



# 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.**

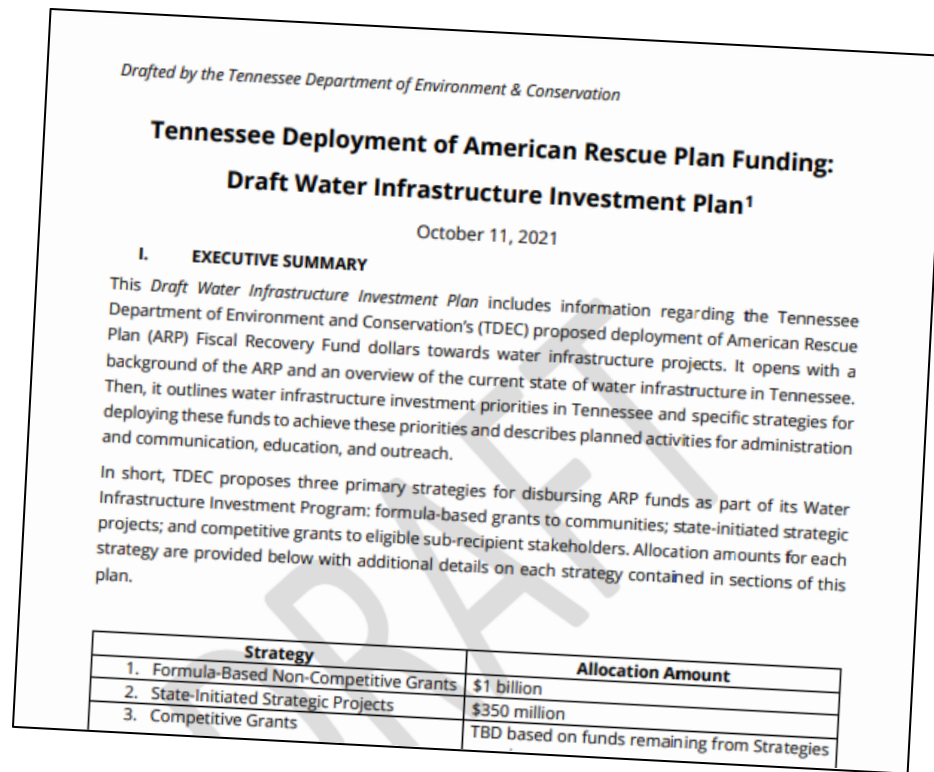
- There is a necessary investment estimated at \$5 to 15 billion between now and 2040 to address Tennessee's water infrastructure
- Tennessee faces challenges like other states across the country...
  - Aging water distribution and collection lines
  - Outdated treatment facilities at or near capacity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

# Water Infrastructure Investment Plan

- 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



# ARP Water/Wastewater Eligibility

## **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



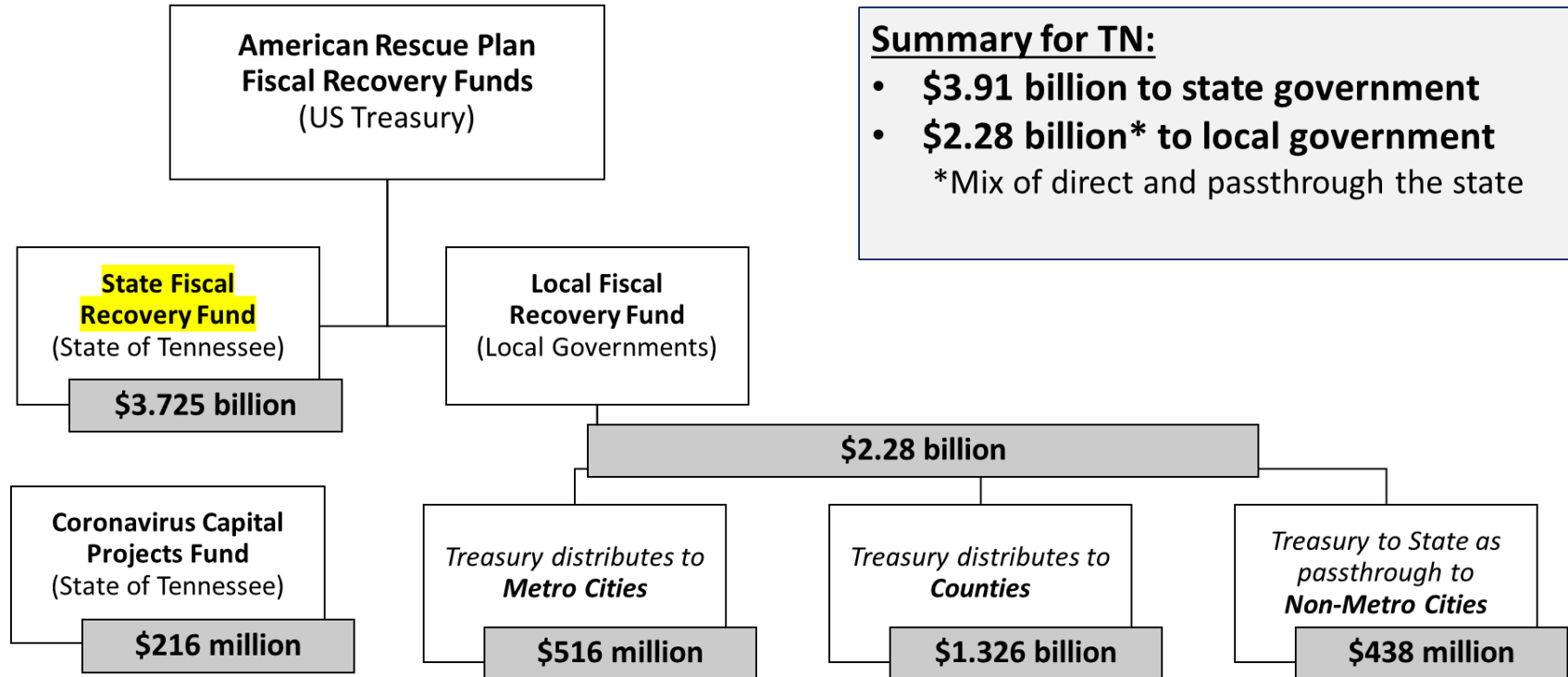
# Framework for Infrastructure Investment Plan

- 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

## Summary for TN:

- **\$3.91 billion to state government**
  - **\$2.28 billion\* to local government**
- \*Mix of direct and passthrough the state





# 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

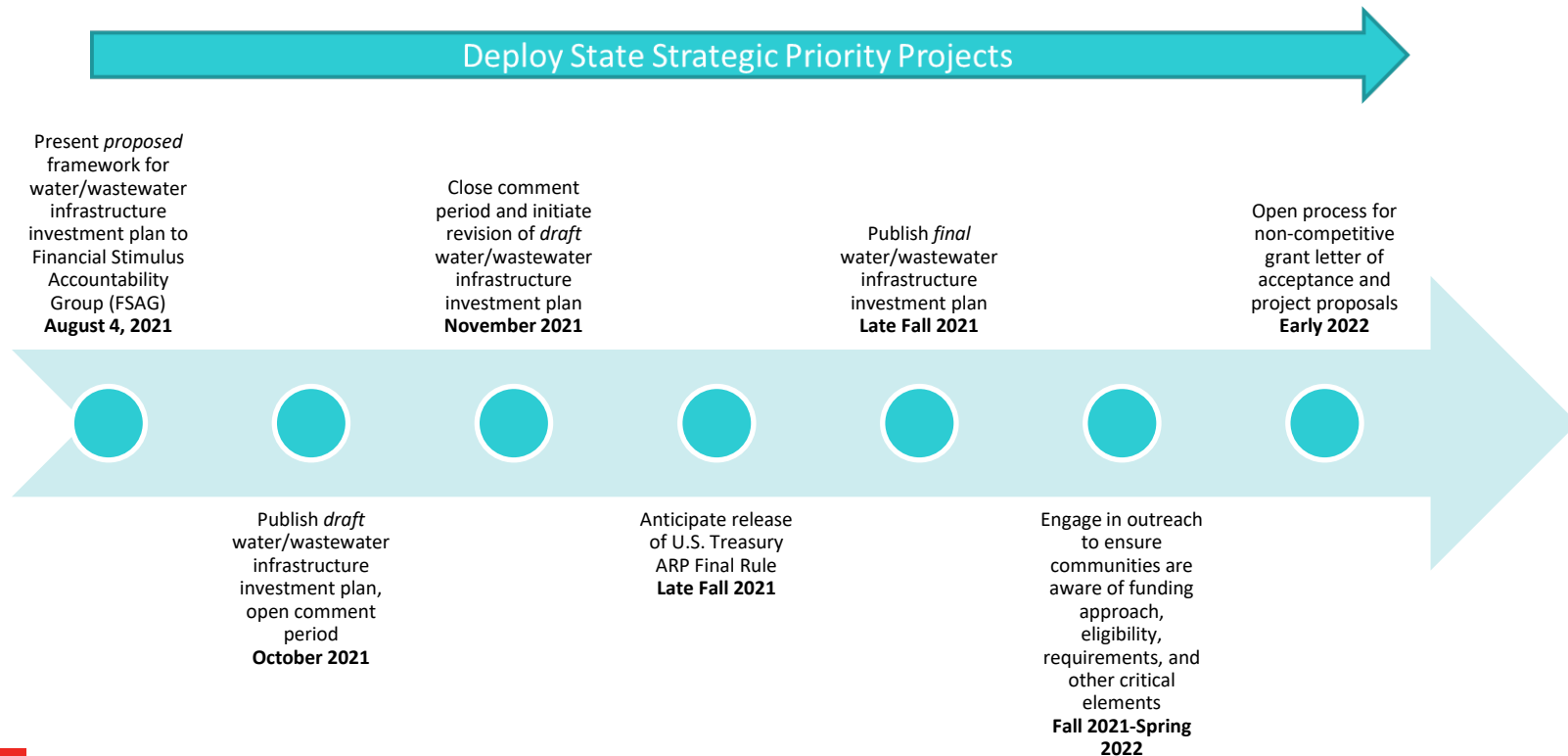
- Anticipated to open in **early 2022** and close in **December 2022**
- Distinct from the State Revolving Fund application – will *not* require project be included in a state priority list
- Role for the counties to aggregate projects from water, sewer, and stormwater systems that operate and serve 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





# 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*

ASSET MANAGEMENT		SYSTEM INFORMATION SHEET			WASTEWATER TREATMENT PLANT	
Facility Name:	NPDES/PWSID:	Facility Name:	Permit Number:		Type of wastewater treatment plant facility	SELECT
I. Asset Management Overview*						
Does your utility have an asset management plan (AMP)?	SELECT	Does your facility have any significant non-compliance issues?	No		Age of wastewater treatment plant facility	SELECT
Is your asset management plan in a accessible format?	SELECT	If yes, are the SNC's* reoccurring?	SELECT		Facility Hydraulic Design Capacity, MGD	
When is your asset management plan updated?	SELECT				<b>COLLECTION SYSTEM</b>	
II. Current State of Utility Assets*		Is your facility under a State mandated compliance order?	SELECT		Type of collection system	SELECT
Does your utility have an inventory of assets?	SELECT	Does your collection system have current GIS* mapping ?	SELECT		Age of collection system in total years	SELECT
Does your utility have assets mapped digitally using GIS or other technology?	SELECT	Does your collection have an ongoing CMOM* program?	SELECT		Number of sanitary sewer connections	
If your system is mapped, is it linked to your AMP inventory?	SELECT	Is your collection system actively addressing current I/I issues?	SELECT		Number of commercial & industrial sewer connections	
III. Level of Service*		Does your facility/system have any scheduled plans for upgrades?	Yes		Total system miles of line	
IV. Critical Assets and Sustainability*		<b>WASTEWATER I/I ASSESSMENT TOOL</b>				
Does your utility assess the probability of failure for inventoried assets?	SELECT	Average Daily Dry Weather Flow (ADDWF): What is the lowest 7-day consecutive flow your facility has experienced within the last year in MGD? (7 consecutive day low flow average.)		MGD	Total system number of lift stations	
Does your utility understand the consequences of individual asset failures?	SELECT	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 ADDWF calculation.)		MGD	Total system number of manholes	
Does the utility rank assets based on probability and consequence of failure?	SELECT	Average Daily I/I Rate (A(I)/I)		MGD	<b>KEY TERMS</b>	
V. Life Cycle Costs*		SNC: Significant-Non Compliance				
Does your utility use system knowledge to be proactive in O and M and replacement issues?	SELECT	CMOM: Capacity, Management, Operation, and Maintenance				
Does your utility consider life cycle costs when making infrastructure investment decisions?*	SELECT					
Does business risk drive investment in assets?	SELECT					
<b>FOOTNOTES INDICATED BY ASTRICK (*) LISTED BELOW</b>						

\*I: It is recommended that a utility system have an asset management plan, the AMP is updated regularly, and is accessible and and other relevant local officials.

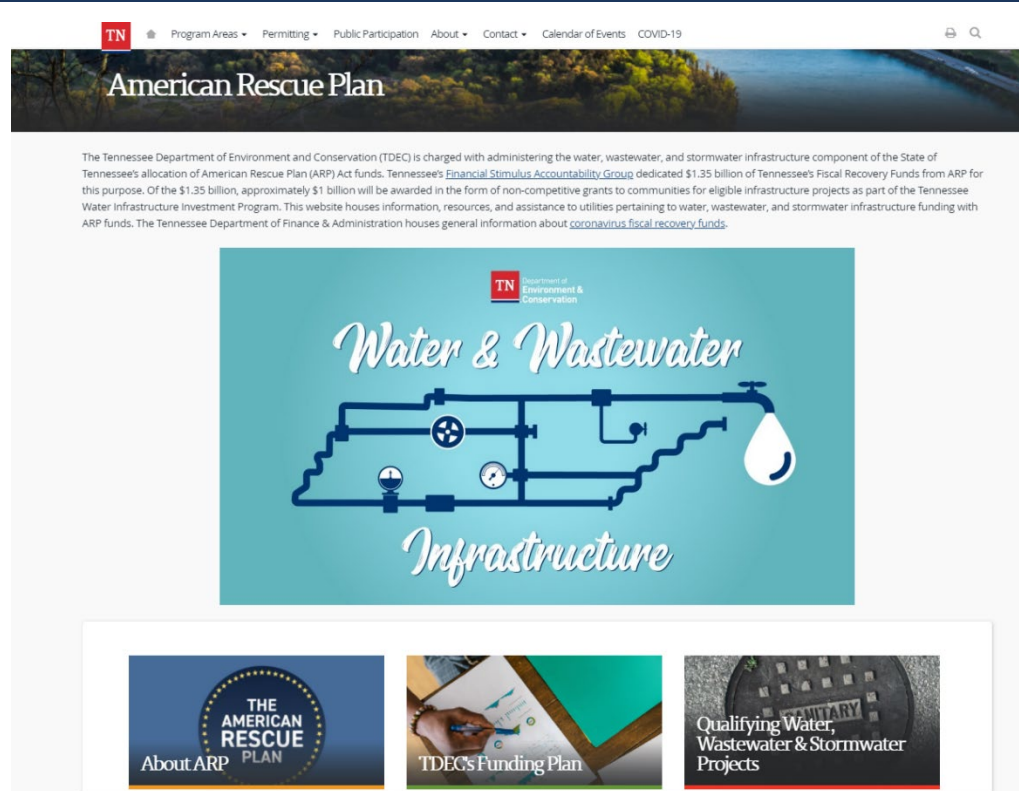
\*II: It is recommended a utility system have an inventory of all assets, the inventory is updated regularly, and updated maps of as

# 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



# Next Steps

- Review and comment on TDEC's **Draft Investment Plan**, available online at [tn.gov/environment/arp](https://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](mailto:TDEC.ARP@tn.gov)
  - Email questions or comments about the investment plan



THANK YOU