Drinking Water State Revolving Fund (SRF) Rulemaking

FSAWWA 2015 Fall Conference
Funding Infrastructure Improvements Workshop
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Authorized by:

- Federal Safe Drinking Water Act Amendment
  - Purpose
    - Strengthen Protection of Drinking Water.
    - Provide funding through DWSRF in perpetuity.

- Section 403.8532, Florida Statutes
  - Establishes infrastructure financing to assist public drinking water systems in achieving and maintaining compliance with the Safe Drinking Water Act.
Administered through:
• Chapter 62-552, F.A.C.
  ➢ Adopted 1998.
  ➢ Establishes Rules for DW State Revolving Fund Program.
Purpose of the Program

- Low interest loans to drinking water systems
- Principal forgiveness to financially disadvantaged communities
Who’s Eligible?

• All systems owned by local government and non-profit entities
• All investor owned systems under 1500 service connections
• Investor owned systems over 1500 service connections if for consolidation of small systems
What is eligible?

- Land purchased to locate facilities
- Acquisition as part of a consolidation
- Capacity purchase in an existing system
- Planning and engineering
- Construction & equipment purchase
What is not eligible?

- Facilities not included in water facilities plan or scope of work
- Construction by applicant’s employees
- Projects requiring less than $75,000 in funding
- Projects primarily intended to serve future growth or fire flow
**SRF Funding Cycle**

- Federal $
- State $
- Interest Income $
- Repayments
- Loans
- Project Sponsor
State FY 2016 Funds

- $32.3 Million Federal Capitalization Grant
- $6.47 Million State Match
- $91.6 Million Deobligated Funds
- $0.73 Million Recaptured Funds
- $39.5 Million Repayments
- $2.5 Million Interest Earnings
- $(0.97) Million Set Aside
- $172 Million TOTAL Available
DWSRF Interest Rate Savings

$3.26 Million Saved!

$10 million dollar loan over 20 year term
Proposed Rule Changes for Chapter 62-552

- Patterned after Chapter 62-503, Clean Water SRF Rules

- Areas of Significant Change
  - Loan type
  - Technical Services
  - Principal forgiveness
  - Interest rate
  - Other
Loan Type

Current Rule:
- Preconstruction
  - < 10,000 people
- Construction
- Allowances
  - % of as-bid cost

Proposed Rule:
- Planning - invoiced
- Design - invoiced
- Construction
Current Rule:
• No provision during planning & design
• Allowances

Proposed Rule:
• Available during planning & design
  ➢ Example – Pilot Study
• Invoiced Costs
Principal Forgiveness (i.e., Grant)

Current Rule:
- Disadvantaged community (MHI < State MHI)
- Public Health Risk Only
- One loan with principal forgiveness per Sponsor
- 65% or 85% of loan amount up to segment cap
Proposed Rule:

- Disadvantaged community (MHI < State MHI)
- Preference for Population < 10,000
- No public health risk required
- Linear Equation – based on MHI (80% weight) and Population (20% weight)
- 20% to 90% of loan
- No limit to number of grants per sponsor
Proposed Rule:

- Multiple loans vs. one loan
- Planning & design - 50% grant
- Asset Management Planning – 50% grant
- Technical Services during construction
  - 5% of construction costs eligible for grant at the formula percentage.
Interest Rate

Current Rule:
  • 60% of market rate (bond index)

Proposed Rule:
  • Linear Equation – based on MHI
  • 35% to 75% of market rate

Intent – allows a financially disadvantaged community to receive a greater interest rate reduction.
Other Rule Changes

- Appraisal Report for grant-purchased land
  - Report dated within 12 months of funding application.
- Pledged revenues and guarantees for a non-governmental sponsor being considered.
- Water and energy conservation implementation added to definition of project.
- Population served to define small community.
- Service area population and MHI used for each separate stand-alone PWS.
• Contingency portion of priority list will be called “Waiting portion”
  o Waiting portion - the portion of a priority list consisting of projects that are qualified to be on the fundable portion but cannot be placed on the fundable portion until there are sufficient funds.
Other Rule Changes – Priority System

• Tier 1 – Projects previously funded
• Tier 2 – New projects above a threshold priority score (500 is proposed)
• Tier 3 – All other projects
• Requiring 2% service fee on entire loan, including principle forgiveness portion.
• How to address private utilities, including for profit if law passes  
  o Financials  
  o Higher service fee
• Better incentivize conservation projects
• CMAR & Design Build Projects (not grant eligible)
• Require asset management for grant projects
Future Steps and Milestones

- Another Workshop?
- Notice of Proposed Rule – March 3
  - Rule Making Hearing, if requested.
- File JAPC Package – March 3
  - Notice of Change, if necessary.
- No Change Letter to JAPC – 7 days before filing
- File Certification Package – April 3
- Rule Becomes Effective (20 days after filing)
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Websites

• General DWSRF Program Information
  www.dep.state.fl.us/water/wff/dwsrf/index.htm

• Draft DWSRF Rule