Navigating the State Revolving Fund (SRF) Loan Program

Director: Leslie Gillespie-Marthaler, Ph.D.
Overview

• What we do
• From Federal Grants to Loans
• Loan Activity
• Eligibility
• Types of Projects
• Small Communities
• SRF Loan Process
• Getting Your Funds & Repayment
• New Items
• Where to get more information

City of Chattanooga, Moccasin Bend WWTP Effluent Disinfection System Upgrade $33.1M

Alcoa Overlook Water Storage Tank $5M
To protect and improve waters of the state and to safeguard public health for Tennessee communities through:

- Low-interest planning, design & construction loans
- 0% interest, principal forgiveness, and extended loan terms to those who qualify
- New areas...
From Federal Grants to Loans

Each Federal Fiscal Year:

• The SRF Program receives Federal capitalization grants from the EPA for Drinking Water and Clean Water
• Federal funding (83.33%)
• State Match (16.67%)
• Loans to eligible entities
• Repayments and interest create the “Revolving Fund”
• Self-sustaining resources for future projects

Bloomingdale Utility District’s Waterline Replacement $2.5M

Elizabethton Waterline Replacement $650K
### Ability to Pay Index (ATPI)

Revised version developed by UTIA 2019:
- Clickable map of TN with counties and cities
- Drinking water and Wastewater rates dashboard
- Distribution of Ability to pay

#### Morgan Tennessee vs. Tennessee

<table>
<thead>
<tr>
<th>Measure</th>
<th>Morgan 2017</th>
<th>Tennessee 2017</th>
<th>Relative Trend</th>
<th>-2 STDEV</th>
<th>-1 STDEV</th>
<th>Tennessee</th>
<th>+1 STDEV</th>
<th>+2 STDEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Population (2013-2017)</td>
<td>-1.5%</td>
<td>3.0%</td>
<td>Losing population</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Poverty Level (2017)</td>
<td>16.6%</td>
<td>15.0%</td>
<td>Above state average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment Rate (January 2019)</td>
<td>4.7%</td>
<td>3.7%</td>
<td>Somewhat above state average</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Food Stamps (2017)</td>
<td>26.9%</td>
<td>15.7%</td>
<td>Very High reliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median Age (2017)</td>
<td>41.2</td>
<td>38.6</td>
<td>Older than state average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Median Age in years (2013-2017)</td>
<td>0.6</td>
<td>0.4</td>
<td>Above state's average shift in age</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Adjusted Median Household Income 2017 (MHI)</td>
<td>$42,580</td>
<td>$53,702</td>
<td>Very low MHI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Median Household Income (2013-2017)</td>
<td>2.9%</td>
<td>10.2%</td>
<td>Significantly below average change</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>2013</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>21,964</td>
</tr>
<tr>
<td>Median Age (years)</td>
<td>40.6</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$41,394</td>
</tr>
</tbody>
</table>

![UT Extension Institute of Agriculture](image-url)
**Loan Interest & Principal Forgiveness**

**Loan Interest Rates:**

- Example Interest Rate = (Base Market Rate)\*(ATPI)
- Market rate set weekly (State Municipal Market Data)

<table>
<thead>
<tr>
<th>(Example) BASE RATES FOR CALCULATION X ATPI</th>
<th>ABILITY TO PAY INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 YR</td>
<td>1.39%</td>
</tr>
<tr>
<td>10 YR</td>
<td>1.53%</td>
</tr>
<tr>
<td>15 YR</td>
<td>1.70%</td>
</tr>
<tr>
<td>20 YR</td>
<td>1.86%</td>
</tr>
<tr>
<td>25 YR</td>
<td>2.03%</td>
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<tr>
<td>30 YR</td>
<td>2.12%</td>
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</tbody>
</table>

Term is set based on type of loan and preference
Principal & Interest = payments

Principal Forgiveness can also be applied to loans with priority to:

- Small (population < 10,000)
- Disadvantaged (ATPI < 50%)
- State Identified Distressed or At-risk
- Communities who volunteer to pilot high priority projects with broader benefits

* Lower interest rates can be applied to Sustainable, Resilient, and Green Projects

ATPI = Ability to Pay Index Developed by UT
On an Annual Basis SRF Does:

- Between 20-30+ loans
- On Average $100 Million in obligated loans
- Roughly $23 Million (Cap Grant CW)
- Roughly $19 Million (Cap Grant DW)

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th># Loans</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CW</td>
<td>32</td>
<td></td>
<td>$186,073,956</td>
</tr>
<tr>
<td>DW</td>
<td>14</td>
<td></td>
<td>$7,513,725</td>
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<td></td>
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<td>$193,587,681</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>FY 2019 (as of 6/27/19)</th>
<th># Loans</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CW</td>
<td>16</td>
<td></td>
<td>$83,194,500</td>
</tr>
<tr>
<td>DW</td>
<td>8</td>
<td></td>
<td>$13,345,300</td>
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<td></td>
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<td>$96,539,800</td>
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</tbody>
</table>
Eligibility

- Counties
- Cities
- Municipalities
- Water Authorities
- Utility Districts
Types of Projects

**Clean Water:**
- WWTP upgrades & improvements
- I&I correction / collection system rehab
- New collectors & interceptors
- Combined sewer overflow correction
- Stormwater management
- Recycled water (gray water)
- Decentralized systems
- Water conservation, energy efficiency, nutrients
- Green infrastructure
- Land acquisition / brownfields

**Drinking Water:**
- Compliance
- Treatment
- Storage
- Transmission & distribution
- Consolidation / regionalization
- Water loss / distribution system rehab
- Creation of new systems
- Source water development
- Wellhead protection
- Green infrastructure
- Water conservation & energy efficiency / optimization
## Small Communities: How to Navigate SRF

- May benefit from applying for a planning and design loan (significantly lower cost, interest, and term of 5 years)
- Help identify issues and develop a plan for a construction loan at a later time

### Clean Water:
- Interest rates below market (as low as 0%)
- Principal forgiveness
- 30-year term for all communities
- Planning and design loans up to 5 years to identify issues and develop a plan (prior to construction)
- Water loss training
- **Technical assistance:** asset management, optimization, treatment, water loss, etc.
- New Grants (TBD)

### Drinking Water:
- Interest rates below market (as low as 0%)
- Principal forgiveness
- 30-year term for all communities
- 40-year term for economically distressed communities
- Extends repayment initiation to 18 months (up from 12) after project completion
- Additional subsidy to economically disadvantaged communities (6-35%)
- Planning and design loans up to 5 years to identify issues and develop a plan (prior to construction)
- Water loss training
- **Technical assistance:** asset management, optimization, treatment, water loss, lead, etc.
- New grants under AWIA
SRF Process

Milestones for each calendar year:

1. Solicitation for Clean Water and Drinking Water Projects (Sent: January 22, Deadline: February 22)
2. Project Scoring (March/April)
3. Develop/Finalize of Priority Ranking Lists (June)
4. Intended Use Plans (IUP) Meeting (July 18)
5. Apply for Federal capitalization grants (August)
6. Notify those on PRLs (August/September)
7. Second Drinking Water Project solicitation (August)
8. Notice of award (September/October)
9. Proceed to loan request process
Loan Request Process

Planning, Design, Construction:
1. Letter of request
2. Submit Planning Documents and Specifications
3. Project Description & map
4. Financial sufficiency review
5. Loan application
6. TLDA loan approval

Planning & Design:
1. Letter of request
2. Financial sufficiency review
3. Loan application
4. TLDA loan approval
Getting Your Funds & Loan Repayments

Getting your funding:
1. Submit reimbursement, including cost estimate and invoices
2. Review, approve, process

Repaying your loan:
1. At 90% of loan, determine options for reimbursement of balance
   - Monthly
   - Lump sum
2. Start paying loan back
Pilot Projects

Pilot projects for emerging issues like:

- Lead testing
- Disaster resilience
- Urban waters/TNPOP
- Water loss

Sustainable & Resilient Projects

Nashville 2010 Flood

2011 Flood West TN

Department of Environment & Conservation
Training

Current and new training opportunities:

- Fleming Training Center (current)
- Water Loss Training (State FY 20)
- Technical Assistance (State FY 20)
- Urban Waters (State FY 21)

- Stopped loss > 147 MGY
- Reduced costs by > $1M
- Postponed $15-20M in upgrades

George C Garden, PE BCEE

Training Assistance
Technical Assistance

Expand opportunities for assistance like:

• Capacity development (State FY 20)
• Asset management (State FY 20)
• Optimization – treatment (State FY 20)
• Optimization – energy, nutrients, etc. (State FY 20)
• Community infrastructure workshops (State FY 20/21)
• And more....
Outreach & Education

Coming to you in the near future...

- Website overhaul (by July 18)
- Community meetings (TBD)
- Program updates and shared information
- Electronic communication and processing (solicitations, applications, etc.)
We will all be partnering to review small and disadvantaged communities to provide the best solutions:

- TDEC SRF / DWR (ESU, DW)
- TN USDA-Rural Development
- Department of Economic & Community Development (CDBG, etc.)
- Comptroller (Utilities)
Partners Additional Resources

**USDA**

- Legal and engineering fees
- Solid waste collection, transmission and disposal
- Interest incurred during construction
- Purchase of facilities to improve service or prevent loss of service
- Water and land rights, permits and equipment

**ECD CDBG**

- Grant based but ability to pay matching
Where to Go for More Information

Ask.SRF@tn.gov.

[tn.gov/environment/topic/wr-srf-state-revolving-fund-program](tn.gov/environment/topic/wr-srf-state-revolving-fund-program)

Phone: 615-532-0789