TDEC’S WATER INFRASTRUCTURE INVESTMENT PROGRAM

Understanding the State’s Deployment of American Rescue Plan Dollars towards Water Infrastructure Projects

For DRAFT Investment Plan
The Need for Water Infrastructure Improvements

Tennessee’s communities and economy rely on access to clean, reliable, and abundant water resources.

• There is a necessary investment estimated at $5 to 15 billion between now and 2040 to address Tennessee’s water infrastructure
• Tennessee faces challenges like other states across the country...
  ▫ Aging water distribution and collection lines
  ▫ Outdated treatment facilities at or near capacity
  ▫ Limited financial resources for necessary maintenance, upkeep, and expansions
Let’s get quickly oriented!

- TDEC Water Infrastructure Investment Plan Storyboard Video
Draft Infrastructure Investment Plan is LIVE

- Available at https://www.tn.gov/environment/arp/tdec-funding-plan.html
- Public comments accepted through October 29, 2021
- Final plan expected in November or early December 2021
Current Eligibility Based on US Treasury’s Interim Final Rule
Water and wastewater infrastructure projects that align with clean water and drinking water State Revolving Fund (SRF) eligibility, such as:
• Comprehensive asset management
• Line replacement
• Plant/facility upgrades
• Regionalization and consolidation
• Stormwater management
• Nonpoint source pollution
• Water conservation and energy efficiency
• Water storage
• Workforce training

Final Rule anticipated Late Fall 2021
This eligibility applies to local ARP dollars as well as state-administered ARP dollars
Framework for Infrastructure Investment Plan

- Encourage **community collaboration** to utilize their local ARP funds and other dollars in alignment with the State’s Infrastructure Investment Plan and other State-led priorities
  - Leverage local financial resources through co-funding based on Ability To Pay Index, as well as other potential factors

- Provide all communities the opportunity to **partner** with the State to address critical infrastructure needs across the state
  - Ensure support and program access for systems with the greatest needs, including small systems
  - Non-competitive grant format that encourages cooperation between counties, locals, and utilities
Framework for Infrastructure Investment Plan

• Ensure **fiscally responsible investments**
  ▫ Emphasize comprehensive asset management
  ▫ Encourage projects that will improve the financial sufficiency rating required for future SRF funding opportunities

• **Coordinate** with partner agencies and offices
  ▫ ECD, Comptroller’s Office, F&A, Governor’s Office, Financial Stimulus Accountability Group (FSAG)

• Informed by engagement with stakeholders, including the **Water Infrastructure Advisory Committee**
ARP State and Local Funding for TN

American Rescue Plan Fiscal Recovery Funds (US Treasury)

State Fiscal Recovery Fund (State of Tennessee)
- $3.725 billion

Local Fiscal Recovery Fund (Local Governments)
- $2.28 billion
  - Treasury distributes to Metro Cities
    - $516 million
  - Treasury distributes to Counties
    - $1.326 billion
  - Treasury to State as passthrough to Non-Metro Cities
    - $438 million

Summary for TN:
- $3.91 billion to state government
- $2.28 billion* to local government
  *Mix of direct and passthrough the state

Link to U.S. Treasury Resources on American Rescue Plan, including allocations to states and local governments
Proposed Approach to Funds Disbursement

Proposed Disbursement Strategies - $1.35 billion total
- Non-Competitive Formula-Based Grants ($1 billion)
- State Strategic Projects ($350 million)
- Competitive Grants with Leftover Dollars (TBD)

Priority Areas of Emphasis
- Comprehensive asset management planning
- Water loss and infiltration/inflow reductions
- Water quality
- Optimization and modernization
- Replacement of lead service lines
- Managing stormwater and green infrastructure
- Consolidation and regionalization
- Managing risk and building resilience to multiple hazards
- Enhancing service to underserved communities
- Partnership and collaboration
- Fiscal sustainability
Approach to Funds Disbursement

Non-Competitive Formula-Based Grants + State Strategic Projects + Competitive Grants

• Formula-Based, Noncompetitive Grants
  ▫ Provide funding for eligible projects that meet minimum requirements, subject to availability of funds and TDEC approval. **Counties cannot use these dollars for non-eligible projects**
  ▫ Encourage cooperation between counties, locals, and utilities. **TDEC will release a best practices guide to support collaboration between stakeholders**
  ▫ Empower local communities or utilities to select projects, with guidance from TDEC
  ▫ Each county eligible to receive a base allocation plus a portion of monies based on county population for water infrastructure projects in their county
  ▫ TDEC published proposed allocations for each county in October as part of its draft investment plan
  ▫ Sliding scale for co-funding requirements based on Ability to Pay Index and other considerations
Funding Allocation Formula

- TDEC has proposed using 20 percent of the $1B for the non-competitive grants to split evenly across all 95 counties (“base allocation”)
  - $2,105,263 per county
- The remaining 80 percent of the $1B will be divided proportionally amongst counties based on population
- Closely mirrors the allocation approach taken by US Treasury
- See the Draft Investment Plan for a complete list of county allocations
Co-Funding Requirements

- TDEC has proposed a **20-40 percent** co-funding requirement to receive dollars under this offering
  - A county's total available budget is their TDEC allocation + local co-funding
- Based on the Ability to Pay Index, which considers socio-economic and financial data
- Encourage leveraging local ARP dollars toward the co-funding requirement but other sources are accepted, including...
  - Cash
    - Local ARP funds
    - State Revolving Fund Loans or other financial assistance grants and loans
    - Cash reserves
    - Revenue Bonds
    - Public Private Partnerships or Sponsors
  - In-Kind
    - Goods or services, such as engineering plans and specifications, developed on or after March 3, 2021
    - Public Private Partnerships or Sponsors
Proposed Roles and Responsibilities

Counties
- Convene stakeholders and engage in collaborative conversations
- Aggregate projects submitted by water, sewer, and stormwater systems
- Complete and submit proposal to TDEC

Water, Sewer, Stormwater Systems including MS4s
- Complete the Tennessee Infrastructure Scorecard
- Identify projects worthy of funding and engage with county to have projects submitted in the county proposal

Collaborative Partners
- Contractors, consultants, other third-party entities
- Support in project and proposal development
- Assist with collaborative planning at the county and system levels
Non-Competitive Grant Application

- Anticipated to open in **early 2022** and close in **December 2022**
- Distinct from the State Revolving Fund application – will *not* require project be included in a state priority list
- Role for the counties to aggregate projects from water, sewer, and stormwater systems that operate and serve within their boundaries
  - Counties will be the proposal applicants to TDEC
  - Water, sewer, and stormwater systems expected to develop projects and submit these to the counties for inclusion in the county-wide proposal
- All systems within a county must be included in the proposal or justification provided if a system is not included
- Grant manual with additional information will be released in advance of application opening
Potential Approach to Funds Disbursement

Non-Competitive Formula-Based Grants + State Strategic Projects + Competitive Grants

• Potential State Strategic Projects
  ▫ Infrastructure Scorecards for All Utilities (confirmed)
  ▫ Funding for Select Community Development Block Grant and Infrastructure Planning Grants
  ▫ Non-Competitive Grant Program Project and Proposal Development Support for Small and Disadvantaged Communities
  ▫ New SRF Loan Incentive
  ▫ State Agency Priority Projects (including General Services projects)
  ▫ Industrial Site Development Projects
  ▫ Major Regional Water Supply Projects
  ▫ Statewide IT/GIS Project
  ▫ Education and Workforce Development Projects

• Competitive Grants
  ▫ Funded by unused noncompetitive grant allocations and remaining funds from state strategic projects
  ▫ Supports innovative approaches to enhancing water/wastewater infrastructure and implementation of best practices
Anticipated Timeline

Present proposed framework for water/wastewater infrastructure investment plan to Financial Stimulus Accountability Group (FSAG) August 4, 2021

Close comment period and initiate revision of draft water/wastewater infrastructure investment plan November 2021

Publish final water/wastewater infrastructure investment plan Late Fall 2021

Open process for non-competitive grant letter of acceptance and project proposals Early 2022

Deploy State Strategic Priority Projects

Publish draft water/wastewater infrastructure investment plan, open comment period October 2021

Anticipate release of U.S. Treasury ARP Final Rule Late Fall 2021

Engage in outreach to ensure communities are aware of funding approach, eligibility, requirements, and other critical elements Fall 2021-Spring 2022

We are looking forward to feedback received during the draft plan public comment period
**Tennessee Infrastructure Scorecard**

**Systems** shall complete the IS and provide it to counties for inclusion in the County Grant Application Proposal. Unless a county operates a utility, counties will not need to complete the IS.

*Version 2.0 coming November 2021 for Systems to Complete*

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**Asset Management**

- **I. Asset Management Overview***
  - Does your utility have an asset management plan (AMP)?
  - Is your asset management plan in a accessible format?
  - When was your asset management plan updated?

- **II. Current State of Utility Assets***
  - Does your utility have an inventory of assets?
  - Does your utility have assets mapped digitally using GIS or other technology?
  - If your system is mapped, is it linked to your AMP inventory?

- **III. Level of Service***
  - Does your utility meet current regulatory requirements?
  - Does your utility have clear goals that meet customer expectations?
  - How does your utility system communicate with the customer?

- **IV. Critical Assets and Sustainability***
  - Does your utility assess the probability of failure for inventoried assets?
  - Does your utility understand the consequences of individual asset failures?
  - Does the utility rank assets based on probability and consequence of failure?

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**System Information Sheet**

- Facility Name:
- Permit Number:
- Type of wastewater treatment plant facility
  - SELECT
- Age of wastewater treatment plant facility
  - SELECT
- Facility Hydraulic Design Capacity, MGD

**Wastewater Treatment Plant**

**Collection System**

- Type of collection system
  - SELECT
- Age of collection system in total years
  - SELECT
- Number of sanitary sewer connections
  - SELECT
- Number of commercial & Industrial sewer connections
  - SELECT
- Total system miles of line
  - SELECT

**Wastewater I/I Assessment Tool**

- Average Daily Dry Weather Flow (MADWF): What is the lowest 7-day consecutive flow your facility has experienced within the last year in MGD? (7 consecutive day low flow average)
- Average Daily Flow (ADF): Calculate the influent average daily flow based on the most recent 12 month or annual basis. (Make sure the year for your ADF calculation is the same year for your MADWF calculations)

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**Key Terms**

- SDNO: Significant Non-Compliance
- CMOM: Capacity, Management, Operation, and Maintenance

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*Footnotes indicated by an asterisk (*) listed below:

*1: It is recommended that a utility system have an asset management plan, the AMP is updated regularly, and is accessible and is updated by a qualified local official.

*2: It is recommended a utility system have an inventory of all assets, the inventory is updated regularly, and updated maps of as
Tennessee Infrastructure Scorecard

• How long will it take to complete?
  - Should take 1-4 hours for a medium/large utility to complete
  - May take up to 1 day for smaller utilities to complete, if data need to be compiled prior to completion of the IS

• What will the IS tell me?
  - A snapshot of financial, operational, and environmental characteristics of the system. The IS should support utilities in identifying priority projects to fund using ARP dollars

• How can systems get support to complete the IS?
  - TDEC has contracted with the Tennessee Association of Utility Districts (TAUD) to support systems in completing the IS
Communications, Education, & Outreach

- Engaging in a robust outreach campaign with partners and stakeholders
- Participating in forums and speaking engagements
- Presented at F&A Local Government Technical Assistance Program
• Review and comment on TDEC’s Draft Investment Plan, available online at tn.gov/environment/arp

• Collaborate and coordinate with counties, municipalities and utility districts to understand needs and develop priorities
  ▫ TDEC encourages collaborative problem solving to address water, wastewater, and stormwater infrastructure challenges
  ▫ TDEC will release a best practices guide to support stakeholders in facilitating these conversations
  ▫ Planning activities are an allowable expense of grant dollars under Treasury's Interim Final Rule

• Consider co-funding options
  ▫ There are many allowable ways to meet the co-funding requirements, including leveraging ARP local dollars, contributions from municipalities or utility districts, and in-kind contributions

• Non-Competitive grant applications anticipated to open in early 2022
How to Stay Involved

• Website: https://www.tn.gov/environment/arp
  ▫ Draft Infrastructure Investment Plan is available and has a public comment period open until **October 29, 2021**
  ▫ Check the website regularly for updates
  ▫ Sign up for our email distribution list

• Email: TDEC.ARP@tn.gov
  ▫ Email questions or comments about the investment plan
THANK YOU