The Drinking Water State Revolving Fund: Set-asides 101

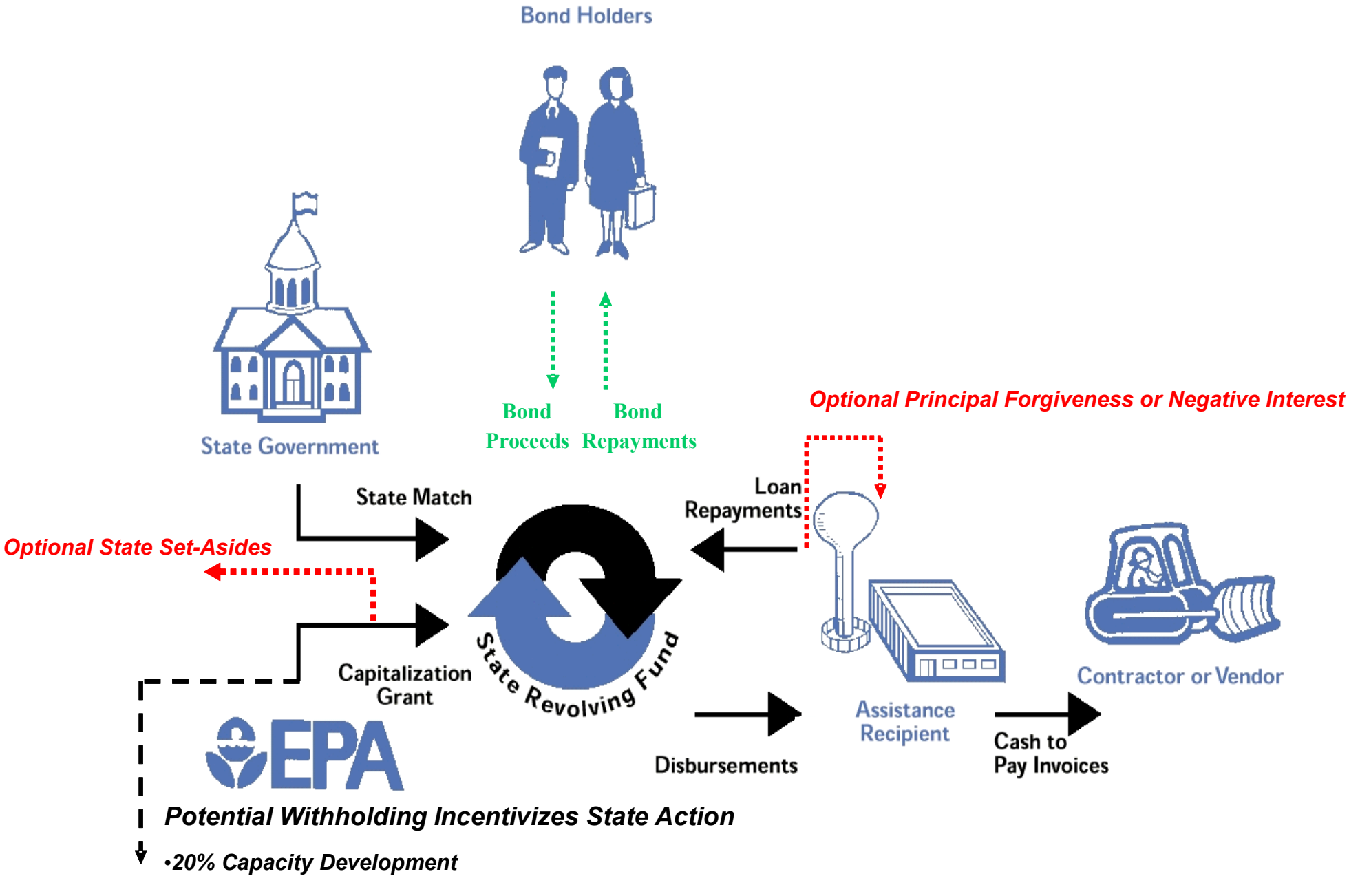
DWSRF and Building Capacity Webinar Series

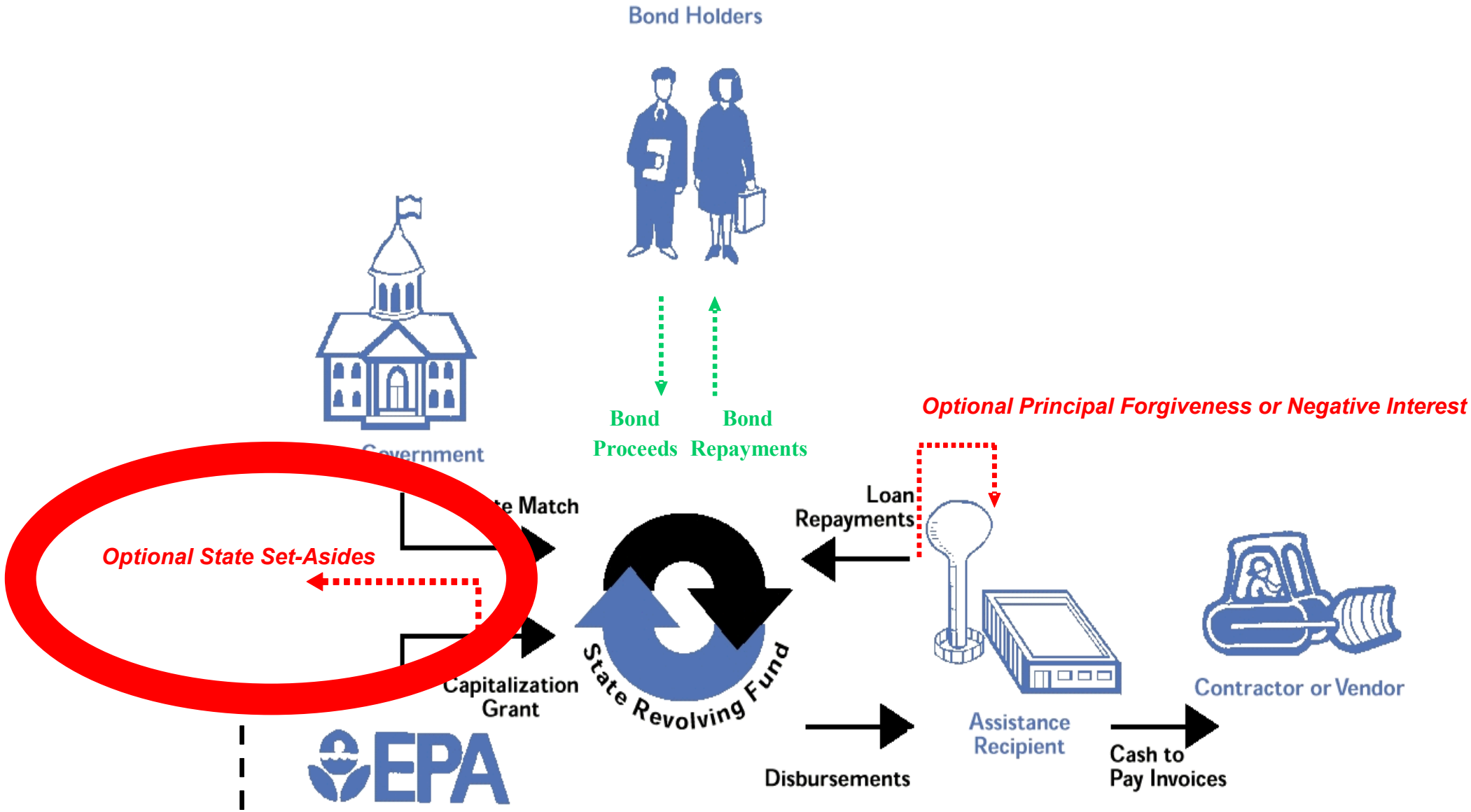
July 15th, 2020

What is the DWSRF?

- **A public health protection program**
- A federal/state partnership designed to create, in each state, a perpetual source of financing for drinking water infrastructure
- Modeled after the successful Clean Water SRF program, with notable modifications

- **Has both infrastructure and non-infrastructure components**
- Provide access to credit and permanent source of funding for water infrastructure (loan fund)
- Provide non-infrastructure support to states and communities (set-asides)
  - Small Systems Technical Assistance (2%)
  - Administrative (4%)
  - State Program Management (10%)
  - Local Assistance (15%)


Bond Holders
State Government
Bond Proceeds
Bond Repayments
Optional Principal Forgiveness or Negative Interest
State Match
Loan Repayments
Optional State Set-Asides
Capitalization Grant
State Revolving Fund
EPA
Disbursements
Assistance Recipient
Contractor or Vendor
Cash to Pay Invoices
Potential Withholding Incentivizes State Action
•20% Capacity Development
•20% Operator Certification



Potential Withholding Incentivizes State Action

- ***20% Capacity Development***
- ***20% Operator Certification***

Not all drinking water problems can be fixed with new or improved infrastructure

Set-asides are central component of DWSRF

- Provide additional tools for states to help achieve the public health protection objectives of SDWA
- Can be strategically focused:
  - to complement infrastructure financing
  - to strengthen PWSS program
  - to implement "preventive" SDWA programs (CapDev, OpCert, SWP)

States may take up to ~31% of their capitalization grants for set-aside activities

Purpose	Set-Aside Amount (up to)
Technical assistance to small water systems	2%
Administration of DWSRF and technical assistance to water systems	*Greatest of:* **4%,** $400k or 1/5th of a Percent of Fund Valuation
PWSS and related programs • Administer PWSS program and SWP programs • Implement Capacity Development Strategy and Operator Certification Program	10%
Assistance to Public Water Systems for source water protection and capacity development • Loan to acquire land/conservation easement for SWP • Loan to implement voluntary SWP measures • Provide assistance to PWS for Capacity Development Strategy • Establish/Implement Section 1428 WHP Program	15%

Small System Technical Assistance

- Up to 2% of each cap grant
- To provide technical assistance to systems serving < 10,000 persons
- Example activities:
  - Direct assistance with applying for DWSRF funding
  - Planning & design for infrastructure projects
  - Development and implementation of an Area-Wide Optimization Program (AWOP)
  - Assistance via third-party contracts

Administration & Technical Assistance

- Up to the greatest of 4% of cap grant, $400k or 1/5th of a percent of the fund valuation
- To fund administrative activities necessary to implement the DWSRF Program; Provide technical assistance to PWS's of any size
- Examples of activities:
  - Administering the state DWSRF Program
  - Developing and managing a cash flow model
  - Working with applicants throughout the loan process
  - Developing outreach materials and reporting documentation

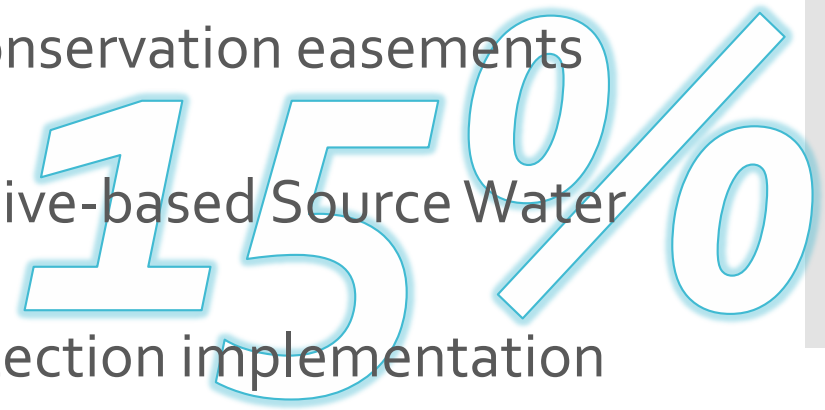
State Program Management

- Up to 10% of each cap grant
- Administer the State PWSS Program
- Develop and implement Operator Certification and Capacity Development Programs
- Administer or provide technical assistance through Source Water Protection Programs

10%

Local Assistance & Other State Programs

- Up to 15% of each cap grant
  - May not exceed 10% of for any one type of activity
- To assist in the development and implementation of local DW initiatives and other DW related state programs
- Activities may include:
  - Direct technical or financial assistance to PWSs as part of a state Capacity Development Strategy
  - Support for wellhead protection programs
  - Loans to acquire land or conservation easements for SWP
  - Loans for voluntary, incentive-based Source Water Protection Activities
  - General Source Water Protection implementation



Reservation of Authority

- If you choose not to take all of the set-asides this year, you can "reserve authority" to take those funds from future capitalization grants
  - Except for the 15% set-aside
- Should be documented in the State's IUP

"Reservation of Authority" Example - $10M Cap Grant

Set-Aside Category	Set-Aside Amount *(up to)*	Maximum $ Amount	State Decides to Take	State May Reserve
Small System Tech Assist	2%	$200,000	**$200,000**	**$0**
Admin & Tech Assist	4%/$400k/ 1/5th percent	$400,000	**$300,000**	**$100,000**
State Program Management (PWSS)	10%	$1,000,000	**$900,000**	**$100,000**
Local Assistance & Other St Programs	15%	$1,500,000	**$1,000,000**	**n/a**

Set-Aside Ineligibilities

- Routine compliance monitoring
- Operation and maintenance

Central question: if you get one extra dollar… where is the highest value?

Infrastructure

Set-Aside

Thank you!

- Questions?
  - shattuck.dallas@epa.gov
  - www.epa.gov/dwsrf

Building Capacity in DWSRF

South Dakota's Use of DWSRF Set-Aside Funds

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SOUTH DAKOTA

2% Small System Technical Assistance Set-Aside Uses

Contract for Technical Assistance to Small Systems

- SD Association of Rural Water Systems for over 20 years
- Provide on-site technical assistance to operators

Small Community Planning Grants

- Engineering report to assist communities in reviewing their system

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SOUTH DAKOTA

Small Community Planning Grants

- Engineering Study/Facilities Plan development
- Limited to communities less than 2,500
- Pays 80% of cost of study, up to:
  - $8,000 for water studies
  - $10,000 for wastewater studies
- Review full system to include source, treatment, storage, and distribution
  - Not for specific projects
- Applications accepted continuously

DENR
SOUTH DAKOTA

15% Local Assistance Set-Aside Uses

Contract for Capacity Development Assistance

- All DWSRF applicants submit a capacity self assessment
- Midwest Assistance Program (member of RCAP) contracted for last 20 years to assist with gaining needed capacity
- Provide training for technical, managerial, or financial:
  - Technical - Sampling procedures, O&M manuals, Emergency Response Plans, water loss reviews
  - Managerial – board trainings, policies and procedures
  - Financial – rate review, record keeping, financial training

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Questions?

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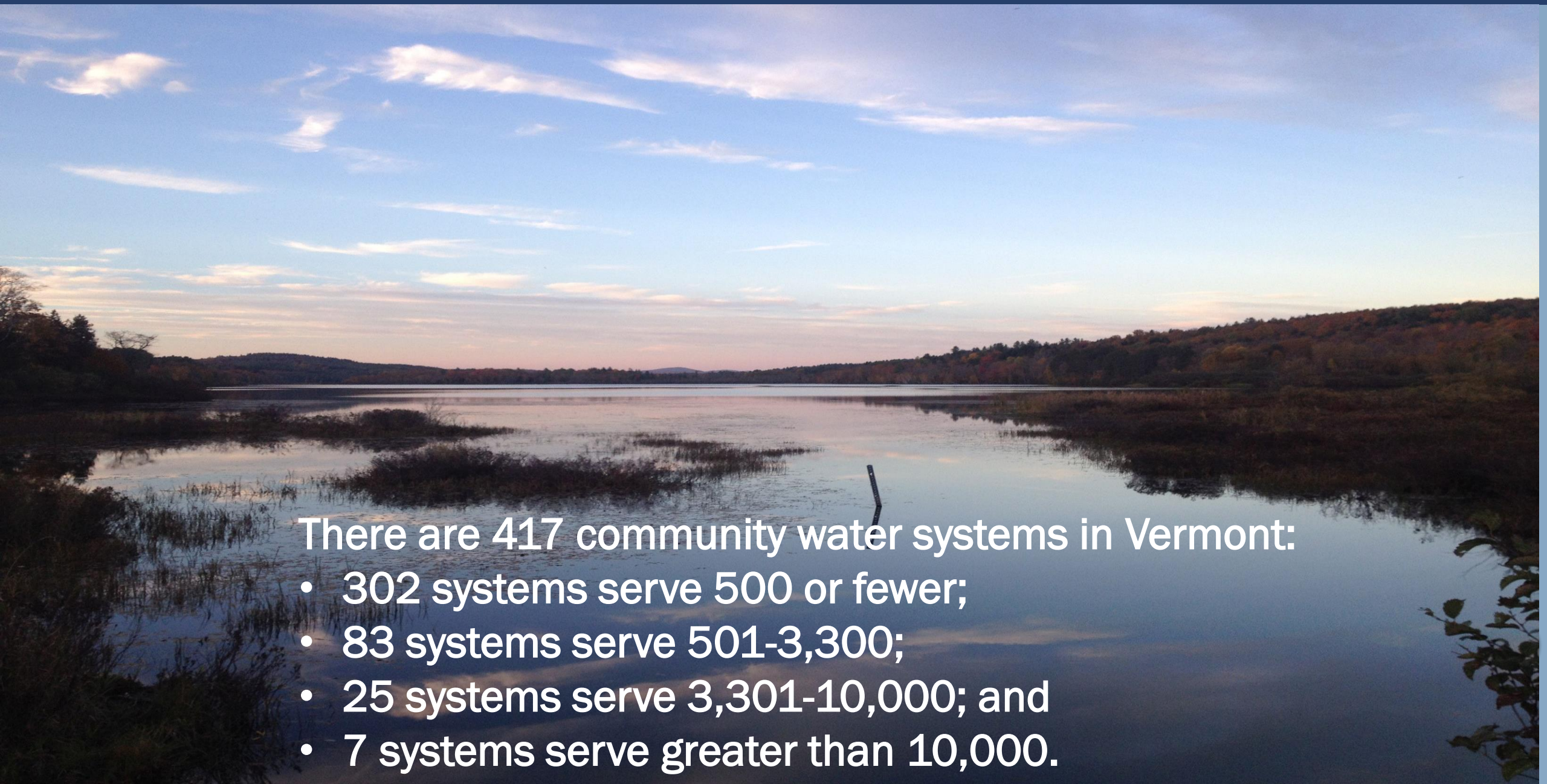
VERMONT'S APPROACH USING SET-ASIDES TO IMPROVE CAPACITY

http://dec.vermont.gov/water/drinking-water/capacity-dev

DRINKING WATER AND GROUNDWATER PROTECTION DIVISION

VERMONT

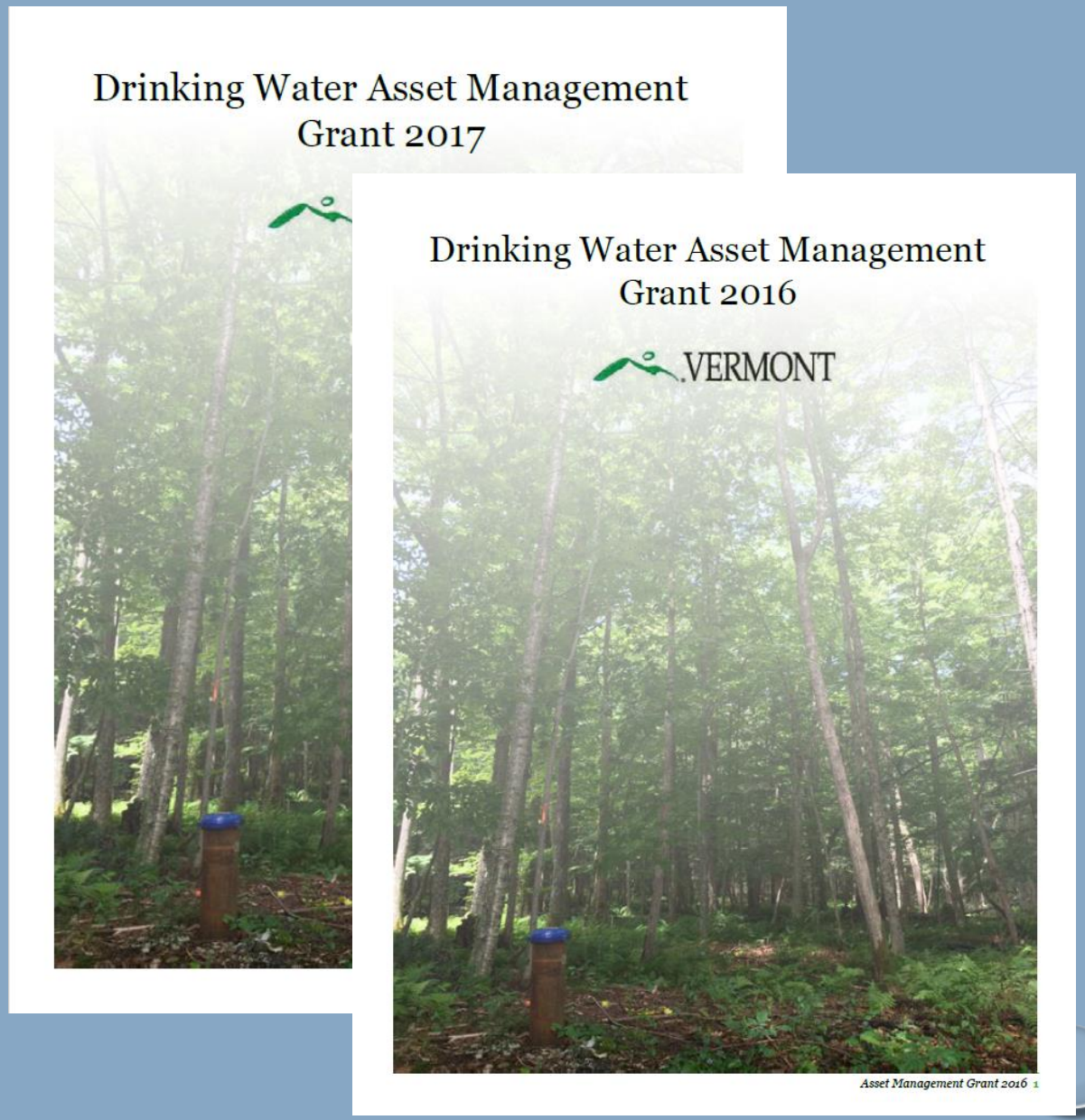


There are 417 community water systems in Vermont:

- 302 systems serve 500 or fewer;
- 83 systems serve 501-3,300;
- 25 systems serve 3,301-10,000; and
- 7 systems serve greater than 10,000.

ASSET MANAGEMENT TRAININGS

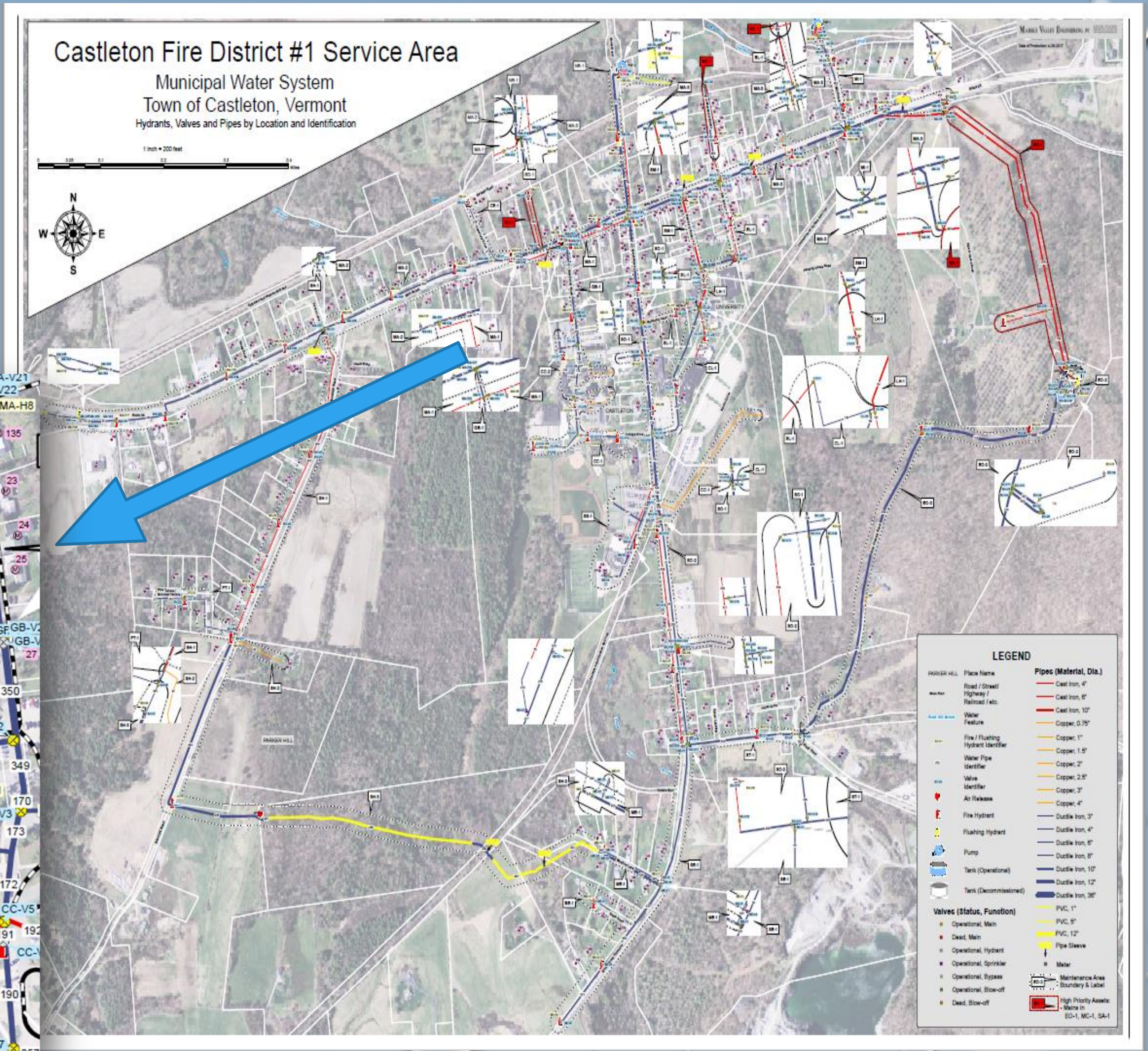
ASSET MANAGEMENT GRANTS

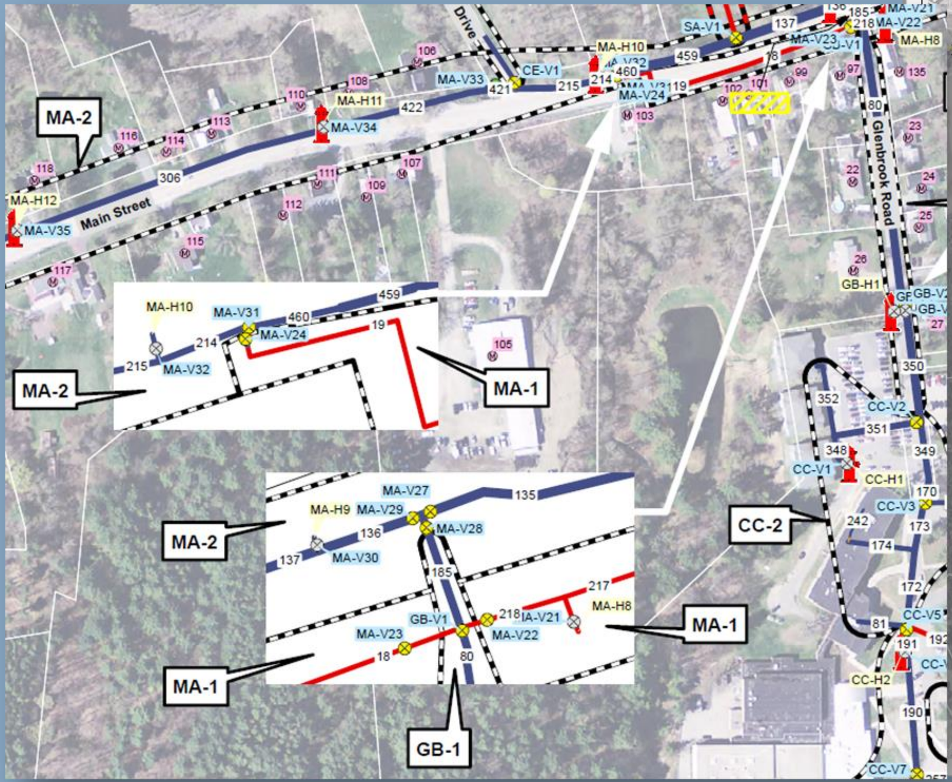


ASSET MANAGEMENT PLANNING LOANS

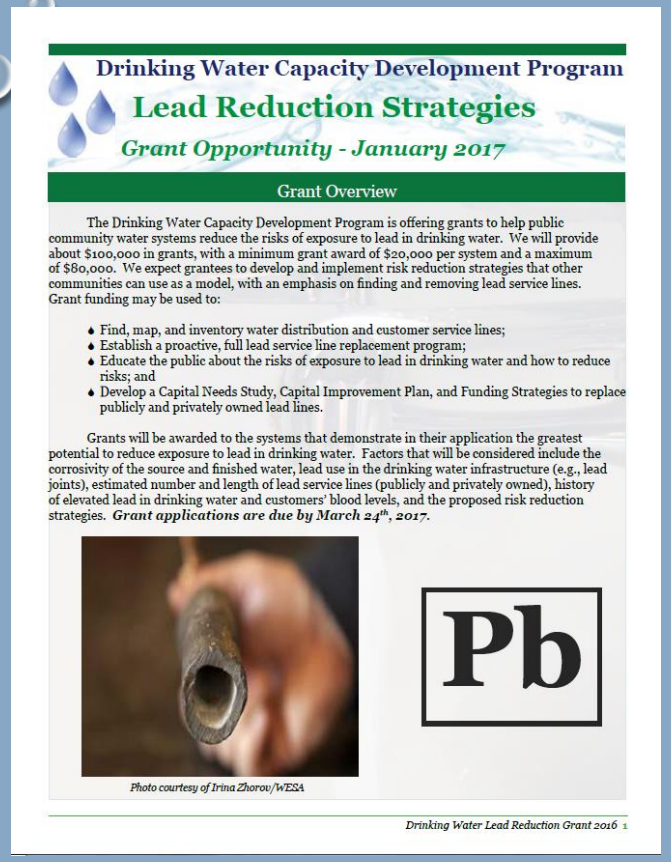
0.25MG_Reservoir_Assets

GlobalID	Asset	Make	Model	Serial_Num	Install Date	Condition	Category	Type	Capacity	Useful Life	Rem Life	Rep Year	Rep_Cost	Condition	POF	COF	Redundancy	Risk	Elevation	Photo
[illegible]	Vault				2000	good	Water	Valve Vault		30	12	2030	$8,000	3	3	3	1	9		
[illegible]	Altitude Valve	Ross	30AWR	L02188	2002	good	Water	Altitude Valve		25	9	2027	$8,000	3	3	4	1	12		
[illegible]	Check Valve	AFC		8000872	2002	fair	Water	Flow Check valve		15	-1	2017	$800	3	3	3	1	9		
[illegible]	Valve Vault				2002	3	Water	Valve Vault	.025 MG	30	14	2032	$8,000	3.5	2.5	4	1	10		
[illegible]	0.25MG Reservoir				1930		Water	Reservoir		75	-13	2005		2	4	5	1	20	1082.52	
[illegible]	Wooden Shed				1930	3	Water	Reservoir Shed		50	-36	1980	$1,500	2.5	3.5	2	1	7		
[illegible]	Wooden Shed				1930	3	Water	Reservoir Shed		50	-36	1980	$1,500	2.5	3.5	2	1	7		
[illegible]	0.25MG Reservoir				1930		Water	Reservoir	0.25 MG	75	-13	2005		2	4	5	1	20	1082.84	





LEAD REDUCTION STRATEGIES GRANTS



Drinking Water Capacity Development Program

Lead Reduction Strategies

Grant Opportunity - January 2017

Grant Overview

The Drinking Water Capacity Development Program is offering grants to help public community water systems reduce the risks of exposure to lead in drinking water. We will provide about $100,000 in grants, with a minimum grant award of $20,000 per system and a maximum of $80,000. We expect grantees to develop and implement risk reduction strategies that other communities can use as a model, with an emphasis on finding and removing lead service lines. Grant funding may be used to:

- Find, map, and inventory water distribution and customer service lines;
- Establish a proactive, full lead service line replacement program;
- Educate the public about the risks of exposure to lead in drinking water and how to reduce risks; and
- Develop a Capital Needs Study, Capital Improvement Plan, and Funding Strategies to replace publicly and privately owned lead lines.

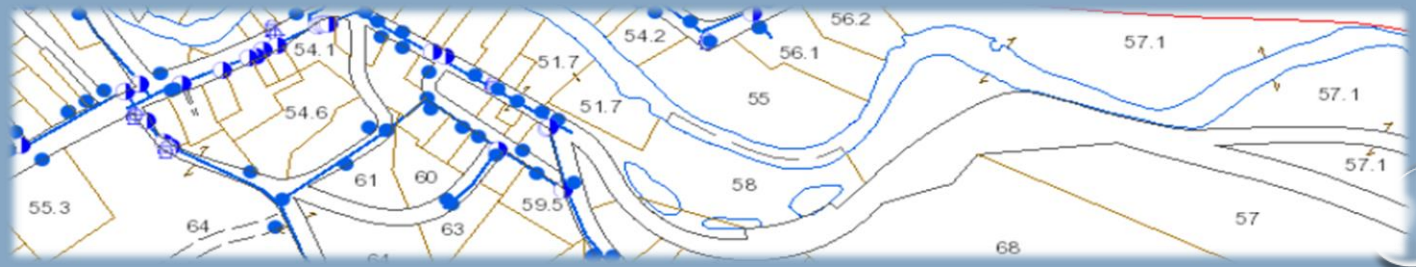
Grants will be awarded to the systems that demonstrate in their application the greatest potential to reduce exposure to lead in drinking water. Factors that will be considered include the corrosivity of the source and finished water, lead use in the drinking water infrastructure (e.g., lead joints), estimated number and length of lead service lines (publicly and privately owned), history of elevated lead in drinking water and customers' blood levels, and the proposed risk reduction strategies. ***Grant applications are due by March 24th, 2017.***

Photo courtesy of Irina Zhorov/WESA

Drinking Water Lead Reduction Grant 2016 1

Eligible Activities:

- Finding, mapping, and creating an inventory of water distribution lines and customer service lines;
- Establishing a proactive, full lead line replacement program;
- Educating the public; and
- Developing a Capital Needs Study, Capital Improvements Plan, and Funding Strategies to replace privately and publicly owned lead lines and other lead-containing infrastructure.



STAND BY POWER INITIATIVE

August 2011
Intake damaged from
Tropical Storm Irene

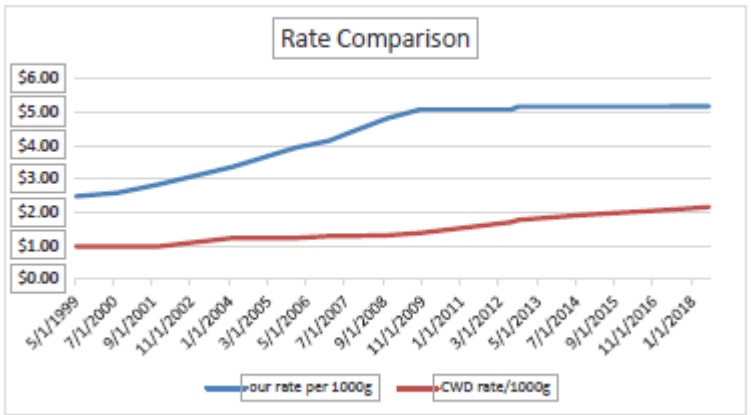
Repaired Intake May 2012

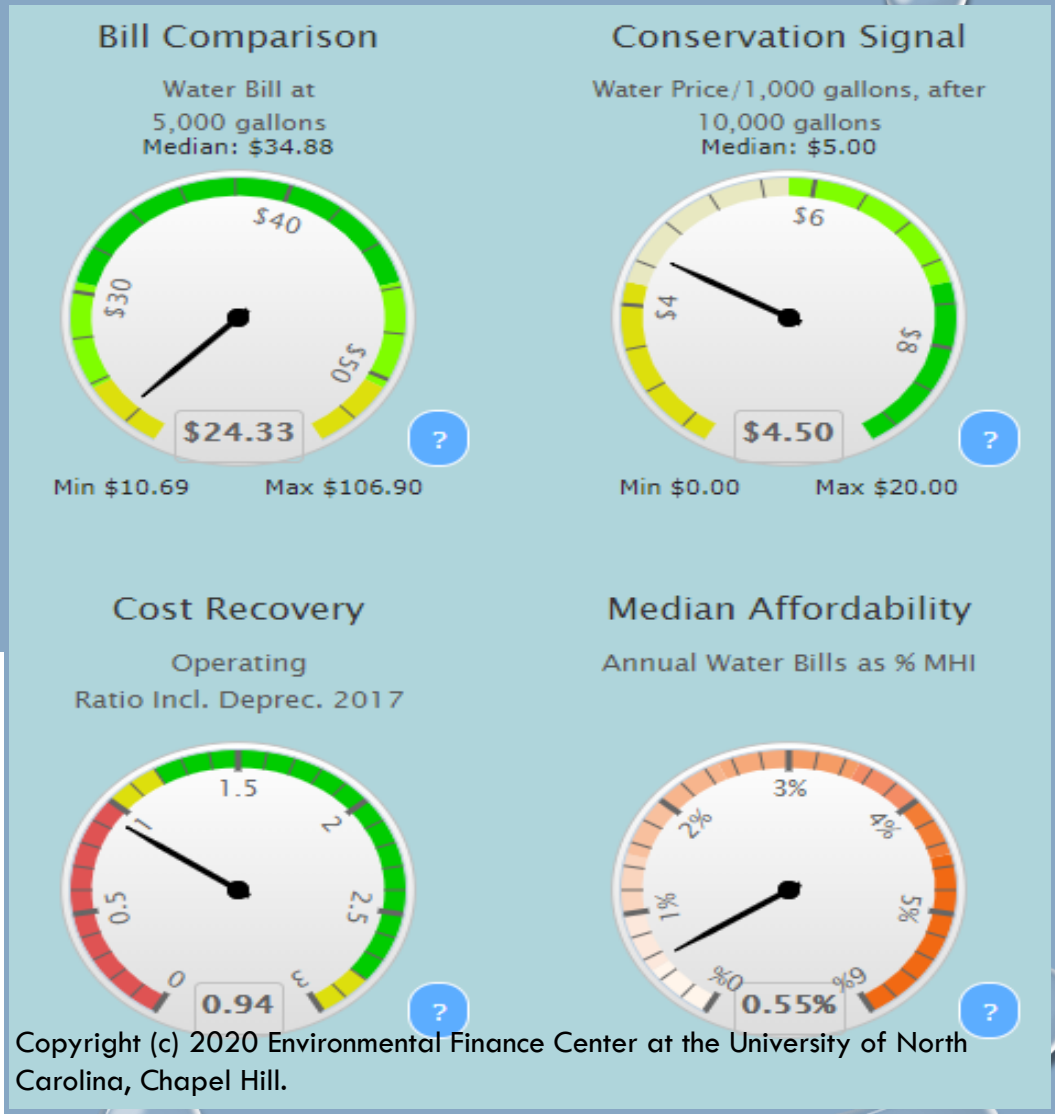
LEAK DETECTION

Water main break in Montpelier, VT (August 2011)

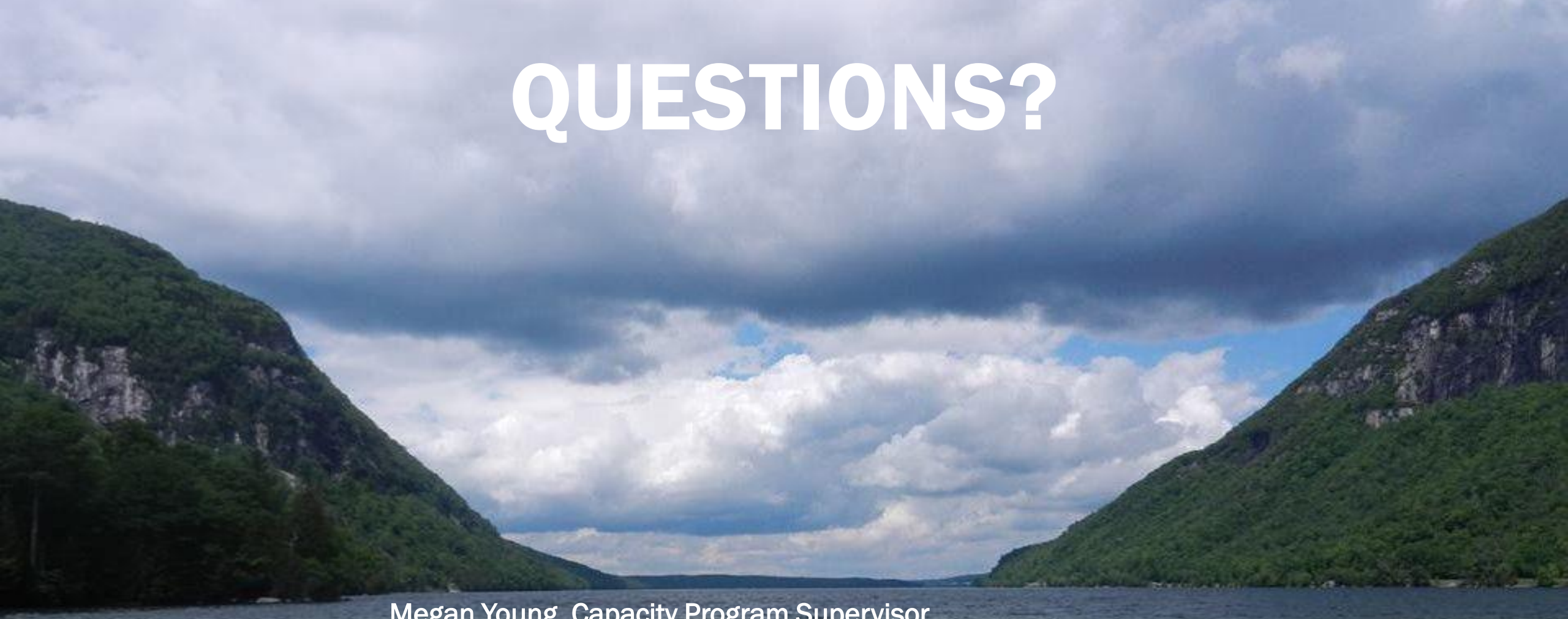
VALVE EXERCISING

RATES TRAINING & DASHBOARD





QUESTIONS?



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VT Drinking Water Capacity Development Program:
http://dec.vermont.gov/water/drinkingwater/capacity-dev