that cannot achieve adequate TMF capacity are ineligible for financial assistance from DWSRF funds.

Construction Loan Eligible Projects

New Construction, repair, replacement or improvement of:



Source, Treatment...

Construction Loan Eligible Projects



Monitoring/Control, Distribution,
Emergency Power, Security...

Construction Loan Eligible Activities

Projects Can Include:

- Preparation of Preliminary Engineering Reports
- Development of Plans and Specifications
- Leak Detection Studies and Water Audits
- Asset Management Plans
- Well Drilling and Development
- Land Acquisition/Conservation Easements for Source Water Protection/Development

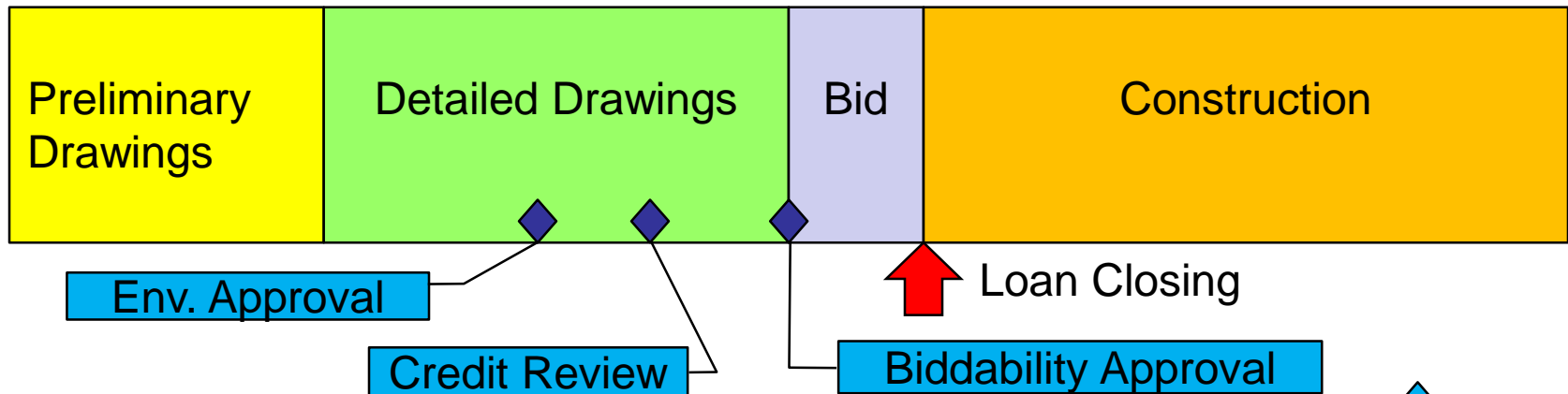
These eligible activities can be included as part of the overall Construction Project!

Drinking Water Funding Program Details

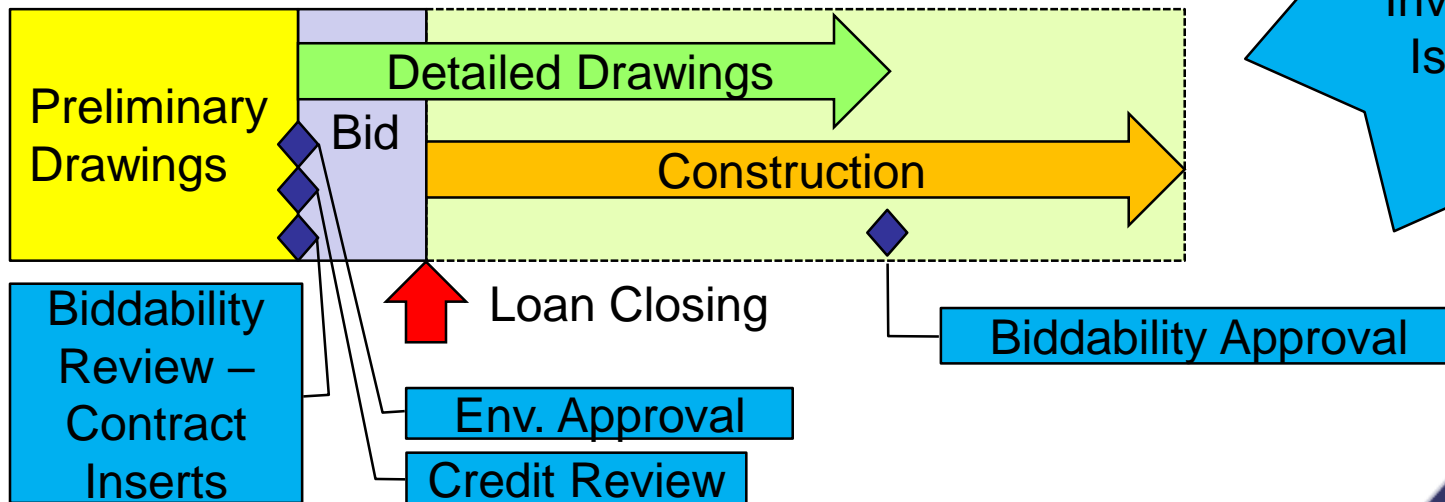
Design-Build and Construction Management at Risk

- Design-Build, Construction Management at Risk (CMAR) and other alternative project delivery methods can be funded.
- Locality needs ordinance to authorize alternative project delivery method.
- VDH's first design build funded project (\$5.6 M in VDH FY 17 funding). Construction complete.

Project Delivery Comparison, FCAP



Traditional **Vs.** Alternative (Design-Build)



**EARLY
Field Office
Involvement
Is Critical!**

Water Debt - Refinancing

- VDH's Program allows for refinancing local public dept obligations related to drinking water infrastructure.

Criteria:

- Construction started and such debt was incurred after July 1, 1993.
- Davis-Bacon wage requirements met when construction initiated on or after October 30, 2009.
- American Iron and Steel requirements met when plans and specifications approved on or after January 17, 2014.

Privately-owned systems are not eligible for refinancing.

Priority Ranking

As a condition of each capitalization grant ODW must develop a Project Priority List (PPL)

- Evaluate projects based on an EPA-approved criteria
- Rank projects in priority order
- Offer funding in strict priority order
- Make the PPL available to the public
- Establish a public comment period/meeting
- Address public comments
- Allow for EPA review/approval
- Allowed to by-pass projects
- Unfunded projects are welcomed in subsequent years

Priority Ranking

Priority is based on:

- Acute Health issues (e.g. enforcement, BWN, SWTR/TCR violations, GUDI)
- Chronic Health issues (e.g. PMCL violations, lead/copper, ETT>10)
- Public Health (e.g. imp. pressure, reduce leakage, inadequate individual home water supplies, SMCLs, ETT 5 to10)
 - Compliance with Regulations
- Other Factors:
 - Rates as related to Median Household Income
 - Regionalization
 - Readiness
 - Availability of other funds
 - Projected cost per connection
 - Sustainability/reliability/GPR

However!

While priority is based on Acute, Chronic, Public Health - VDH has funded many types of projects.

Do you need funding assistance for the following? How may we assist you with:

- Aging Water System Infrastructure
- Replacing Critical Water System Assets
- In general - “taking care of what you currently have”

We encourage all waterworks owners with eligible projects to apply!

Financial Assistance Packages

Construction Projects and Refinance Loans

- Funding about 20 - 25 projects annually
- Average project size is about \$1-3 M.
- Largest Leveraged projects = \$37 M (under construction), \$35 M (loan closing scheduled)
- Largest Non-Leveraged projects = \$14.5 M (complete), \$5.8 M (pending loan closing)
- Core program:
 - 20 year loan term
 - Interest rate is 1% below the 20 year AA municipal bond market. (Currently 1.5% to 2.5%)
- VDH disadvantaged designation:
 - 30 year term, typical interest rate = 2% to 3%
 - Principal forgiveness (grant) funds available if criteria met

Disadvantaged

- Disadvantaged waterworks qualifying for 30 year loans and/or principal forgiveness --- **must have or will have average monthly water user rates that exceed the monthly target water rates.**
- Target rate = $x \% \times \text{Median Household Income (MHI)}$
- Use MHI from area that benefits from project
- The target rate based on the percentage used for “x”.

Financial Assistance Packages

Small Construction Grants

- Must be designated by VDH as disadvantaged
- VDH reserves the right to limit these 100 percent principal forgiveness offers for small projects that have documented **acute health issues**.

Construction Loans

- Core term offer (20 year term)
- Loan with 30 year term - if designated by VDH as disadvantaged

Construction Grant and Loan/Grant Blends

- Must be designated by VDH as disadvantaged

Notes:

- (1) Length of loan won't exceed life of asset being funded
- (2) All expenditure reimbursement

Other Items to Note

FCAP Funding:

- Typical timeline is 3.5 yrs from application to completion.
- **Many repeat applicants**
- Larger projects - we have leveraged our funds and partnered with other sources
- Other:
 - **Credit review by Virginia Resources Authority (VRA) required on all loans**
 - Expenditure reimbursement - 5 business days
 - Payments start 6 months after project completion
 - No prepayment penalty - only borrow what's needed.
 - Bond Counsel is required for Public Entities
 - Letter of Credit is required for Private Entities

Applications

Typical Annual Cycle:

February	ODW website updated
April 1 st	Funding Application Discussion with Field Offices must be complete
May 1 st	Application deadline (construction, refinance, source water protection)
July/Aug.	Funding offers made
Sept./Oct.	Award letters
Oct./Nov.	Initial meetings

***No Application Fee!**

***No Local Match for Most Applications!**

***Funding Application Discussions must be scheduled ASAP**

On line at: <http://www.vdh.virginia.gov/drinking-water/fcap/>

Drinking Water Funding Program Requirements

Procurement

- All applicants must abide by the Virginia Public Procurement Act (VPPA) for all VDH funded activities.
- All applicants must abide by the EPA's requirement for Minority and Women's Business Enterprises (MBE/WBE) Good Faith Efforts.
- All procurement for VDH funded activities must be reviewed/approved.

Drinking Water Funding Program Requirements

Preliminary Engineering Report (PER) and Plans/Specifications

If required by the ODW Field Office:

- PER - ODW Field Office and funding agency must review/approve.
- Plans/specifications - ODW Field Office and funding agency must review/approve.

Environmental Review

- An environmental review is required for every VDH funded project.
- Environmental Assessment or Categorical Exclusion.

Drinking Water Funding Program Requirements

Davis-Bacon Wage Requirement

Applies for SRF construction projects. The Davis-Bacon Act has been added to the list of Federal cross-cutter requirements.

American Iron and Steel Requirements

Applies to SRF construction loan projects with plans and specifications approved on or after 1/17/2014. Funding recipients and contractors certify compliance.

VDH reviews the information above during on-site construction project evaluations.

FCAP Applications - Refinance, Construction, and Source Water Protection



<https://www.vdh.virginia.gov/drinking-water/fcap/drinking-water-funding-program/>

ODW Applications - On Our Website






PROGRAM DOCUMENTATION

- a. [Funding Announcement letter](#)

MANUALS

- a. [DWSRF Program Design Manual](#) 
- b. [WSAG Program Guidelines](#)

APPLICATIONS — *Please note application review deadline above.*

- a. [Refinance Loan Application](#) [PDF](#)  | [Word](#)
- b. [Construction Funds Application](#) [PDF](#)  | [Word](#)
- c. [Construction Funds Application Instructions](#)
- d. [1452K Source Water Protection Initiative Application](#) [PDF](#)  | [Word](#)
- e. [Planning & Design Fund Application](#) [PDF](#)  | [Word](#)
- f. [Planning & Design Fund Application Instructions](#) 

OTHER FACTSHEETS/FORMS

- a. [Program Comment and Set-Aside Suggestion](#)
- b. [Construction Project Schedule](#) [Excel](#) | [Word](#)
- c. [Cash Flow Template](#)
- d. [Resources Available](#)
- e. [Example Resolution](#)
- f. [Income Survey Template](#)
- g. [Factsheet MBE/WBE Requirements](#)
- h. [Certification Regarding Lobbying](#)
- i. [Building Financial Sustainability](#)
- j. [User Rate Analysis](#)

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All Applications - Friendly Reminders

- Federal DUNS and CCR numbers - if you don't have these numbers when you apply, please note this. These will be required if you receive/accept a VDH funding offer.
- **Remember to sign/date the application.**
- Please submit all required attachments. If an item is not applicable, then note "N/A". Most items will be applicable.
- Fill out the complete application - no blanks please.
- Please submit two complete sets of the application and two complete sets of all required attachments.

What Happens After the Applications Are Submitted?

- May 1 (or thereabouts) - VDH Applications are due every year. Applications can be hand delivered by 5:00 on the due date or postmarked for mail delivery.
- Submit all applications to address listed on first page - Richmond Central Office (where they are logged in).
- Within 2 weeks, the applications will be reviewed.
- If application lacks an attachment/further clarification is needed - you and your consultant (if consultant listed on application) will be contacted during this timeframe via e-mail.
- Deadline provided for needed information.

What Happens After the Applications Are Submitted?

- If application is woefully incomplete or the activity applied for isn't eligible, then it will not be scored/ranked.
- After the Program review period, the appropriate ODW Field Office will also review the applications.
- Capacity Development Review (TMF, Waterworks Business Operations Plan required?).
- Scoring/ranking of all applications finalized.
- Approx. July/August - funding offers made.

Contacts

VDH Richmond Central Office - FCAP Contacts

1. Kelly Ward, Division Director

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FCAP Project Contacts

Lexington Field Office

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3. Matt Beyer, Program Support Technician
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Abingdon Field Office

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As of February 1, 2021

Questions?

FCAP Related Questions? Contact:

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Keith J. Kornegay, P.E., Project Team Leader

Email: Keith.Kornegay@vdh.virginia.gov (540) 463-0420

*Other FCAP Team Members are available to assist with questions.