Clean Water State Revolving Fund Program

January 14, 2010
Granbury, Texas

Texas Water Development Board

What is the Clean Water State Revolving Fund?

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Clean Water State Revolving Fund (CWSRF)

• The CWSRF provides low-interest rate loans to political subdivisions that are authorized to own or operate a wastewater system.

• The U.S. Environmental Protection Agency (EPA) provides a capitalization grant for the program on an annual basis.

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Clean Water State Revolving Fund (CWSRF)

Funds Committed

CWSRF $5.316 billion
(FY 1988-2009)
Eligible Borrowers

- Any political subdivision with the authority to own or operate a waste disposal plant in Texas
- Authorized Indian tribal organizations
- Political subdivisions or private entities seeking assistance for nonpoint source pollution control or estuary management projects

Eligible Projects

- WWTP Expansion
- Sludge Treatment Capacity Expansion
- Facilities Rehabilitation
- Collection System Rehabilitation/Overflow Control
- Unserved Areas
- Trunk Sewer, Diversion
- Trunk Sewer, Developing Area
- Reuse
- Nonpoint Source Pollution Control/Estuary Management

Interest Rates and Loan Terms

<table>
<thead>
<tr>
<th>Rates:</th>
<th>Disadvantaged = 0% or 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tier III (Federal) = 1.95% below market</td>
</tr>
<tr>
<td></td>
<td>Tier II (State) = 0.95% below market</td>
</tr>
<tr>
<td>Term:</td>
<td>Up to 30 years</td>
</tr>
<tr>
<td>Origination Fee:</td>
<td>1.85%</td>
</tr>
</tbody>
</table>

Disadvantaged Communities Funding Eligibility Criteria

1. Population of 25,000 or less
2. The area served by the project must have an Adjusted Household Income 75% of the State Median Household Income (Currently $36,662)
3. The Household Cost Factor for water rates must be greater than or equal to 1%, or the Combined Household Cost Factor for water and sewer rates must be greater than or equal to 2%.

MHI = Median Household Income
SFR 2010 state VA = $44,950
Disadvantaged Communities Funding Levels of Subsidy

If Adjusted MHI is: | Interest Rate is:
---|---
≤$36,866 and >$34,404 (≤75% and >70% of state MHI) | 1%
≤$34,404 (≤70% of state MHI) | 0%

CWSRF Savings on $10,000,000 Funding

<table>
<thead>
<tr>
<th>Funding Option</th>
<th>SRF Interest Rate (Projected)</th>
<th>CWSRF Savings on $10,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier II (State)</td>
<td>4.05%</td>
<td>$65,000</td>
</tr>
<tr>
<td>Tier III (Federal)</td>
<td>3.05%</td>
<td>$131,000</td>
</tr>
<tr>
<td>Disadvantaged</td>
<td>1.00%</td>
<td>$257,000</td>
</tr>
<tr>
<td>Disadvantaged</td>
<td>0.00%</td>
<td>$313,000</td>
</tr>
</tbody>
</table>

Note: For illustrative purposes only. Rates are locked in at closing.

Funds Available

<table>
<thead>
<tr>
<th>Funding Options</th>
<th>SFY 2010 (Projected)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disadvantaged Communities</td>
<td>$30 million</td>
</tr>
<tr>
<td>Tier III (Federal)</td>
<td>$50 million</td>
</tr>
<tr>
<td>Tier II (State)</td>
<td>$268.7 million</td>
</tr>
<tr>
<td>Total</td>
<td>$348.7 million</td>
</tr>
</tbody>
</table>

Getting Started – The Intended Use Plan (IUP) Process
• To be eligible for a CWSRF loan, entities must have their projects listed in the SFY 2011 CWSRF (IUP).

• The Intended Use Plan (IUP) is a document that describes how the state intends to use federal and state SRF moneys and identifies eligible projects on the Project Priority List.

• Having a project listed in the IUP does not obligate an entity to apply for funding.

• TWDB is currently soliciting CWSRF projects for the SFY 2011 funding cycle.

• Letters have been mailed to entities and stakeholders of the solicitation period.

• Notification has also been placed on the TWDB website.

CWSRF Solicitation Packets can be found online at:

http://www.twdb.state.tx.us/publications/forms_manuels/PGM_forms_main.asp#CWSRF

Contact Barbara Vanacek at (512) 463-7026 for hard copies of the packets.
CWSRF Intended Use Plan

The deadline for submitting CWSRF projects:

CWSRF Projects – January 22, 2010

CWSRF Intended Use Plan

Project Priority List

CWSRF projects are ranked by TWDB staff and listed in priority order on the CWSRF Project Priority List.

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Intended Use Plan

Principal Project

• The principal project is ranked and placed on the Project Priority List.

• The principal project consists of one or more construction projects that are intended to address specific system conditions.

• The cost of the principal project must be greater than 50% of the cost of all projects included on the Project Information Form.

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Intended Use Plan

Additional Projects

• Additional projects may be eligible to receive funding, as long as their costs represent less than 50% of the total project costs.

• The priority list is ranked based on the principal project only, not the additional projects.

• Additional projects can be from other service areas within the community.

• Additional projects are optional.
Principal Projects will be ranked by TWDB staff based on the following criteria:

- Enforcement Action
- Unserved Area
- Innovative and Alternative Collection or Treatment Technology
- More Stringent Effluent Limits

Contact: Suzanne Lucignani (512) 463-6277
suzanne.lucignani@twdb.state.tx.us

Important Dates

- Project Information Form and applicable worksheet(s) due
- Public hearing and comment period for draft Intended Use Plans
- Intended Use Plans submitted to TWDB board members for approval
- Entities invited to attend pre-application conferences and submit applications

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CWSRF Rating Criteria (Cont.)

Principal Projects will be ranked by TWDB staff based on the following criteria:

- Regional Projects
- Implementation of Regional Plans
- Diversion of Flow to Another Facility

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CWSRF Federal Requirements
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**SRF Federal Requirements**

### Funding Options

<table>
<thead>
<tr>
<th>Funding Option</th>
<th>Federal Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>CWSRF Tier III (Federal)</td>
<td>Environmental Information Document</td>
</tr>
<tr>
<td>CWSRF Tier II (State)</td>
<td>Environmental Information Document</td>
</tr>
<tr>
<td>CWSRF Disadvantaged</td>
<td>Environmental Information Document</td>
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Note: The CWSRF Disadvantaged and Tier II funding options are subject to state requirements on environmental review and procurement.

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**SRF Federal Requirements**

### DBE Procurement Compliance

- Procurement process for all prime contracts for services, equipment, supplies, and construction for federally funded projects.
- Requires demonstration of a "good faith effort" to procure the services of small, minority, and women-owned business enterprises.

Contact: Otis Williams (512) 463-1878  otis.williams@twdb.state.tx.us

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**Environmental Review**

Requires either of the following:

- Environmental Information Document (EID)
  - Analysis of alternatives to the proposed project
  - EID is submitted to pertinent agencies and the Board

- Categorical Exclusion
  - EID is not required if the proposed project qualifies for a categorical exclusion (i.e., projects involving only minor rehabilitation, expansion, or upgrade of existing facilities, functional replacement of equipment, or construction of related facilities adjoining the existing facilities that do not substantially increase the volume or loading of pollutants)

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**Potential New Requirements for CWSRF/DWSRF Funding**

All current SRF program requirements remain with the addition of:

- Davis Bacon Wage Requirements
- Buy American Requirements
- "Green Projects" Requirements
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Potential New Requirements for CWSRF/DWSRF Funding

Davis-Bacon Wage Requirements

• All laborers or mechanics employed by contractors or subcontractors must be paid the prevailing wage rates pursuant to the Davis-Bacon Act.

http://www.twdb.state.tx.us/stimulus/index.htm - Click “Davis-Bacon”

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Potential New Requirements for CWSRF/DWSRF Funding

Buy American Requirements

• Any funds used for construction, alteration, maintenance or repair of a public work must use American made iron, steel, and manufactured goods.

http://www.twdb.state.tx.us/stimulus/index.htm - Click “Buy American”

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Potential New Requirements for CWSRF Funding - Green Projects

• TWDB anticipates that the CWSRF program will be required to set aside 20% of the funds received from the CWSRF capitalization grant to be used for green projects, referred to as “Green Reserve”.

• Entities interested in being considered for green reserve funding should submit information relevant to the green aspects of any proposed projects along with a green business case.

www.twdb.state.tx.us/stimulus/cwsrf_application.htm - Click “TWDB CWSRF ARRA Green Guidance”
Applicant hires Consultants; Engineer/Financial Advisor and Legal Counsel

Pre-Application Conference

Applicant submits Financial Assistance Application (1st of the Month)

TWDB Board Approves the Application (1st of the Month)

Apply for credits

For SRF programs only: Potential Applicant submits project information to the Intended Use Plan for the Priority Ranking List.

For SRFs: Invitations are sent to those above funding line

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CWSRF Closing and Release of Funds

• EID and Preliminary Engineering Report may be funded at closing (Predesign Funding Option)

• Remaining project funds are placed in escrow

• Funds are released from escrow in installments as specified milestones are reached